



LINK METHODOLOGY

A Participatory Guide to Business Models that Link Smallholders to Markets

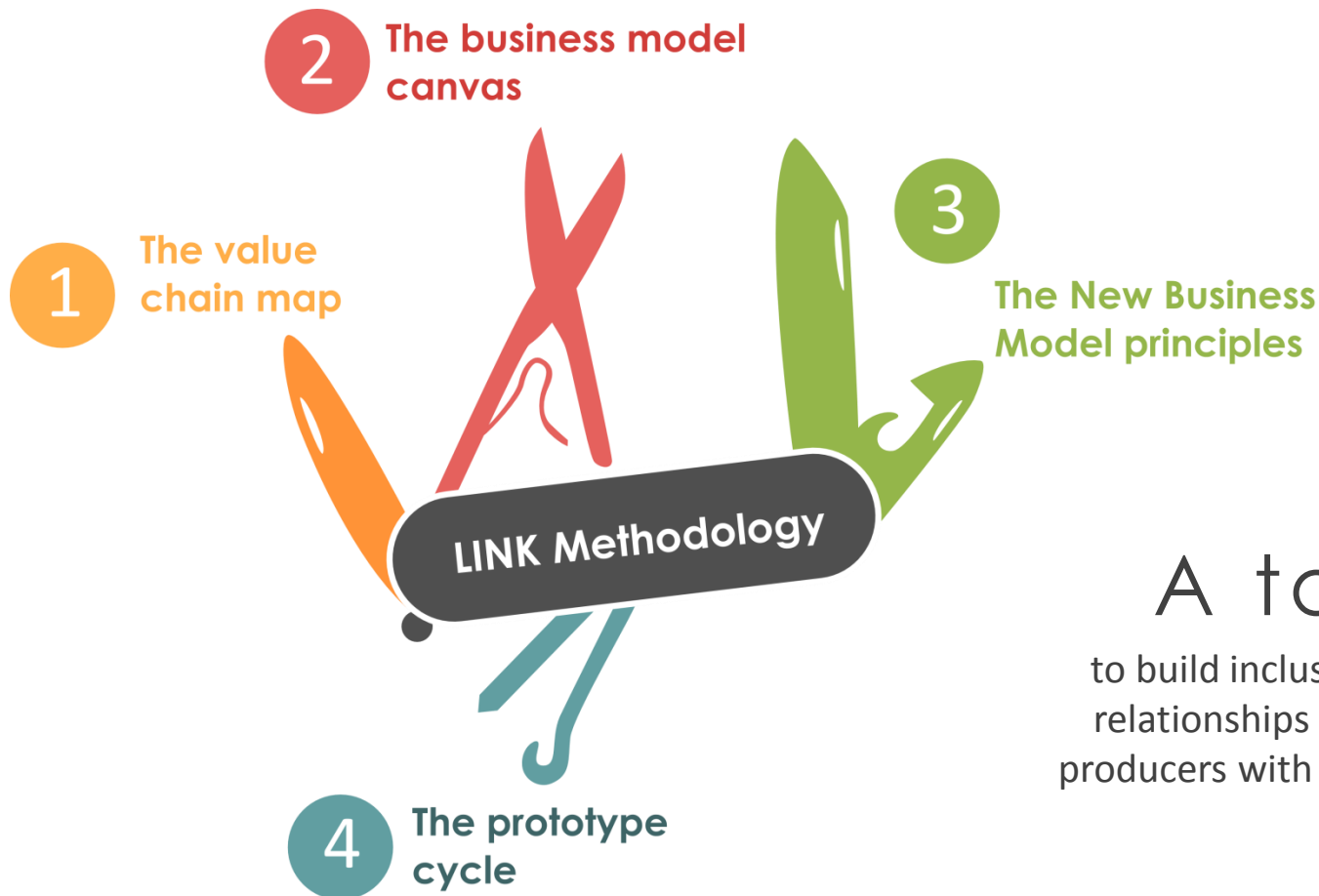


RESEARCH
PROGRAM ON
Policies,
Institutions,
and Markets

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What's in it?

Each of the proposed tools focuses on improving the inclusion of small-scale farmers. In order to get the most out of the toolkit, “users” should select, utilise and combine these tools in accordance with their own context, needs, budget, and variable starting points in the process.



A toolkit

to build inclusive commercial relationships which link rural producers with modern markets.

