Understanding market opportunities

An enterprise approach to livelihood strategies

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· Introduction

So-called 'resource-poor' people are often very resourceful at securing their livelihoods from a range of activities such as farming, fishing or other forms of small enterprise. While many of such economic activities are traditional ones within their communities, the changing world around them presents a variety of threats and opportunities to their effective continuation.

Changes occur in a number of ways:

- in the availability and/or price of resources and inputs - such as land, fish stocks, fertiliser, raw materials, fuel and skilled labour;
- in the availability of alternative production methods, tools and equipment;
- in what people are prepared to buy - this depends in turn on customer preferences and competition; and,
- in the legislative and policy environment in which they are operating, and the level of extension and support services available.

The pace of these changes has been steadily increasing. The term globalisation has been used in recent years to describe this process spurred by the so-called 'free-market' economic policies. It has always been the case that those farmers or small producers which effectively adapt to the changes do better than those that do not. However, the influence of these changes has now become so profound, that for many it is no longer a choice of whether to change or continue as they are, but whether to change or for the enterprise to collapse altogether.

Much of the work to date on participatory approaches has focused upon the involvement of community members in assessment and prioritisation of their livelihood *needs* (e.g. for health, water, transport, food, income). This has often led to the participatory development of plans to meet those felt needs - plans which usually involve inputs from a range of actors including the intervening agency and the community members themselves.

This theme of this issue of *PLA Notes* is understanding market opportunities. These methodologies are quite new in the field of participatory learning and development, although there are many connections with the small enterprise development activities of assistance agencies, which have explored this area more. The novelty arises in part from the focus on *opportunities*, rather than needs. From an enterprise perspective, a prime need is for a sustainable income or profit - in cash or in kind. In order to optimise that income, certain choices can be made by the enterprise owner, such as what to produce, how to produce it and what to do with the products. The costs and benefits that may result from such 'business' decisions can only be assessed by consideration of the world of opportunities outside the enterprise - the customers and the suppliers with whom the enterprise must link.

The range of opportunities open to an individual or community is not limitless of course; there are constraints - of skills, resources, information, market-access etc. But a better understanding of the possible opportunities and the likely consequences to income of making certain choices, can only empower people in their decision making.

In agriculture, as in any business, profit-maximisation is not the only guide to decision making. Other factors play an important part and these have been emphasised by much of the earlier participatory research e.g. the

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importance of cultural and social factors, environment, food security, community development and self reliance. The set of articles in this issue of *PLA Notes* emphasise peoples' understanding of the *financial* aspects, and the consequences of certain decisions. This financial or market information should be used in addition to the other factors listed above to assist small producers in their decision-making.

· Why participation?

Whatever the small enterprise - farmers, fishers, blacksmiths, tailors, food-processors - the resource-poor are operating in a fast-changing and unpredictable environment. As the pace of change is increasing, enterprises will need to adapt and change to survive, let alone to thrive and grow to provide employment for others. To achieve this, individuals, representative groups or communities will need to be continually aware of the changing opportunities and to assess for themselves whether, when and how to change. Intervention agencies are by definition usually intervening for a limited time period, but the survival and development of a range of viable enterprises in a community will depend upon their agility in responding to changes as they occur. Thus, participatory learning is particularly relevant to the market opportunities discussed in this issue of *PLA Notes*, as the enhanced capability of people to identify opportunities and assess consequences of certain choices is a critical component for effectiveness over the long term.

The contributions

The contributions to this issue reflect a variety of development efforts to enhance the capability of groups involved in smallholder agriculture, natural resource management and income-generation activities to understand some of the financial aspects of their enterprises, and to explore some of the options and consequences for change.

Roos and Mohatle (this issue) describe how a producer group (in this case a sewing and knitting group in South Africa) were assisted to take a fresh look at both the needs of local consumers, and the strengths and weaknesses of their competitors. This information enabled them to consider adapting their production away from what they know how to *make*, to what they believe they can *sell*.

