

IMPACT Cooperative: CRM Strategy and Implementation (B)

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June 2003

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CRM at IMPACT

John Graham, CEO; Phil Brewer, Agronomy Division Manager; and Luke Lightfoot, Marketing Coordinator, were reviewing the CRM initiatives the large Indiana cooperative had pursued over the past year. Clearly progress had been made since the firm began formalizing its CRM efforts just over a year ago. The cooperative had been working to clarify its value proposition in the market; much more detailed data had been collected on the firm's largest customers; a serious look had been taken at alternative business models to serve different segments in the firm's market; and Lightfoot had been brought on to provide a central point of focus for these efforts. Perhaps of most significance, the organization believed that customer relationships were at the very center of how value was added at the local level. All three were well aware that they had really just begun this process. Now the questions focused on taking this CRM initiative to the 'next level'. What organizational changes might be required? What about information systems and data management? What milestones should the organization set as they evaluated their progress?

IMPACT COOPERATIVE –

One of the largest Indiana cooperatives, IMPACT – meaning Indiana's Most Progressive Agricultural Cooperative Team -- was recently named 39th on a list of the top 100 dealerships and coops in the nation by *CropLife* magazine.

A local farmer-owned cooperative, IMPACT generates about \$150 million in sales annually, including 11 million gallons of refined fuels. They handle 40 million bushels of grain such as corn, soybeans and wheat. The organization also moves three million gallons of propane, 60,000 tons of fertilizer and generates \$12 million in crop protection chemical sales.

IMPACT is structured in three business units: Agronomy, Energy, and Grain. The grain business is most significant of the three in terms of volume, but agronomy is the most profitable, and the business experiencing the most radical shift given current market conditions and the resulting pressure and squeeze on margins. IMPACT has 11 different agronomy locations across the state.

As the P (progressive) in the name IMPACT implies, the cooperative is committed to serve producers with the most innovative, progressive and technologically advanced programs and systems. They consider themselves the leader in this area and believe their future success hinges on their ability to provide quality resources through their technology and top-notch employees. IMPACT's management invests heavily in time, dollars, and other resources to develop the expertise of its personnel and is proud of their combined ability to use this expertise with customers to create and add value.

LUKE: I would like to add a copy of IMPACT's vision/mission statement here if you think it is appropriate? Can I get a copy from you?

THE DIVISIONS –

IMPACT's Energy division consists of liquid fuels such as petroleum or propane and serves producers' diesel fuel needs as well as the fuel needs of commercial accounts. Also under this division is a home heating and delivery service. A few years ago, IMPACT began using monitors to electronically track customer tank levels. As a result, they were able to more efficiently determine customer needs and minimize trips to monitor inventory levels. There is a continued

interest in focusing on service within this division, but currently the business is very much driven by logistical on-time delivery of a commodity-based product.

The Grain division includes 7 grain elevators, one direct-purchase location and 11 million bushels of storage capacity. The division's size allows contracting opportunities for farmers that other smaller coops cannot offer, as well as market advisory, crop insurance and brokerage services. With the exception of the contracting programs, opportunities to provide value-added services are limited given the commodity focus of this business.

The Agronomy division offers the most potential in terms of service orientation and IMPACT is continually looking for new avenues to pursue in order to combat the ongoing margin squeeze in this business. This is especially important longer term as they foresee even more of a shift towards commoditization when major crop protection chemicals come off patent and more generics enter the market.

Agronomy personnel work in close partnership with many customers. The focus is on relationship-building -- communicating the expertise that IMPACT can offer; getting the customer to share goals and needs; and determining where needs and expertise come together. Agronomy managers often tell Phil that price isn't even raised with several customers -- the customer knows the value IMPACT provides, they like the program, so they come in and say, XX Farm is ready, and they turn it over to the IMPACT manager.

In an effort to further differentiate themselves, IMPACT trademarked their site-specific services a few years ago. One of the focuses of the Agronomy division, GrowMax™ global positioning system, allows IMPACT to provide important soil sampling, yield monitoring and crop data management services. These services allow close partnering relationships with customers and are often a deterrent to the customer switching suppliers simply based on price. The organization believes such local 'branding' is a critical element in helping to communicate the IMPACT point of difference. Along this line, IMPACT is looking hard at the credit area, exploring ways to make credit and credit programs an integral part of the firm's value bundle for farmers.

Also consistent with their strategies to lead in technology and to segment their customers and offerings, is their current effort to meet the specific needs of the larger farmers in their market area. IMPACT has worked with a consulting firm to evaluate the different needs that larger farmers have vs. smaller operations through a customer survey. As these data are fully explored, it is expected that new marketing strategies for this group will be developed.

Luke: it would be awesome to include a few of the most important findings of that survey, but that may not be possible, or you may have no interest in sharing these.

CUSTOMER PHILOSOPHY -

IMPACT's focus on service has been a result of the deep relationships they have developed with farmers and the strong direct influence they have on those operations, given the trust that has been built over time. Their core customers see IMPACT as a major contributor in helping them make the best decisions for their operations. Non-customers are typically very large operations that are price oriented, tend to believe they can do everything for themselves, and also believe they really don't need IMPACT or its services. They are very independent and not likely to partner with any supplier. The cooperative continues to wrestle with their ability to create value for this type of customer.

