



Food and Agriculture
Organization of the
United Nations



Inclusive business models

Inclusive Business Models principles

**INCLUSIVE AND SUSTAINABLE AGRIBUSINESS AND TRADE
ITC STAFF TRAINING WORKSHOP
22 -24 JANUARY 2018, GENEVA**



Introduction to Inclusive Business Models

Increasing investment aimed at facilitating integration of SSF into value chains

Producer-first buyer linkage is usually the weakest: thus focus on reinforcing BMs between producers and buyers

Inclusive and business elements of an IBM often involve competing forces: trade-offs required

Continuous evaluation of trade-offs so that investment in IBMs results in improved food security and poverty reduction



Definitions of inclusive value chains/ inclusive business models

Market integration of low income groups into value chains
– CIAT

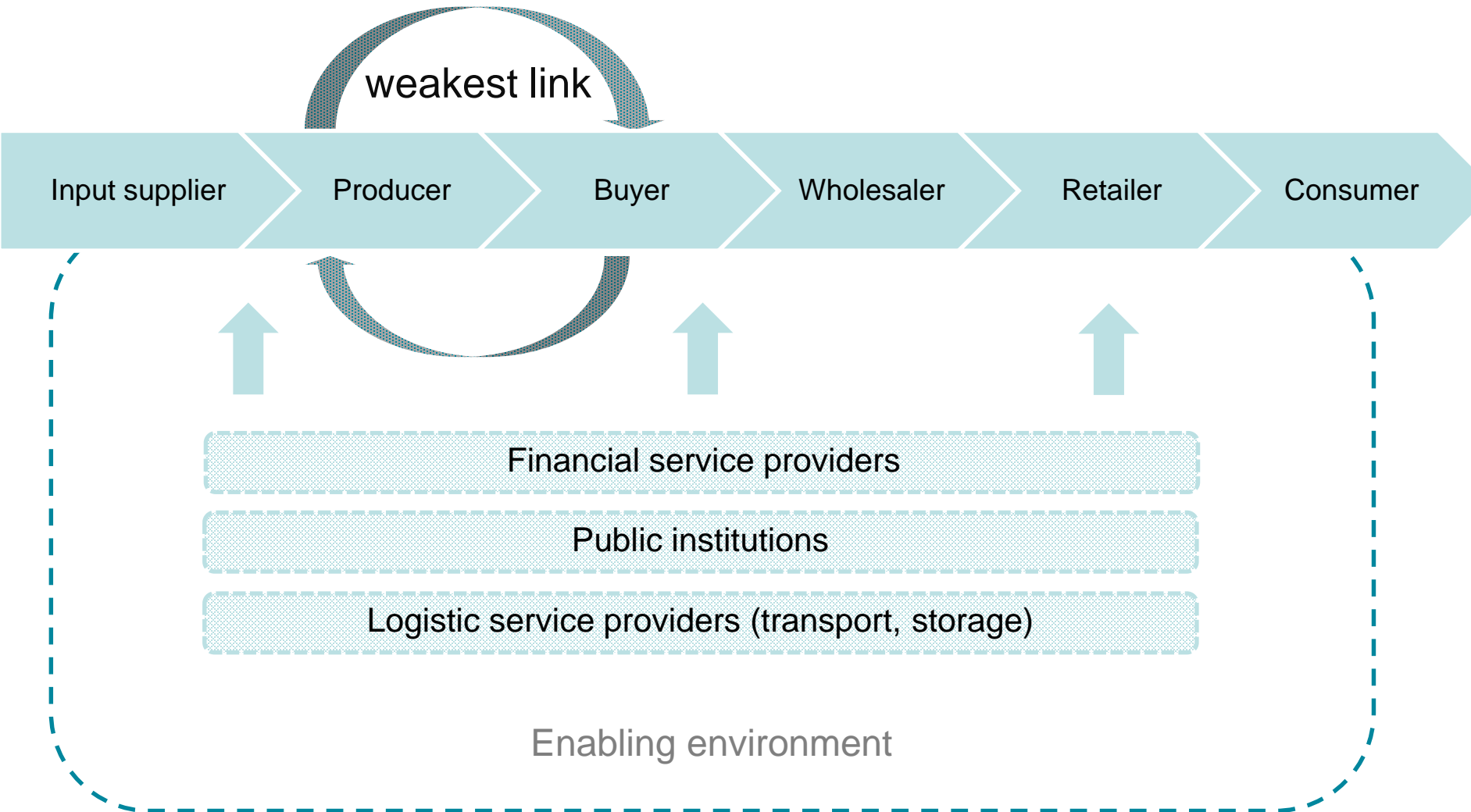
Builds bridges between poor people and business
community- UNDP