Kar and Datta (this issue) focus not on the product but the marketing channel. They describe an approach adopted by Proshika, a large Bangladeshi NGO, to assist smallholder farmers and food processors to compare the relative profitability of selling their products through different marketing channels. Not surprisingly, the study found that the profit margin when sold through middlemen is often lower than when direct sales are made. However, mention is made of some of the difficulties and the costs of taking harvests to distant markets - a service that is provided by middlemen. In contrast to the Roos and Mohatle study, these producers are seeking customers outside their local community. While profit margins per unit may be lower, due to the need to pay for transport and the middleman, the increased volume of sales possible though such alternative marketing channels may yield higher total incomes to the smallholders. Thus, where the limitation of an enterprise is not how much they can produce, but how much they can sell, the total income as well as the unit profitability could be considered.

Dorward et al's article (this issue) describes an interesting adaptation of the 'mancala' board game (popular in many parts of Africa) to assist farmers in Zimbabwe to compare resource utilisation and the likely return for alternative crops. Some interesting features of the farm management tool developed are that: it permits both cash and non-cash resources to be represented, resource utilisation over the seasons can be seen, and cash profit and other benefits (such as food for consumption, by-products for fodder) can be displayed. This adapted game provides a relatively simple and user-friendly tool for farmers to structure their decision making.

The authors emphasise the critical issues of resource needs and availability (e.g. of labour) at different times of the year that face smallholder farmers. The tool appears to be particularly effective at enabling farmers to see the implications on labour and cash requirements throughout the year of selecting a particular crop. While the inputs necessary (labour, other costs and their timing) are fairly predictable, production and sales as every farmer knows, are much less certain. Farmers can estimate yields and market price, and they can hope that they will find customers willing to buy, but none of these are guaranteed. Thus, while the tool does enable farmers to estimate production and sales, it could perhaps be developed further if some means of risk and market assessment were included.

The papers by Bond (this issue) and Mitchell and Walsh (this issue) also focus on participatory techniques to assist people with resource-utilisation decisions. Bond describes a board game (adapted from 'MONOPOLY') which is used with local wildlife management committees in Southern Africa, to help them (in conjunction with more formal training) to develop their financial management skills in a way that is active and fun. In MONOPOLY, the objective of players is to make the most money during the period of the game. Clearly the objectives of the wildlife management committees are broader - not least in ensuring continuity of an environment that can support the wildlife in the future. As Bond suggests, perhaps the game could be broadened to enable a longer term perspective to be included.

However, a useful component of this approach is the element of 'chance' - in the game revenues depend upon whether other players 'land' on the right square and, in wildlife management, on whether visitors decide to come. A successful enterprise cannot depend upon good luck; thus some element of risk assessment is required.

Mitchell and Walsh describe a step-by-step model of 'participatory business planning' developed and used with rural Aboriginal communities in Australia. In addition to the familiar land-use mapping, this approach uses stories and pictures to complement written information. An interesting inclusion at an early stage of planning an enterprise is an opportunity to share ideas on what the participants hope to get out of the venture. It is good to have aims and make them explicit early on in business planning. External agents or facilitators may come to the community with preconceived notions of what it is that they believe the community would like to achieve from pursuing a particular enterprise. In the same way as practitioners of participatory methods would strongly support the choice of activity being made by the community, so the decisions within an enterprise venture should be made with a view to the nature of benefits prioritised by them, and it would be unwise to make assumptions.

· Remaining challenges

The papers show a span of useful experience in this relatively new area. As the papers report, many of the techniques have proved popular as learning tools and helpful in reaching planning decisions. The methods used have been developed for particular conditions and may not be readily transferable across countries or enterprise sectors, but we hope that they will get researchers and practitioners thinking about how they can be adapted and further developed for other situations.

Coming from an enterprise background, I feel that further work could usefully be undertaken looking at the sales and purchasing side of the enterprises (see Box 1). Many participatory tools and techniques have been developed with 'local communities' rather than enterprise owners. Participatory techniques are fairly well developed for assisting decision-making around the utilisation of immediately available resources. There is room for further development of techniques to help individuals and communities to look further afield - for alternative inputs, products, processes or customers outside their current knowledge.

BOX 1

HOW CAN SMALL BUSINESSES BE IMPROVED?
AN EXAMPLE OF USER LED INNOVATION FROM KENYA

Many artisans live from day to day, making products because their neighbours do; innovation is limited to copying products they happen to see. Their contacts are limited, not extending far beyond family and friends to bring new product ideas, suppliers or customers. The most common marketing strategy can be described as ‘buy my product here or leave’. Feedback from customers is often negative resulting in artisans compete fiercely with their neighbours.

