Examples of Different Value Chains

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### Table 1. Sectoral Groups: A Pavitt Taxonomy for Latin America

<table>
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<th>Groups</th>
<th>Industries</th>
<th>Learning Patterns</th>
<th>Description</th>
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</table>
| 1. Traditional Manufacturing | Textile and garments, Footwear, Furniture, Tile | Mainly Supplier dominated | • Most new techniques originate from machinery and chemical industries  
• Opportunity for technological accumulation are focused on improvements and modifications in production methods and associated inputs, and on product design.  
• Most of technology is transferred internationally, embodied in capital goods.  
• Low appropriability, low barriers to entry |
| 2. Resource-based industries | Sugar, Tobacco, Wine, Fruit, Milk, Extraction industries | Supplier dominated (Science-based) | • Importance of basic and applied research led by public research institutes due to low appropriability of resources  
• Most of Innovation is generated by suppliers (machinery, seeds, chemicals etc.). Increasing importance of international sanitary and quality standards, and of patents |
| 3. Complex Product Systems industries | Automobile and autoparts, Aircraft, Consumer electronics | Scale intensive firms | • Technological accumulation is generated by the design, building and operation of complex production systems or products. Radical innovation is risky.  
• Process and Product technologies develop incrementally. For consumer electronics, technological accumulation emerges mainly from corporate R&D labs and university skills.  
• Appropriability is medium, barriers to entry high |
| 4. Specialised Suppliers | Software | Specialized suppliers | • Often-small firms. Important user-producer interactions. Learning from advanced users.  
• Low barriers to entry and low appropriability  
• High in-house R&D for development of edge technologies |

AUTOMOBILE SUPPLY CHAIN

Design (High Value Added) - After researching consumer wants and needs, automakers begin designing models which are tailored to the public demand. In the past, this design process has taken up to five years. Today, however, through the extensive use of computers, it is possible to develop prototypes, or "concept cars," from sketches in less than a year.

Raw Materials (Low Value Added) - These include rubber, glass, steel, plastic, and aluminum. Over the past few years, the cost of raw materials has increased significantly, mostly due to the price increase of oil and natural rubber. Also, companies are now using aluminum and plastic in place of steel whenever possible in order to lessen the weight of the automobiles, which in turn improves fuel efficiency.

Parts (Medium Value Added) - Tires, windshields, and air bags are examples of parts. While the automobile industry as a whole has become more consolidated, the U.S. auto parts sector remains highly fragmented. It includes four primary sub-categories: original equipment manufacturers (Delphi and General Electric), replacement parts manufacturing (Cooper Tire and Rubber and Federal-Mogul), replacement parts distribution (NAPA), and rubber fabricating (Goodyear and Cooper).

Assembly (Medium Value Added) - Due to the combination of rising raw materials' costs and consumers' eternal search for the lowest price, companies are looking for ways to cut costs out of the manufacturing process. Recent trends to reduce costs include using fewer parts in each vehicle component, minimizing industrial waste and pollution, and having parts delivered to assembly plants on a just-in-time basis.

Marketing (High Value Added) - Marketing is an integral part of the value chain, since it is the primary basis for consumers' perceived values. Automakers and individual dealers work together to create national, regional, and local marketing strategies. These may include television and radio advertising or special incentives offered to customers. In addition, firms have started advertising more online. GM, for example, spent 67% more on online advertising in 2005 than it did in the previous year.

Distribution and Sales (High Value Added) - After production is complete, automobiles are shipped to dealerships around the world to be sold. As mentioned previously, dealers may offer incentives to increase sales.
Automobile VC

Source: Stephan, 1999. Consequence of changes in value-added strategies for the sourcing behaviour of OEMs
TEXTILE INDUSTRY

Source: Euratex on CIRFS data, 2003
TEXTILE CHAIN

- The Textile and Apparel Supply Chain comprises diverse raw material sectors, ginning facilities, spinning and extrusion processes, processing sector, weaving and knitting factories and garment (and other stitched and non-stitched) manufacturing that supply an extensive distribution channel. This supply chain is perhaps one of the most diverse in terms of the raw materials used, technologies deployed and products produced.
Figure 1: The Textile and Apparel Supply Chain
Chart C5.1
The Value Chain of Agriculture Specific Input and Service Suppliers

- Imports: Fertilizers, pesticides, agricultural implements
- Agriculture Specific Input Manufacturing
- Wholesale Agents & Brokers
- Agricultural Input Wholesalers/Retailers
  - Artificial insemination, veterinarian, crop spraying
  - Live animals, grains & oilseeds
  - Prepared animal feed
- Agriculture Specific Services
- Agricultural Production
- Non-Agriculture Specific Input Manufacturing
- Food and Beverage Production
- Exports: Energy
What is Value in Agro-food...?

Producer’s (Revenue)

Cost chain

Profit
Distribution
Marketing
Logistics
Production
Materials

The challenge:

Value proposition

Consumer’s (Willingness to pay)

Health
Life style
Convenience
Pleasure
Nutrition
Value and Supply Chain Issues

- Value builds up across the supply chain
- Upstream and downstream companies are interdependent
- Profit making positions are not uniformly distributed
- If input costs fluctuate, there is a price transmission uncertainty
- Some costs are external, eg. environmental
Steps for Agro–food SMEs

- Not only for multinationals
- SMEs also have unique and specific strategic capabilities!
- These can be inter–company combined to create value
- Examples:
  - Pain Quotidien : « social » network of sales points
  - Marcolini + Nestlé : international development
- Requisites:
  - assessing one’s own strategic capabilities
  - monitoring the business environment!
- A role for SME support agencies!
Tourism Value Chain

- **Tourism principal** – Supplier of tourism products and services

- **Intermediary** – In charge of bundling, packaging and promoting the products and services

- **Consumer** – Tourist and visitor
Traditional Tourism VC

- Consumer
  - National Tourism Organization
  - Regional Tourism Org.
  - Local DMO

- Travel Agent
  - Tour Operator
    - Group/Consortium CRS
      - Air Travel
      - Car Rental
      - Rail/Bus
  - GDS/CRS
    - CRS: Computerised Reservation System, GDS: Global Distribution System
Tourism and Related Sectors

- Improve product and service standards
- Provide an intermediate export market
- Enhance competitiveness
- Create demand for export products
- Drive exports through joint branding/ marketing