Mutually beneficial business partnerships – GIZ

Enterprises adapt their buying practices, supply chain,
marketing strategy and company operations for smallholder
sourcing - Oxfam



Value Chains and Business Models





From overall value chain perspective

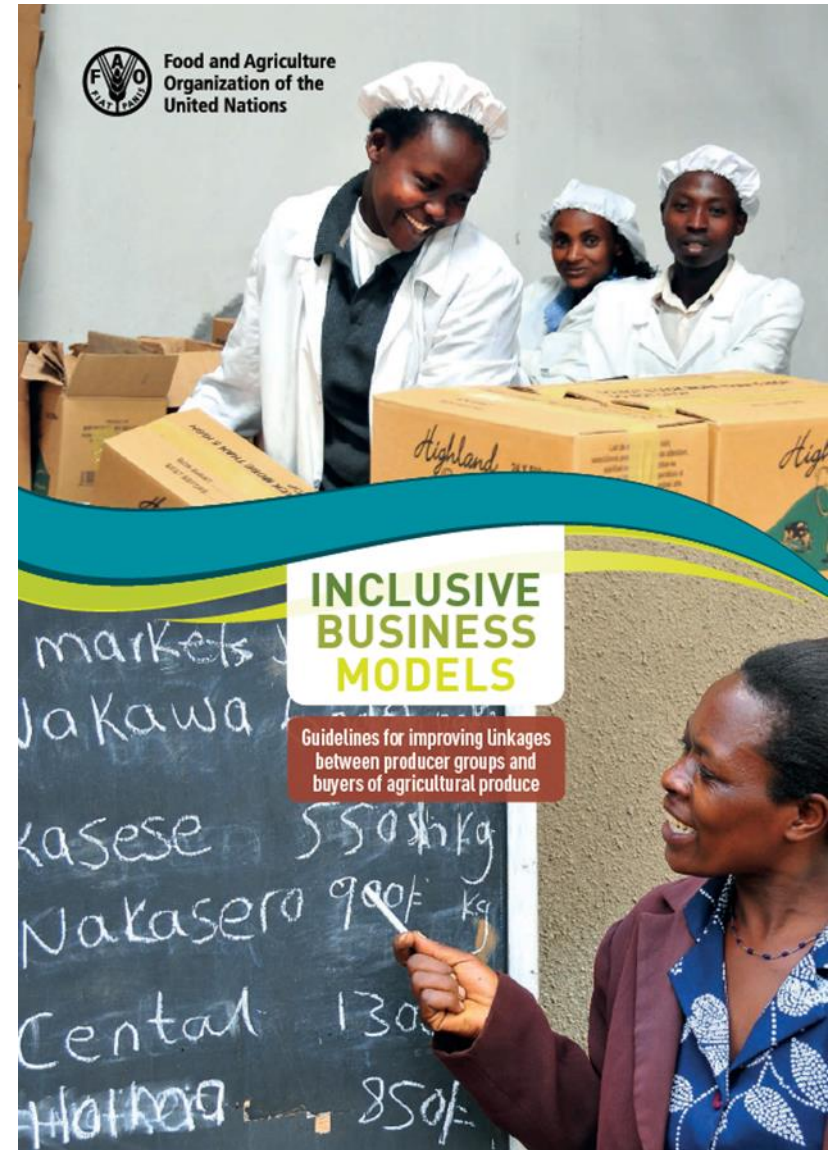


The IBM approach looks close-up at the relationship between the farmer and the first buyer



FAO's IBM approach

FAO's field programme on agricultural value chains has resulted in a methodological framework to promote IBM.