In contrast, the work described here on agricultural tools in Kenya explores interventions in design, manufacturing and marketing from the customers’ perspective. It has therefore been called user-led innovation.

In 1994, FIT (the Farm Implements and Tools Programme) discovered that DAREP (Drylands and Applied Research Extension Project) had identified the lack of appropriate tools as one of the major problems inhibiting agricultural productivity around Embu, Kenya. FIT offered to facilitate a meeting of local blacksmiths and welders with DAREP’s farmers so they could listen to their needs. At the meeting, the farmers explained at length both what tools they need, and what they need from their tools. They discussed the different aspects of tool design and specified how much they would be willing to pay for improved tools. The farmers were keen to attend the meeting, paying their own expenses. But when this initiative was replicated independently at Kisumu Innovation Centre, it was found that artisans were initially reluctant to attend as they assumed (rightly) that farmers would give negative feedback. Only after farmers had expressed their low opinions of the products was the meeting able to move towards more constructive dialogue.

Although the majority of small-holder farmers in Kenya are women, it is typically the men who make purchasing decisions, particularly with regard to tools. When meetings with artisans were presented as ‘Tool Days’, most of the participants were men. By contrast, when the meetings were advertised as ‘Farmers Days’, at least half the participants were women - who had very clear ideas about what they looked for in implements.

Enterprise visits have been found to be successful at raising awareness and providing artisans with information. Artisans are often willing to pay to visit innovative businesses, particularly where they have organised themselves into a group and understand what they might gain from such a trip. Another approach which promises to give artisans the ‘know-how’ they need involves the middlemen and women - the traders who market so many artisanal products. Their knowledge of local markets is likely to be extensive, and it is in their interests to feed that information back to local producers. As the existing communication was poor, FIT and a local small business service company organised a series of monthly meetings between small-scale metalworkers and local merchants. These meetings broke the ice, leading the merchants to place orders for a wide range of products including hoes, ploughs, forks and wheelbarrows.

In the DAREP collaboration in Embu, several of the artisans worked hard to respond to the expressed needs of farmers. A range of new products (hoes, ploughs etc.) were designed and produced, and some of have been sold to farmers. But uptake has been slow, not least because DAREP’s target group, the poorest farmers, have limited purchasing power. The Kisumu experience has been more positive. One artisan sold US$1000 -worth of newly designed tools in the five months following the process. Two others achieved significant, although more modest, sales. Designs included chaff cutters and water pumps. A follow-up process between transport equipment and metalworkers in Kisumu also generated substantial sales of improved water carts and water barrows, with one-third of the purchasers being women.

It is evident that some artisans are able to innovate well, responding quickly and appropriately to the needs and preferences expressed by the end-users of their products. But it is clear that communication between these two groups is inadequate. Interventions can be made, at very low cost, to address this bottleneck. In some cases, participants are also welling to pay all the direct costs, thus pointing to the potential for true sustainability.

Source: Adapted from Jim Tanburn and Martin Osumba, Appropriate Technology Vol 24 No 1 pp 5-8, Intermediate Technology Publications Ltd., London.

In most enterprises, some transactions - the purchase of inputs and/or the sale of products - take place with individuals or groups outside the community with whom the participatory work has taken place. Thus participatory approaches need to be broadened to work with people along the trade/enterprise chain.

As Sarch notes (*PLA Notes* 30), participatory techniques have been used with fishing communities to reach consensus between different interest groups. This demonstrates that methods are being tried in which the participation of outsiders, with perhaps conflicting priorities, is prioritised. The important point about enterprise development is that an individual enterprise is mutually dependent upon its customers and suppliers. Thus, rather than engaging with others for the purpose of conflict resolution, there can be mutual benefits through co-operative participation between the various actors.

More could be explored with the participation of suppliers (of materials, training, credit etc.), and with customers as illustrated by Tanburn and Osumba (see Box 1). They demonstrate the various techniques through which metalworking artisans in Kenya have been stimulated to interact with a wide range of potential customers. This has led, not only to increased sales, but to important innovations in product designs which were tailored to the specific requirements of their customers - farmers, food processing enterprises and retail outlets.

Thus the customers are getting what they want today, and the approach enables the artisans to keep abreast with their changing requirements in the future. Tanburn and Osumba's work also addresses the important aspect of the sustainability of such approaches. This is critically important as the capability of people to identify opportunities and respond to them is essential for their survival in the future.

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