Origins

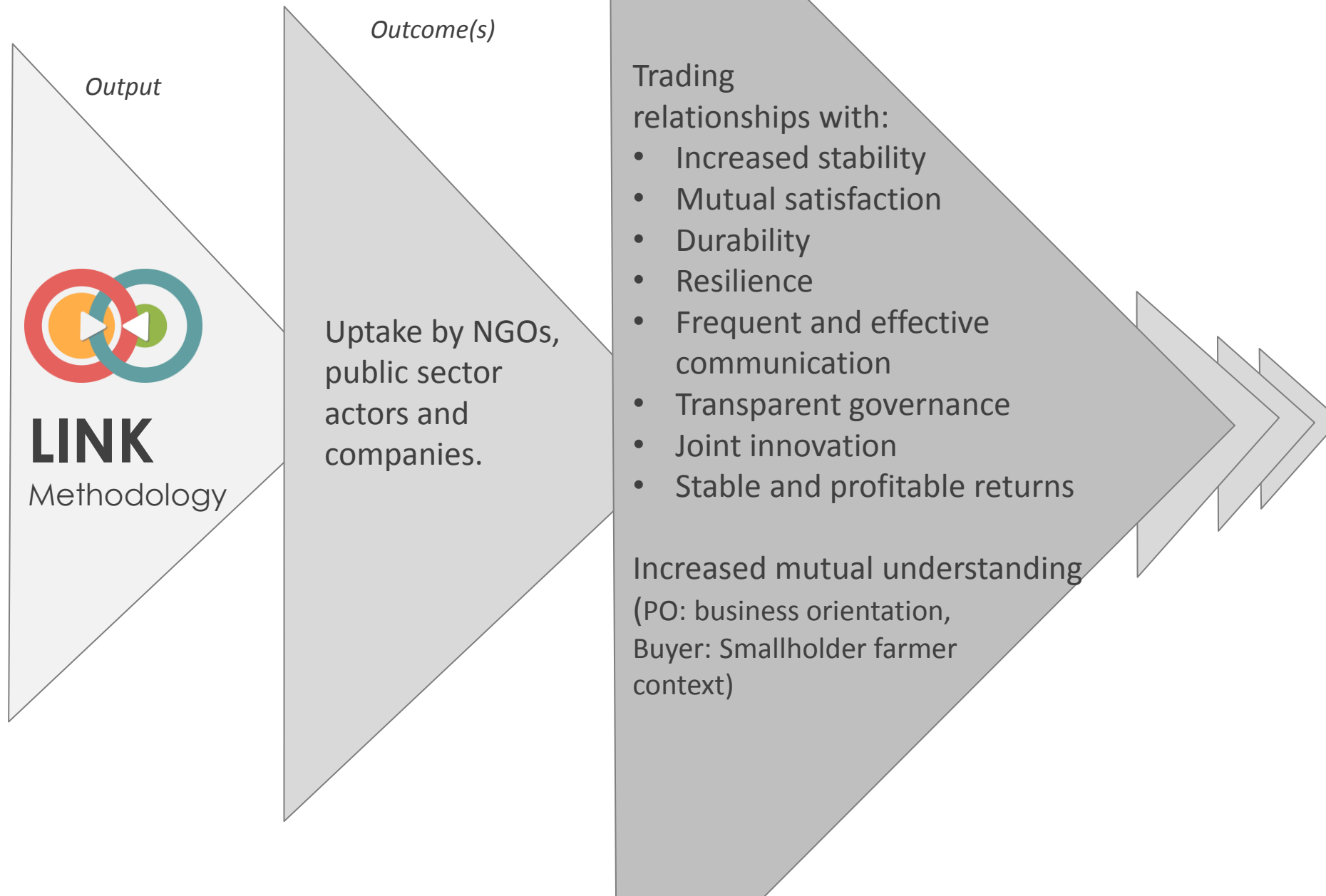
- Link's heart “the new business model principles” initially arose from expert discussions between CIAT, IIED and the Sustainable Foodlab and were tested in a 24-case study carried out in Latin America, Asia and Africa and thereupon distilled into the current six themes.
- The base on which these principles built up on are drawn from Alexander Osterwalder's Business Model Generation which has been adapted to rural and agricultural purposes.
- LINK is a Prototype itself and currently in its third revision (since 2012), thus constantly evolving constructing upon new insights and lessons learnt.

What is LINK's value proposition?

