

An Introduction to Value Chains

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Australian Government
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Learning Outcomes

By the end of this session, you should have a good understanding of:

- The concept / characteristics of value chains
- The concept / characteristics of supply chains
- Value chain research frameworks
- Purposes of value chain research



Discussion

What is your understanding of the concepts
of *supply chain* and *value chain*?

How do they differ?



What is a Supply Chain?

Full range of activities required to bring a product (or service) from conception through the different production phases to delivery to final consumers and disposal after use

input
supply

farm
production

assembly

processing

wholesaling

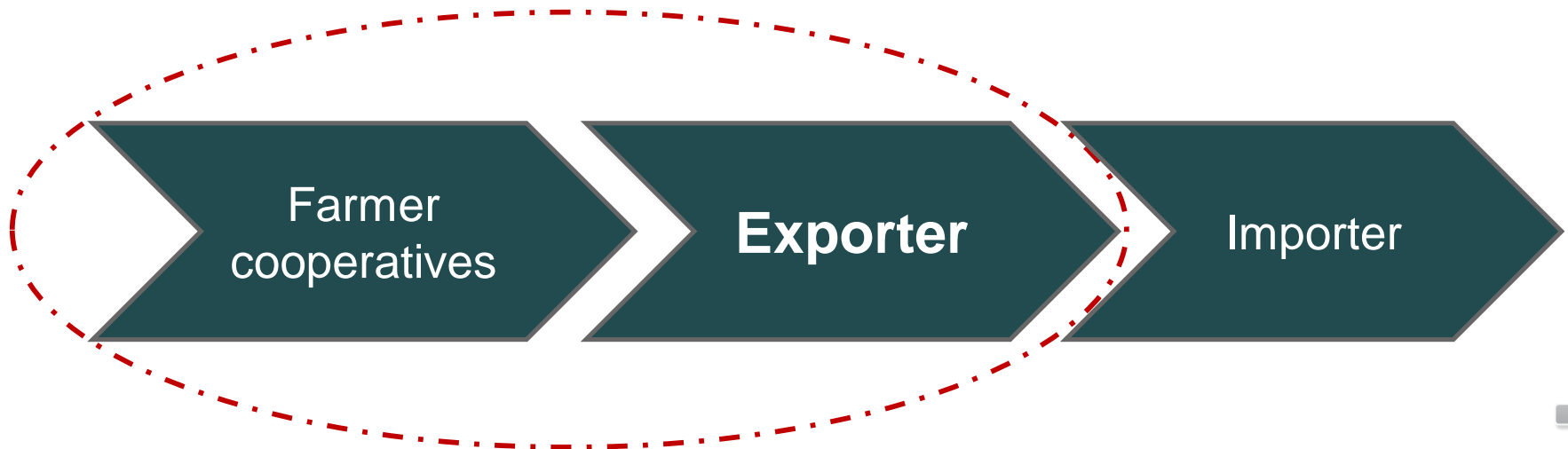
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What is a Value Chain?

Vertical alliance or strategic vertical network involving a number of independent enterprises, focused on the development of competitive advantages and value creation

Example: organic, fair trade




Supply chains

- ❑ Opportunistic, spot market transactions
- ❑ Supply-push (but shaped by demand!)
- ❑ Atomistic market structure; dominance of traditional mkts
- ❑ Trust and coordination are sometimes important, but levels of cooperation and information exchange are limited
- ❑ Nonetheless, value is still created as the product moves along the chain!

Value chains

- ❑ Long-term, contract-based buyer-supplier relationship
- ❑ Highly responsive to changes in demand and consumer needs
- ❑ Presence of a lead firm (chain integrator)
- ❑ Shared vision and goals, high levels of trust and cooperation, and close coordination and exchange of information between “chain partners”
- ❑ Chain is organized and managed to create value



	Supply chain	Value chain
Information sharing	Limited	Extensive
Primary focus	Cost/price	Value/quality
Orientation	Commodity	Differentiated product
Power relationship	Supply push	Demand pull
Organizational structure	Independent	Inter-dependent
Philosophy	Self-optimization	Chain optimization 

Discussion

- Please name some product chains in Myanmar that can be categorised or classified as **value chains**...
- Please identify some of the challenges associated with targeting the development of **value chains** in a country like Myanmar...



Value Chain Research Framework

Constraints and opportunities

Incentives for innovation

Policies and regulations

Demand

rules,
standards
and norms

value
creation and
distribution

Farmers/Producers

Assemblers/Traders

Processors

Retailers

Traders

Exporters

End-users

(...)

(...)

power
relations

Support
services

Infrastructure



Discussion

Participants' Experience

Please explain the purpose of previous value chain research you have been involved in...



What are the Purposes of Value Chain Research?

R4D Perspective

- Assess the *feasibility, sustainability, replicability* and *potential outreach* of different chain models
- Test the adoptability and determine potential impacts of chain innovations

Development Perspective

- Identify chain innovations with development impact potential
- Design appropriate chain development strategies and interventions
- Develop a baseline; assess intervention outcomes and impacts

Private Sector Perspective

- Understand competition, market segmentation, and consumer preferences
- Develop procurement models and marketing strategies (4 Ps)