The thinking behind FAO IBM approach

Focus on key VC problems

- Improve reliability of raw material supply
- Build back from business - strengthen the buyer's ability to do business with smallholders

Strengthen the people who make the economy grow

- Business managers know their markets
- SMAEs create value, buy products, generate jobs
- Mainstream business thinking among small actors: producers, FOs, SMEs



Inclusive business models principles

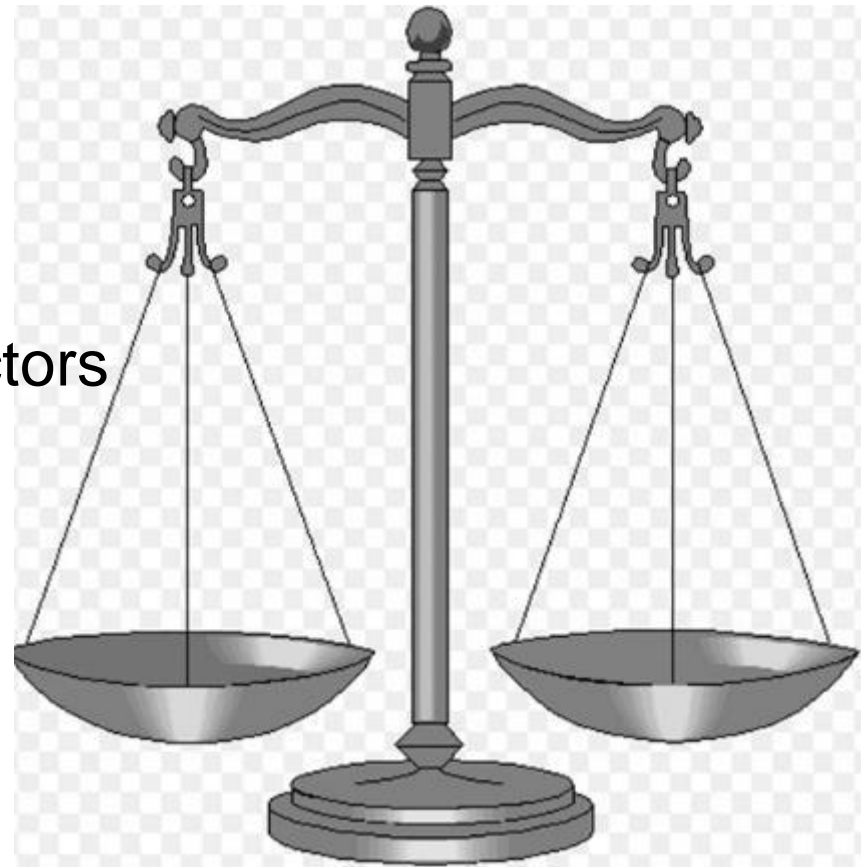
1. Is the business model **inclusive**?
2. Is the business model **competitive**?



Inclusive Business Models Principles

Trade-offs have to be made to:

1. Include small, inexperienced actors
2. Generate profits and grow





1. Inclusion of actors

Refers to actors that are directly involved in the supply chain

- What actors are included?
- What experience and knowledge of actors does the BM use?





2. Inclusion of diverse market outlets

- What type of business linkage has been established between actors?
- Does the business model encourage a range of market outlets available for small actors or are they mostly dependent on one market?





3. Inclusion of Partners

Refers to partners not directly involved in the supply but providing services from outside

- With what type of partners does the BM work?
- Do any of the partners dominate the business model?
Or is there shared decision ma





Competitive Principles





4. Managing business strategically

- Does the BM encourage efficiency (e.g. quality, timely delivery, payments)? How?
- Do the actors involved earn enough?