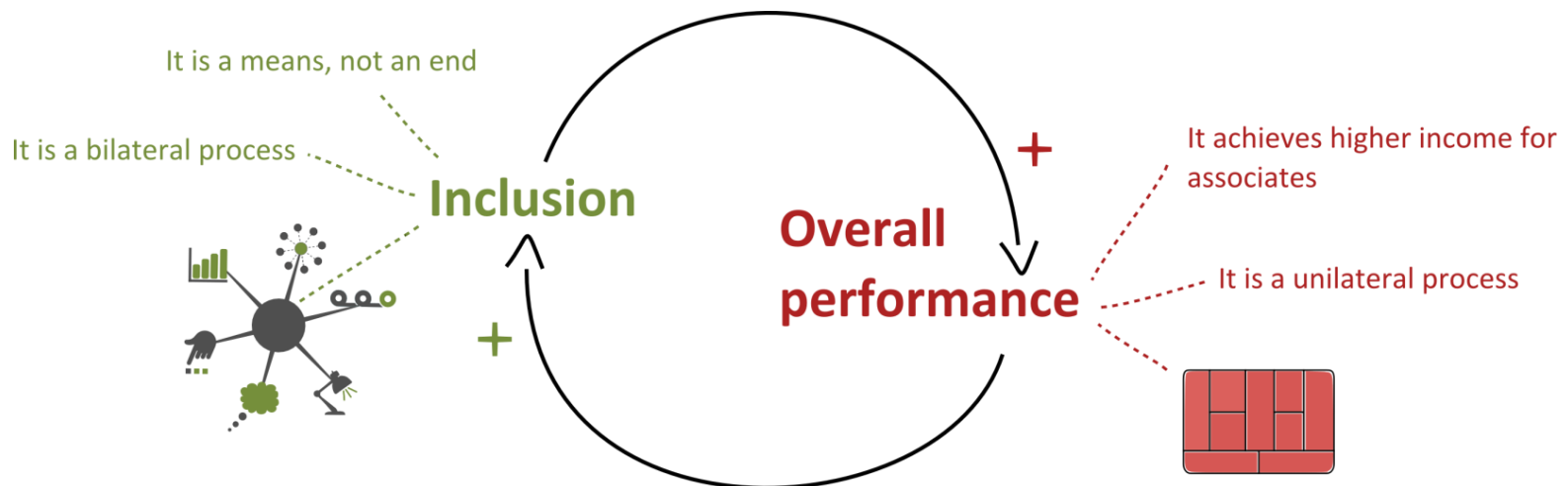
- Nailing down inclusive business: *Despite its increasing popularity there **is a lack of practical and concrete approaches on how to operationalize and monitor inclusive business.** The diversity of conceptual frameworks further complicates this issue.*
- Provide a methodology attractive to both producer organizations and private sector partners by simple and accessible language and novel business tools.
- Offer concrete entry points for private sector actors to make supplier relationships more inclusive.
- Facilitate exchange and mutual understanding between business partners.

Inclusive business:
Commercial relationship between a private company and a group (formal or informal) of producers whereby both the buyer and seller generate social, economic and environmental value in order to sustain long-term profitable interdependence.

