

Unravelling inclusive business models for achieving food security in low income markets.

July 12, 2016, Myrtille Danse MSc BA/ PhD candidate



WAGENINGEN UNIVERSITY
WAGENINGEN **UR**

Co-financed by



Outline

- Introduction
- Research approach
- Findings
- Discussion and conclusion



Introduction

- Food security: All people, at all times, have physical, social and economic access to sufficient, safe and nutritious food, which meets their dietary needs and food preferences for an active and healthy life (FAO, 2013).
- Inclusive business (IB): a business initiative that, keeping its for-profit nature, contributes to poverty reduction through the inclusion of low income communities in its value chain (Heeks, Foster, & Nugroho, 2014; Veglio, 2011)



Introduction

- Private sector interest to enter low income market:
 - Growth
 - Innovation
 - Efficiency
 - Reputation advantages
- Low income market reason to collaborate with private sector:
 - Research and extension services
 - Inputs
 - Infrastructure,
 - Food processing and marketing services

Development aid grants stimulate inclusive business interest

Many pilots, hardly any examples that scale

Requires (re)designing the business model to meet the marketing mix for low income markets: awareness, accessibility, affordability and availability



Introduction

■ Research question:

- Unravel how the private sector has been shaping business models and intervention strategies with their “business ecosystem” in order to contribute in a sustainable and scalable way to food security for low income markets

■ Research gaps:

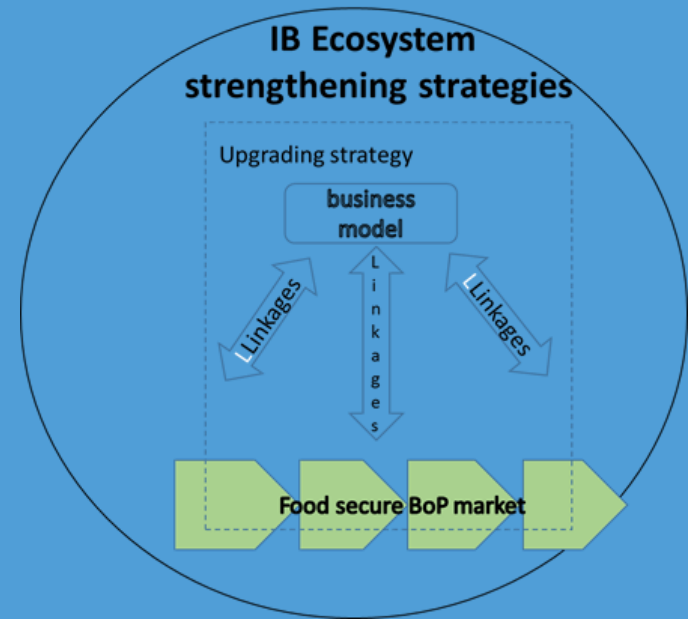
- Insights on initiators
- Insights on business models
- Assess “business ecosystem”



Analytical framework

Table 1: Variables of IB model

Feature	Specific variables
Business model	Offering, market, internal capability, competitive strategy, economic, personal
Linkages	Horizontal, vertical, diagonal
Upgrading	Process, product, functional, interchain
“business ecosystem” strengthening strategy	Awareness raising and capacity building, research, information sharing, coalition building, public policy dialogue, creating new organisations.



Research approach

- 5 business intervention strategies (BIS) (Chevollier et.al 2012), 16 cases:
 - 3 BIS1 Farmer development services: Tanzania, Nigeria, Thailand
 - 4 BIS2 Secured sourcing: Columbia, Sierra Leone, Indonesia, Vietnam
 - 3 BIS3 Rural retail hubs: India, Egypt, China
 - 2 BIS4 Food product adaptation: India, Uganda
 - 4 BIS5 Hybrid market creation: Bangladesh, SE Africa, Indonesia
- Desk research, semi structured interviews with representative lead organisation



Findings

■ Initiators:

- 6 local SMEs
- 5 MNE
- 4 social enterprise
- 1 Public Private Partnership

■ Business model characteristics:

- standardized product
- Low price
- Quality
- Sales and marketing
- Initial narrow client (mainly producer) focus but in time wider focus also towards food consumers
- More adaptation than innovation



Findings

■ Linkages and innovation

- No horizontal linkages
- 4 different upgrading strategies identified
- Product upgrading mainly with retailer and consumer oriented BIS
- Process and functional upgrading more with producer oriented BIS
- Over time more than 1 upgrading strategy is developed

■ Ecosystem strengthening:

- NGOs and government most common partner
- Most: Awareness raising, training and establishing new organisation
- Least: research
- Intermediaries important role in brokering, fund raising, capacity building, and lobby and advocacy



Discussion and conclusion

- Food security involves bigger companies, but mostly multi-actor initiatives
- Business models based on low cost big volume standardized products of quality contribute to BOP food security
- Uniqueness of food security business models in sales and marketing strategy
- Linkages aim more at achieving upgrading rather than establishing economies of scale
- “business ecosystem” strengthening focused mostly on creating awareness and coalition building