5. Business to business collaboration

- In what way do the main actors in the BM collaborate?
- Are there mechanisms aimed at improving collaboration between buyers and sellers?





6. Responding to customer needs

- Do the main actors have the business and technical skills to respond to customers' needs?
- Does the business model or partners support capacity building in these areas?





Overview of principles

| Inclusivity | Competitiveness |
|--|---------------------------------------|
| 1. Inclusion of actors | 4. Strategic business management |
| 2. Inclusion of diverse market outlets | 5. Business to business collaboration |
| 3. Inclusion of partners | 6. Responding to customers needs |



What is the role of buyers in building inclusive business models ?





Not all buyers are the same

- Types of activities: trading, processing, wholesale, retailing
- Size: individuals, small-medium-large enterprises
- Origin: local, foreign
- Type: public, private
- Formal, informal





Why are buyers interested in buying from smallholders?

Business Case



- No alternative supply
- Diversify supply sources
- Reduce price variations
- Proximity
- Brand
- Political pressure

Social motivation

- Support local development
- Social entrepreneurs
- Working with NGO





Buyers role - Why is it important to engage with them?

- Provide market outlets for farmers
- Provide jobs in rural areas
- Transfer knowledge on market and product requirements
- Smaller buyers often pay cash on delivery
- Can influence the business enabling environment