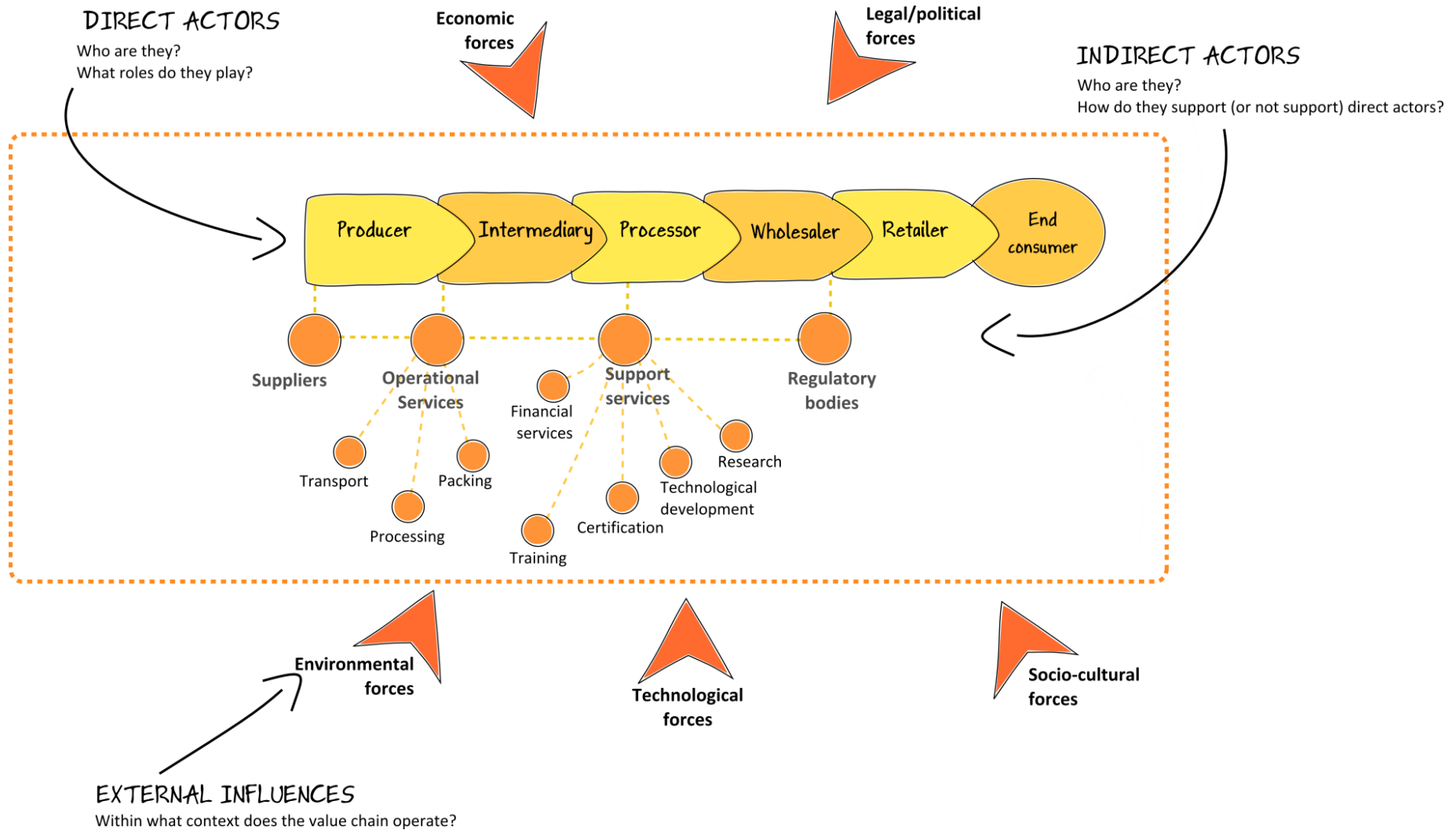
LINK's (simplified) Theory of Change

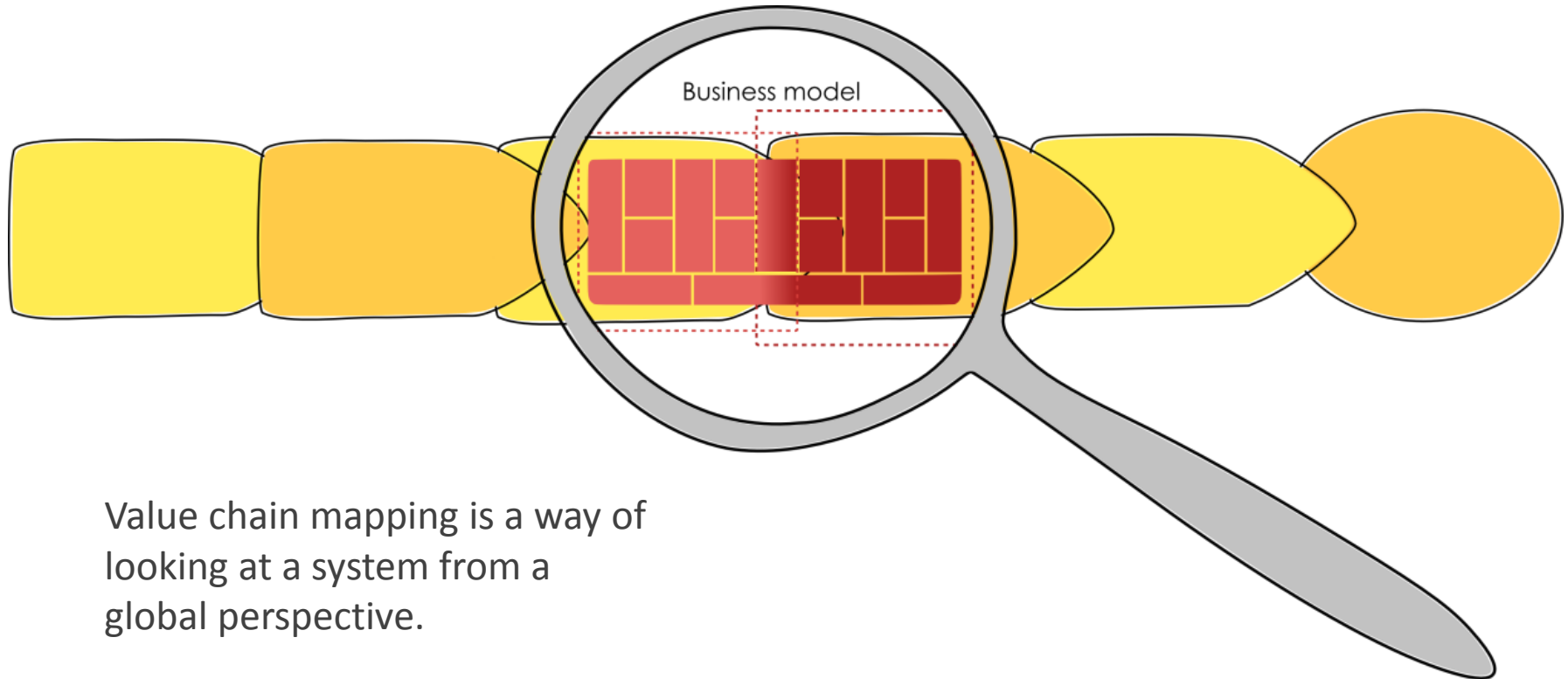


- LINK is not carved into stone but “users” should select, utilise and combine the tools in accordance with their own context, needs, budget, and variable starting points in the process.
- A good portion of common sense is advised.
- The information provided is addressed at facilitators.
- LINK is a combination between comprehensible theoretical background information and detailed exercises including tips and tricks for facilitators.
