

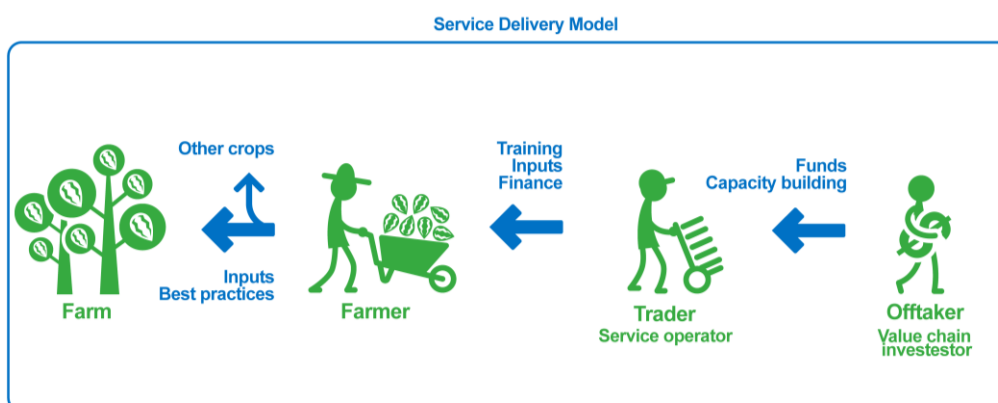
Driving performance in service delivery

Supply chain performance

The success of a supply chain is measured by its ability to move goods and services from farm to consumer. This drives competition, often preventing best practices from being broadly shared between supply chain actors, particularly in the delivery of inputs and other support services to smallholder farmers. Do you know how cost effective your supply chain is in delivering services? And what can be done to improve your return on investment?

Service Delivery Models

Service Delivery Models (SDMs) are the mechanisms or structures in which support services are channeled through the supply chain to improve performance and value creation. In many commodity supply chains, such as coffee and cocoa, performance is lost at various places, through, for example, poor agricultural practices or lack of access to finance for input supply and productivity investments.



To counterbalance these losses, there is a great deal of public and private investment in service delivery. There are however, no proven models or mechanisms, no benchmarks, and no established best practices, meaning service operators and value chain investors are often reinventing the wheel. As a reputable co-funder and convener of precompetitive initiatives in supply chains, IDH is well positioned to bring key partners together to gain insight into the effectiveness of existing SDMs. Through these insights supply chains can increase productivity, add value, and decrease costs of delivering services through supply chain structures.

Benefits of SDM insights

There are significant and strategic benefits for the supply chain in gaining insight into the cost effectiveness of existing SDMs, related to performance data on profitability, productivity, and producer payback.



Farmer

- Understand the effect of using service on own profitability
- Transparency on who to work with



Trader

- Insight into the effectiveness, efficiency and viability of own model
- Insights into the key levers to improve SDM performance
- Learn from SDMs in other crops and geographies









Offtaker

- Clarity ROI and value creation at farm level
- Smarter and better informed investment decisions

Key Performance Dashboard

In the first phase of the project, IDH has worked with consultants from KPMG and NewForesight plus two partners in cocoa and one in coffee. A template was developed to analyze the performance of SDMs, as well as compile preliminary results on which SDMs are most efficient. From this analysis, key performance ratios and crucial levers for SDM improvement were identified. A dashboard of these results has been developed for farmers, service providers and value chain investors.

Key Ratios	Service Provider 1	Service Provider 2
Total program EBIT/kg (% of market price)	\$0.60/kg (20%)	\$0.18/kg (8%)
EBIT/kg with 20% interest on funding	\$0.59/kg	(\$0.05)/kg
Loyalty Yr 10 (uptake %)	60%	14%
Productivity gain by Yr 10	400%	60%
Payback period full program	11 years	11 years
Payback period per actor	 12  2  11	 ∞  2  4

Through these insights a simulation model was created, which allows supply chain players to see the effects of possible modifications in their SDMs. The model is able to simulate which participant of the supply chain will benefit the most, to what degree changes are necessary and possible outcomes from modifications.

Levers	Service Provider 1		Service Provider 2	
	Risks	Opps	Risks	Opps
Farmer productivity	●	●	●	●
Finance costs	●	N/A	●	N/A
Uptake	N/A	●	N/A	●
Price to final link in program	N/A	N/A	●	●
Effective yield / kg raw product	●	●	●	●
Farmer training costs	N/A	N/A	●	●
Other training costs	N/A	N/A	N/A	N/A
Input costs	●	●	N/A	N/A

- High risk
- Medium risk
- Low risk
- High probability
- Medium probability
- Low probability

Join us

In the second phase, which starts in April 2015, the number of cases is being upscaled to enable broad learning between sectors. IDH is looking for partners that see the value of participating in an innovative SDM analysis and are willing to join as a SDM partner. The study is done in a secured environment that ensures the confidentiality of the data provided.

Gain insight into your own SDM and learn from the practice of others.

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