Addressing buyers problems will help
smallholders access markets

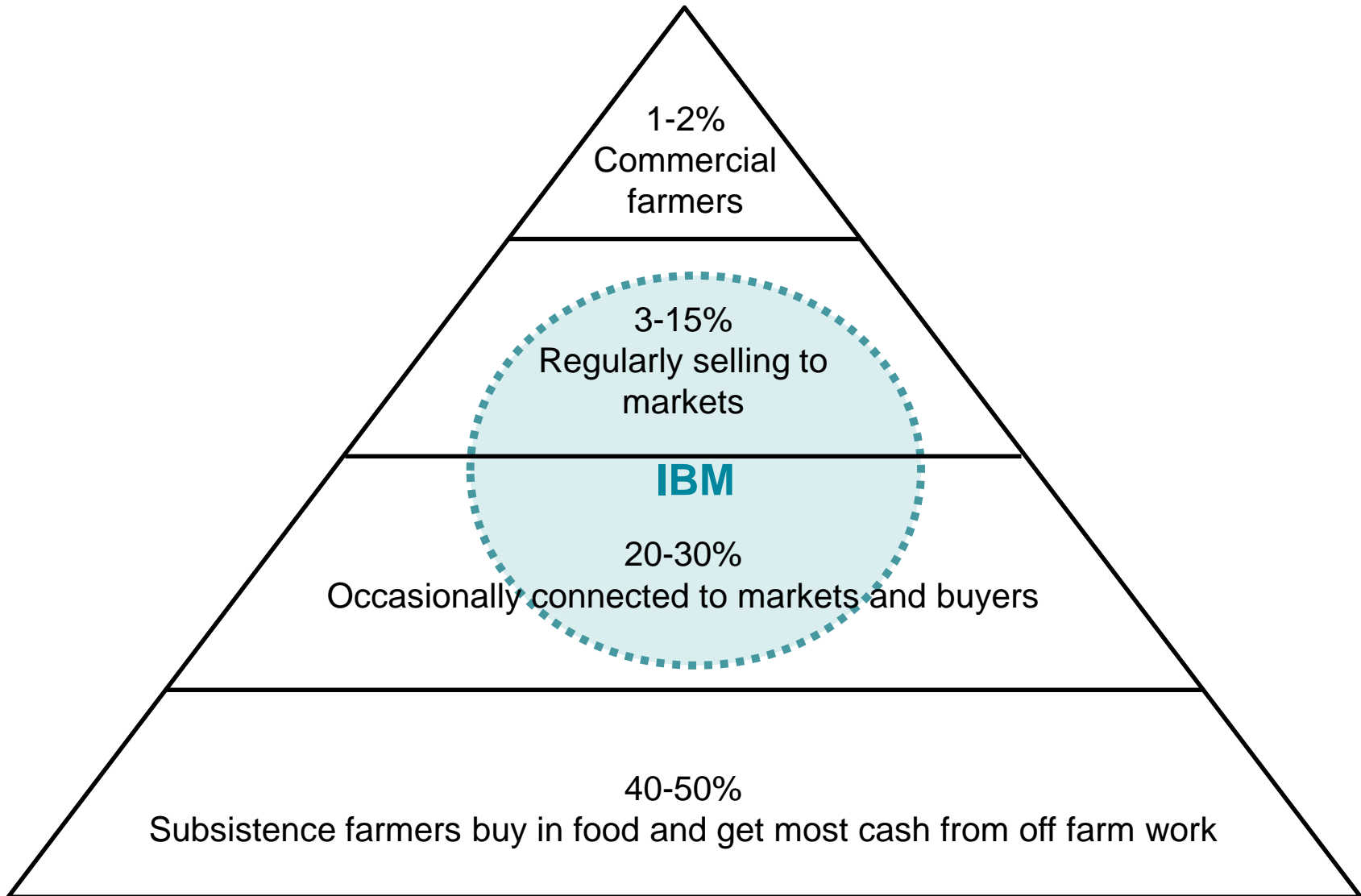




From buyers



Not all farmers are the same





But....

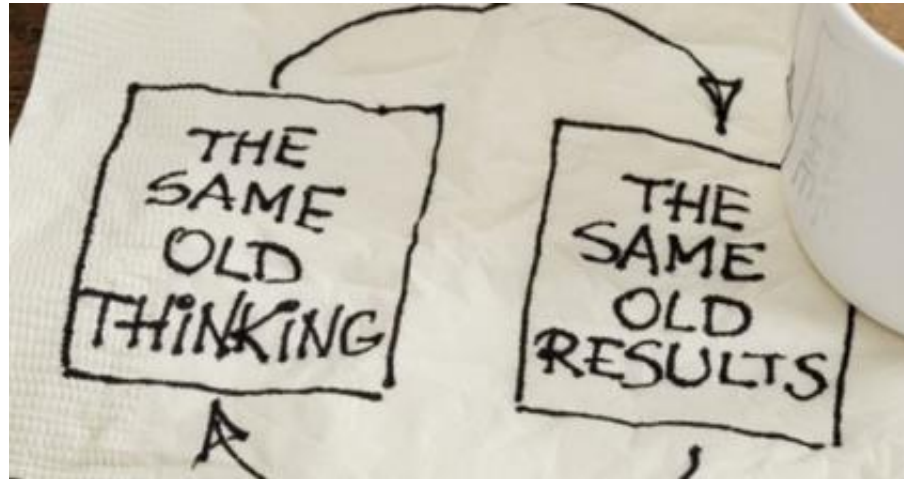
There are challenges when procuring from smallholders





Challenges

- Difficulties in sourcing from smallholders
 - Geographic dispersion of smallholders
 - High transport and administrative costs
 - Meeting product requirements, standards, consistent supply
- Internal challenges - formal procurement mechanisms not friendly for smallholders (payment delays, bank transfers)