- LINK does not intend to replace other tools or to double workload, therefore the complementary use to other methodologies and of already existing information is recommended.
- Inclusion is not the end but a mean to achieve increased performance:



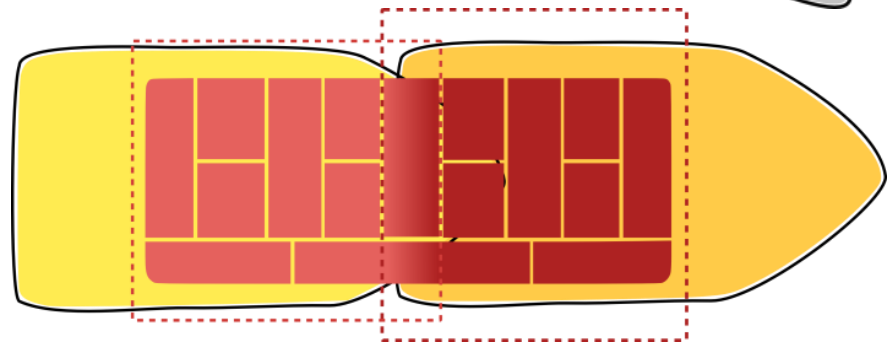
Tool 1: The value chain map





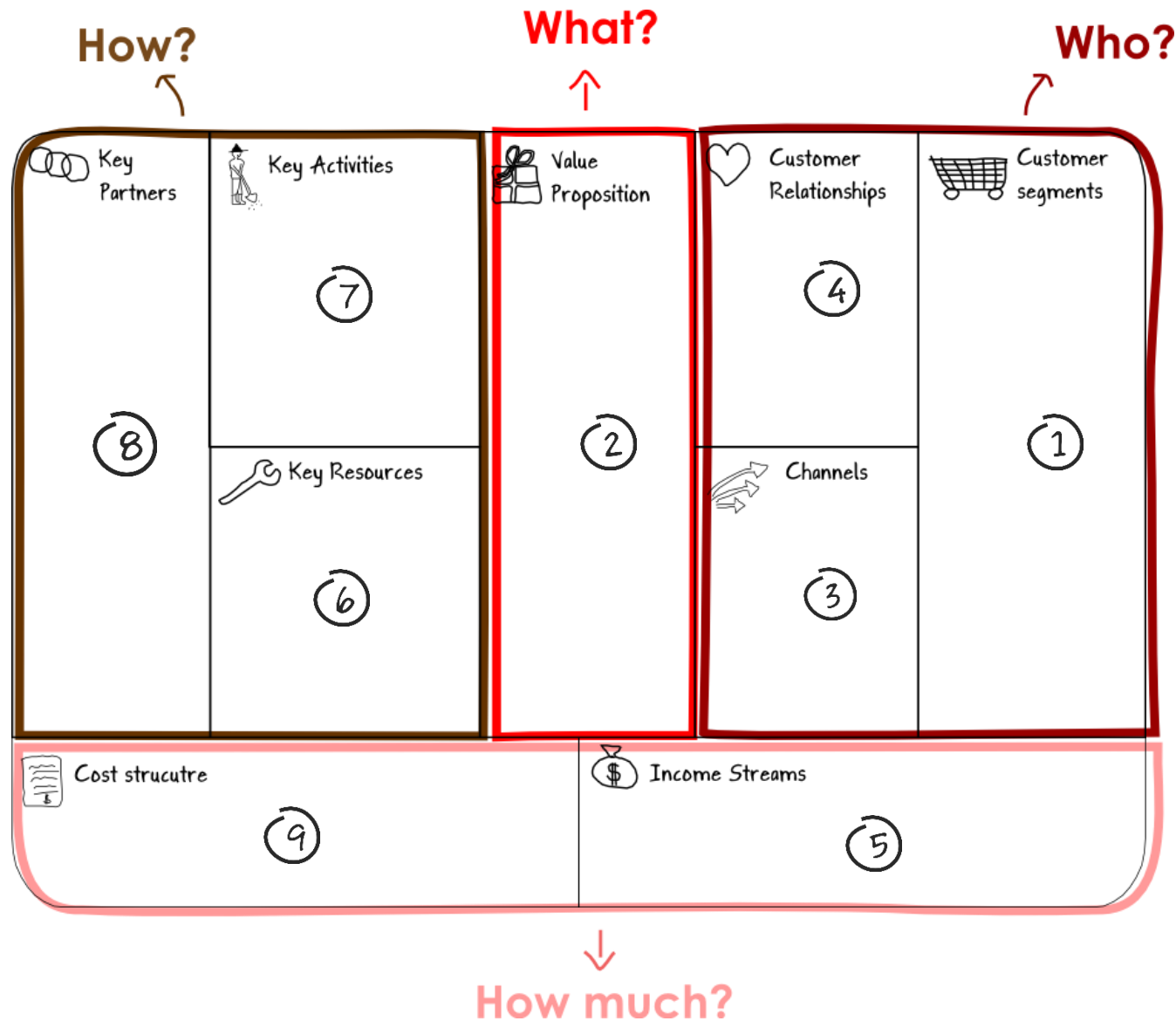
Value chain mapping is a way of looking at a system from a global perspective.