Each IMPACT branch location is very familiar with its top 20 accounts -- those customers that do significant business with IMPACT (perhaps ¾ the customer's total volume). Although market segmentation hasn't formally been conducted to date, salespeople have been asked to help gather information in order to more formally segment the market. To date, basic information on more than 300 customers has been entered into an Access database. Local IMPACT

managers have shown some resistance to this data collection process – questioning the value of the data when ‘they know the accounts’, not wanting to make the effort to fill in the data gaps they can fill in ‘off the tops of their heads’, and generally wondering what the data will be used for. At this point, the database is not accessible directly by local managers.

Transactions data is available on each of these 300 accounts, but has not been linked in any way with the customer profile data. Graham, Brewer, and Lightfoot are frustrated by the multiple sources of data on each customer within the cooperative, but IT investment dollars are not easy to come by, and the new IMPACT-Midland LLP (see below) has put some of these IT investment decisions on hold. By next spring, the firm wants to have each of these customers classified on the basis of their primary buying behavior – likely around a business, relationship, economic buyer classification.

As of yet, these customer data have not been used extensively – the primary focus has been on data collection. Initially, Lightfoot sees using the data to identify prospects for cross-selling, to develop an e-mail contact list for the firm’s agronomy newsletter, and to use for other targeted marketing communications. Other uses of the data are still being explored. While the cooperative has given some thought to how the data will be used, the information collection continues to evolve as new information about each customer becomes necessary for a specific purpose. Another challenge is collecting data on prospects, to some extent within the current trade area, but even more significantly, out of the current trade area. Obtaining any kind of detail and qualifying this data has been something on Lightfoot’s mind.

As IMPACT evaluates customers and prospects, by design, minimum time is spent with those operations that lack business potential. However, consolidation at the farm level, and the high costs IMPACT incurs in maintaining its ability to serve, demand that the co-op develops its ability to work with the price buyer. IMPACT’s costs will never be as low as the non-traditional supplier/commodity provider in the area, but they must remain competitive. And with some customer groups, IMPACT management believes their costs may prohibit them from being there.

INTERNAL ORGANIZATION –

Currently, IMPACT is organized around the three business units – Energy, Grain, and Agronomy. Facility managers have responsibility for sales and profit at their facilities, and work very hard to drive location profitability – in part because their compensation is tied to location profitability. Given changes in the market, this location focus is starting to raise a number of questions. How should larger customers who have operations which must be served out of several IMPACT locations be handled? How does IMPACT maximize share of farm, instead of simply maximizing agronomy revenue, grain revenue, and energy revenue. Facility managers are very focused on maintaining strong relationships with important accounts and aren’t anxious for someone from another division ‘messing that relationship up’. Lightfoot has begun analyzing transactions data with a focus on developing prospect list for cross-selling opportunities and while this is an important first step, all three know more will be needed.

COMPETITIVE ENVIRONMENT –

Competition in the market area is relatively fierce. Three chemical warehouse place significant price pressure on the regional market. Royster-Clark, a national, also plays heavily in the situation, competing on price as well as providing various retail services that the warehouse often cannot. In addition, a few independents still operate successfully in the area, as do a number of other cooperatives. IMPACT generally knows where to ‘push buttons,’ with the co-ops given the fundamental understanding of their business model and profit structure.

Just a few years ago, IMPACT management might have predicted that Internet-based competitors were going to play a major role in their market, but that never materialized. Currently the Internet is only used for price discovery and IMPACT employees spend a great deal of time defending their position and explaining why their customers see that difference in

price. However, IMPACT is now exploring its own Internet-based business model to serve the price-driven buyers in their market.

Continued consolidation and transition among major manufacturers has contributed to the stiff competition. Marketing programs based on volume often force firms like IMPACT to offer fewer lines to the customer. So far, while IMPACT has made some difficult decisions regarding its suppliers, they have resisted alignment with any manufacturer, believing there still could be market shake-out. Some local competitors, however, have aligned further with significant manufacturers and as a result, have been allocated additional resources, intensifying local competition.

IMPACT-Midland, LLP. –

In the Spring of 2003, the boards of IMPACT Cooperative and Midland Cooperative approved the formation of IMPACT-Midland, LLP. Midland is also a large Indiana-based cooperative serving central Indiana and southern Ohio. Midland's annual sales are approximately \$XX million, and the organization is especially strong in the agronomy and energy markets. The IMPACT-Midland, LLP represents an exceptionally large retail organization, and was formed to pursue economies in purchasing and administration – customers of both organizations will still deal with IMPACT and with Midland. Midland understands and buys into the basic tenets of customer relationship management. However, IMPACT has been much more aggressive in terms of implementing the idea and collecting data to support CRM. Clearly, this is an issue that both organizations will need to address as they look to exploit the potential economies of information collection and management.

Challenges –

The agronomy industries are evolving at an unprecedented pace. IMPACT is convinced that relationships, and the 'right' CRM strategy, are critical to the firm's long term viability – and in terms of continuing to add value for Indiana (and now Ohio) farmers. But, resources are limited, traditional customers and relationships are still important, and the competition continues to evolve.... John, Phil, and Luke know important decisions are at hand.

YOUR ASSIGNMENT –

1. Where should IMPACT go next with its CRM strategy? What is the next set of steps? Give some thought to data/technology issues and people/organizational issues. Can you put a time dimension on your ideas?
2. What are the biggest challenges you feel IMPACT will need to address as they continue to roll out their CRM strategy?
3. What don't you see in the case study? What is IMPACT missing as they move forward?