



# Outside the Box

► by Tom Field, University of Nebraska–Lincoln

## Make 2016 the year of the customer

*Without a doubt, the past decade has been a period of extraordinary profitability for the cow-calf sector. As a result, the seedstock industry has enjoyed historic gross revenues. Widespread drought, a long period of a weak U.S. dollar, an unprecedented run up in commodity prices, and a short beef supply played the starring roles in creating the perfect storm that underpinned these historic levels of economic success for cattle producers.*

*However, as history has taught us time and time again, commodity markets undergo corrections as technical factors normalize, and as supply and demand forces exert their influence. As Newton observed long ago under the apple tree, what goes up will come down.*

### The sky is not falling

The last quarter of 2015 has seen a significant market correction for feeder calves as cattle feeders struggle to find margins. A strengthening dollar will press the brake on exports, and retail prices are testing the limit of consumer willingness to purchase higher quantities of beef. While calf prices are likely to remain at profitable levels, especially for those producers who have maintained a disciplined approach to cost management while holding productivity at or above industry averages, there will be a collective tightening of the proverbial belt.

What does all of this mean for bull prices in 2016? Logic would suggest that willingness to bid up bulls across the board will soften as customers take a more conservative view. Is the sky falling? Hardly, but the game has changed and requires that the seedstock sector adjust accordingly. The central focus of seedstock enterprises for the foreseeable future should be directly on the customer.

Business is fundamentally about solving problems for customers. Price cycles do not change this reality. Four assumptions about customers often prove fatal to an enterprise.

- The current playbook is on the money.
- Customers like our product/service as much or more than we do.
- We are clever enough to forecast what customers need.
- Shoot-for-the-moon strategies are required.

### The current playbook

Every plan or model is founded on a set of assumptions. Period. Effective leaders spend the time and energy to relentlessly examine their assumptions and test them against the realities of the current situation. Testing

**Fig. 1: The loop of despair**



**Fig. 2: The path of reason**



assumptions requires having the discipline and courage to ask difficult questions.

### Customers love our product/service

As Kodak learned, customers loved having great images documenting their lives and experiences. However, it turns out that they were not at all committed to having a paper copy of those images. It is easy for vanity to creep into our thinking — and the seedstock business is no different. “Barn blindness” has challenged breeders of every generation and, if left unfettered, this tendency leads to what entrepreneur Diana Kander calls the “loop of despair” (see Fig. 1).

In this model, the customer is the last link in the chain and, while this approach is particularly dangerous to a startup seedstock enterprise, it is also problematic for even the most successful enterprise. Fig. 2 illustrates a more reasoned approach that places the customer’s perspective at the forefront of product development, decision-making and marketing for the enterprise. Kander’s work *All in a Startup* provides a highly useful format to determine which road an enterprise is taking.

### We are clever enough to forecast what customers need

Assumptions two and three are closely related and require constant attention from the leader of an enterprise. How many times

do we hear a conversation where an underlying, if not an overt, assumption is that the poor old commercial cow-calf producer just doesn’t understand what they need?

Those conversations usually end up focused on how fortunate for them that the seedstock breeder has it all under control and all a customer needs to do is come to the sale and get their hand in the air. Too often in business we treat the process of meeting customer needs like a complex problem requiring expensive market forecasts, three-day internal retreats to build marketing campaigns, and even more inward-looking strategizing and discussion.

In fact, there is one sure-fire way to understand customers’ needs — *ask them!* In the early days of McDonald’s, founder Ray Kroc spent hours in stores in face-to-face interaction with customers. The beauty

of his approach is it’s available to everyone. The amazing reality is how few business leaders actually use it!

### Shoot-for-the-moon strategies are required

Somewhere along the way, we began to assume that complexity was a prerequisite for excellence. Perhaps it’s the love of technology or the penchant for “bigger, better and faster,” but the grand strategy rarely provides the outcomes we expect. Organizations facing tightening margins and feeling the squeeze of change in a highly competitive environment tend to get caught up in wholesale change, radical shifts in direction and expensive retooling. Are those approaches necessary?

Sometimes, but they should never be undertaken without taking the time to connect with customers. In truth, most seedstock suppliers could allocate 10 hours a month to making phone calls to current and potential customers, another 10 to be attending local and regional events that offer solid networking opportunities, and another 10 to writing handwritten notes simply to stay in touch. Thirty hours a month engaged with customers — it’s an hour a day that will be the difference between success and failure.

Make 2016 the year of the customer.

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**Editor’s Note:** Tom Field is a rancher from Parlin, Colo., and the director of the Engler Agribusiness Entrepreneurship Program at the University of Nebraska–Lincoln.