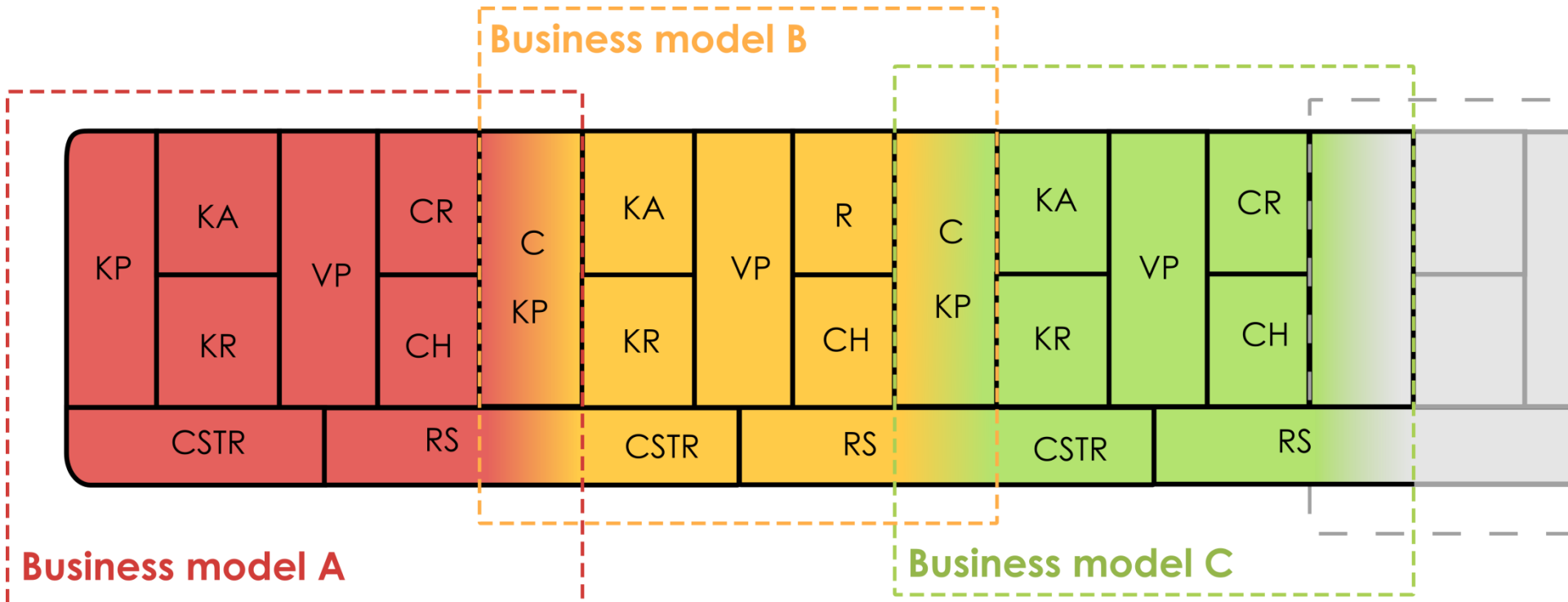
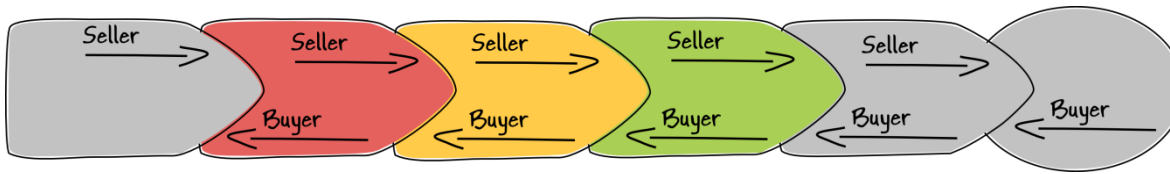
Zooming in on one link of the chain unveils the actors distinct **business models**. The business model canvas allows us to zoom in on a specific link in the chain, using a 360° perspective.