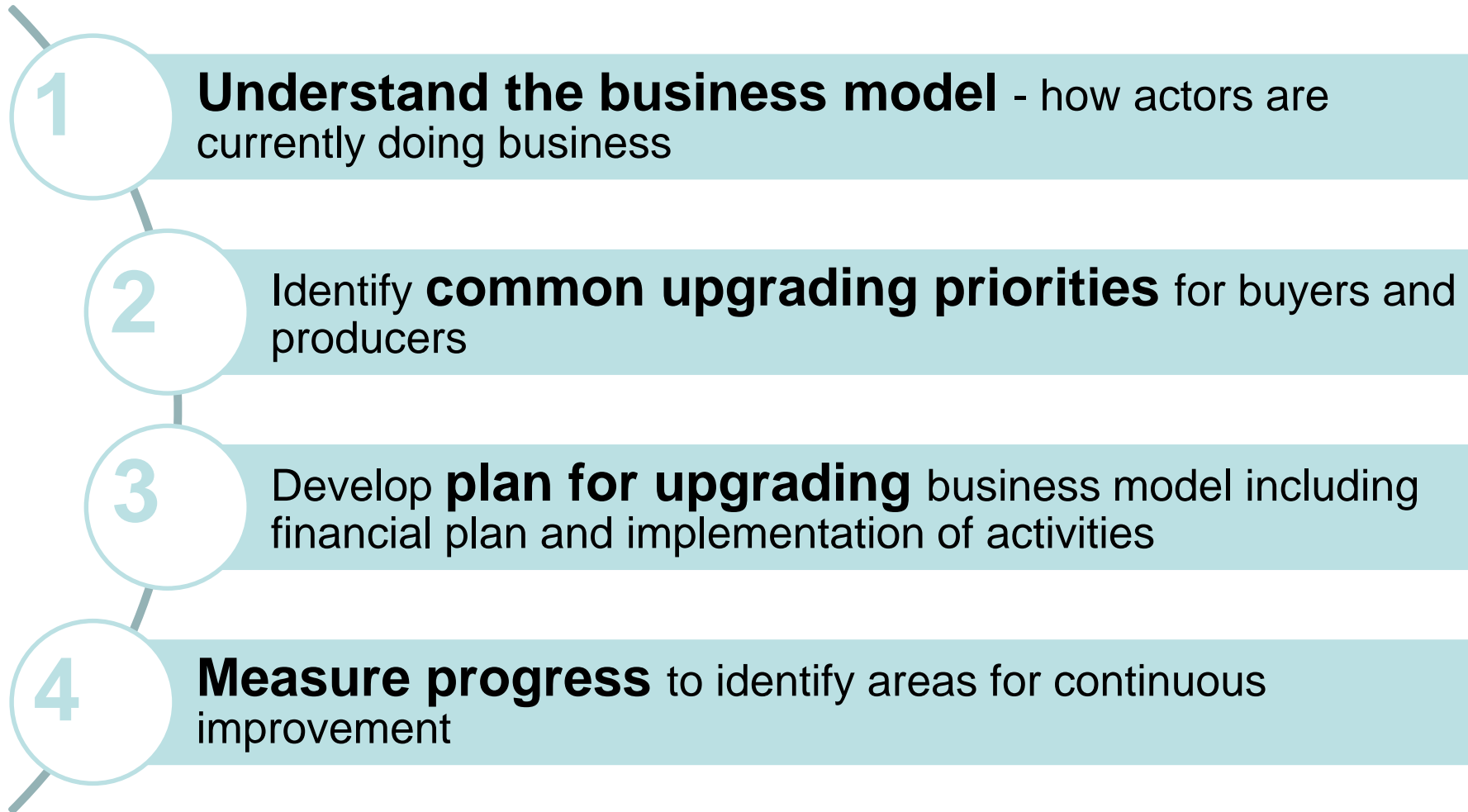


IBM implementation approach

Action & Results



IBM approach - Implementation steps





1. Understand current Business Model

- Analyze business model based on principles of inclusiveness and competitiveness
- Appraise current business model using the business model component checklist
- Other tools: SWOT, Ansoff matrix, Porters' five forces

<http://www.youtube.com/watch?v=grKImiLHyjl>





2. Identify Common upgrading priorities

- What are priorities for buyers?
- What are priorities for sellers?
- What are priority areas of concern to both?
- Ranking





Blue Skies case

Top 3 priorities for buyers and sellers





Identifying Priorities

| Buyer priorities | Seller priorities |
|------------------|-------------------|
| | |
| | |
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| | |



3. Design upgraded business model

- For common upgrading priorities, what can be done to improve the situation?
- What can be done by the buyers and sellers?
- What support can you give as facilitator?
- Plan: time schedule & budget





4. Measure progress

Measure progress against business model description

➤ Important: iterative process.

A business model is never finished,
need always to adapt.