Tool 2: The business model canvas

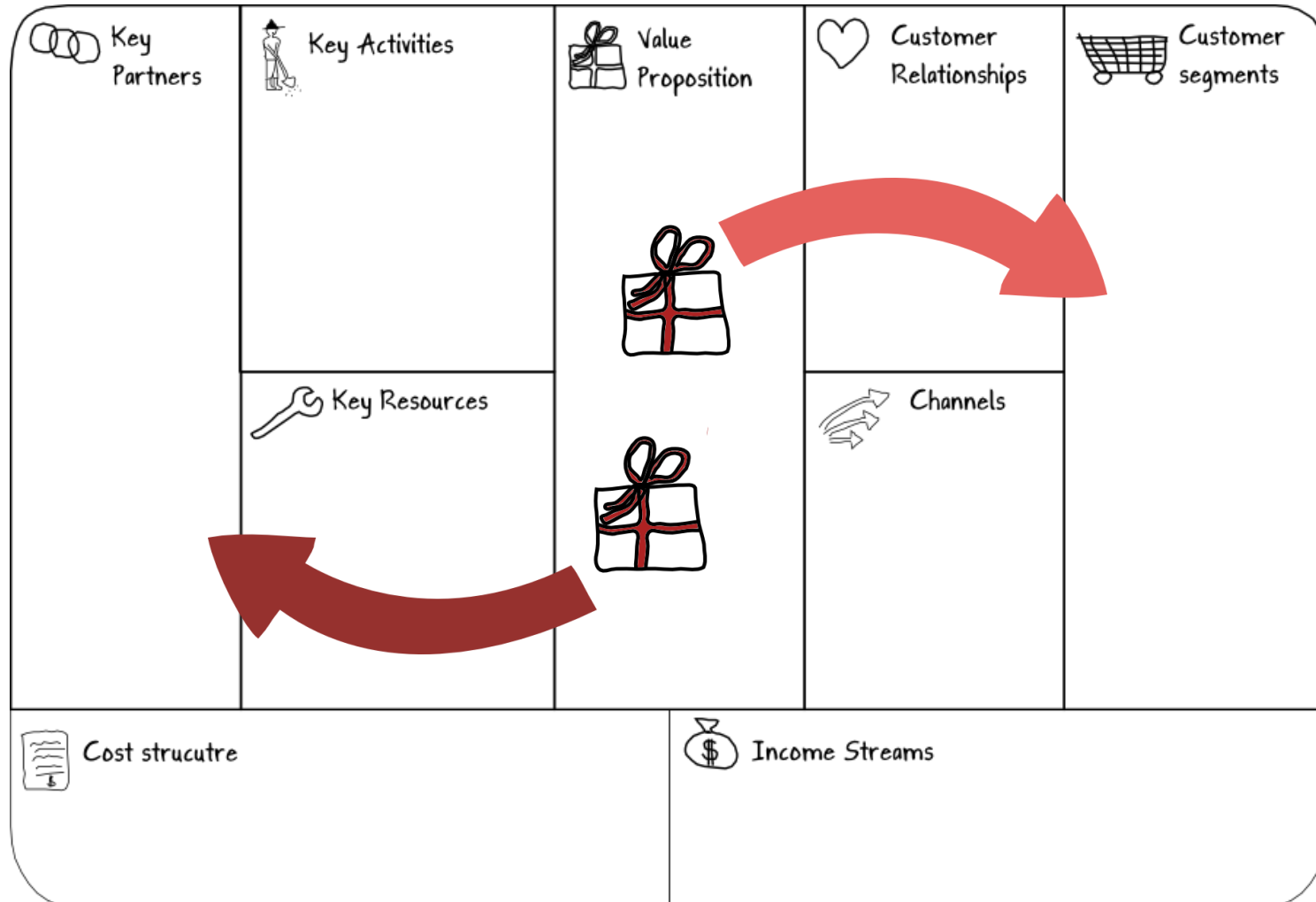
Key tool #2
The Business Model Canvas





The double-facing value proposition

Key tool #2
The Business Model Canvas



Example: Customer facing Business Model of Agroaguadas (Bleckberries) in Colombia

Key Partners	Key Activities	Value Proposition	Customer Relationship	Customer Segments
<p>Blackberry producers</p> <ul style="list-style-type: none"> 65 associates 42 are members of Productive Alliances <p>Other providers (for payments and blackberry shipment container):</p> <ul style="list-style-type: none"> AGROAGUADAS producer organization distribution center <p>Indirect partners:</p> <ul style="list-style-type: none"> OGR Aguadas City Hall Caldas local government SENA ICA 	<ul style="list-style-type: none"> Trainings in Good Agricultural Practices (BPA, in Spanish) Crop census to determine potential production Participation in tools and crop management trainings with Alpina and SENA. Leaf removal 	<ul style="list-style-type: none"> Blackberries with 5 or 6 degrees Brix No contaminants No residual chemicals Consistent quality Consistent quantity Certified by Good Agricultural Practices (BPA, in Spanish) Leaf- free blackberries (despionada) 	<p>Alpina: Trustworthy, stable, consistent, benefits both parties</p> <p>Other clients: Unreliable, unpredictable, weak, intermittent</p>	<p>High quality market: Alpina</p> <ul style="list-style-type: none"> Commercialized since 2000 Commercialization agreement Provides technical assistance and training <p>Secondary quality market: (Other clients) <i>Casa Luker</i></p> <ul style="list-style-type: none"> Commercialization since 2010. Manizales <p><i>Juice producers</i></p> <ul style="list-style-type: none"> Commercialization since 2010 Tuluá
<p>Cost structure</p> <p>Blackberry purchases</p> <ul style="list-style-type: none"> Purchase price: COP\$ 1200/kg Purchases (2013): COP\$ 466152000 Purchases (2013): 388kg Transfer payments to beneficiary's personal accounts after delivery. 		<p>Other costs:</p> <ul style="list-style-type: none"> Cost of leaf removal by personnel: COP\$ 500/kg Collection center energy and maintenance costs: COP\$800.000/week Transport: COP\$ 400.000/week 	<p>Revenue Stream</p> <ul style="list-style-type: none"> Type of price: Fixed 1600/kg Tons sold: (2013): 379tons Sales(2013): COP\$ 606531200 Consignment payment between 15 – 30 days after delivery 	
		Profit margin: COP\$400/kg		

Example: **Producer facing** Business Model of Agroaguadas (Bleckerberries) in Colombia

Key Partners	Key Activities	Value Proposition	Customer Relationship	Customer Segments
<p>Blackberry producers</p> <ul style="list-style-type: none">• 65 associates• 42 members of Productive Alliances <p>Other providers (for payments and blackberry shipment container):</p> <ul style="list-style-type: none">• AGROAGUADAS producer organization warehouse <p>Indirect partners:</p> <ul style="list-style-type: none">• OGR• Aguadas City Hall• Caldas local government• SENA• ICA	<ul style="list-style-type: none">• Meetings with associates• Meetings with financial entities• Meetings with SENA, City Hall and local government of Caldas	<ul style="list-style-type: none">• Insured commercialization• Technology transfers• Social events• Credit loans• Technical training services• Agropecuario services• Market information• Support in applying for and receiving bank credits with rural capitalization incentives	<p>Daily personal mobile phone communication.</p> <p>Relationship attributes:</p> <ul style="list-style-type: none">• Constant• Stable• Strong• Beneficial for both parties	<p>Mercado de Alta Calidad: Alpina</p> <ul style="list-style-type: none">• Business partners since 2000• Commercialization agreement• Technical support and training provided <p>Secondary quality market Casa Luker</p> <ul style="list-style-type: none">• Commercialization since 2010• Manizales <p><i>Juice producers</i></p> <ul style="list-style-type: none">• Commercialization since 2010• Tuluá
	<p>Key Resources</p> <ul style="list-style-type: none">• Working capital• Institutional support• Distribution center located in Aguadas• Rotating fund valued at COP\$ 210.000.000 as of December 2013		<p>Channels</p> <ul style="list-style-type: none">• Local meetings• Workshops in distribution center	
<p>Cost structure</p> <ul style="list-style-type: none">• Displacement COP\$ 2.000.000• De-leafing tours COP \$1.400.000 (18 women)• Distribution center training (COP\$ 100.000)• Technical assistance (COP\$ 1.000.000 por finca/ medio tiempo)• Social events (COP\$ 5.000.000 120 personas/al año)• Personnel costs (COP\$ 1.848.000 mensuales para tres operarios)• Distribution center management (COP\$ 800.000/mes)• Executive Expenses, OP (COP\$ 3.000.000/mes)			<p>Revenue Stream</p> <ul style="list-style-type: none">• Monthly membership fee of COP\$ 3.000• Affiliation fee of COP\$ 5.000• Single donation from Caldas government (cold storage room) COP\$ 40.000.000• Single donation from ICA (BPA certification) COP\$ 50.000.000	



1. Chain-wide collaboration

Do actors share the same goals?

Do actors exchange information regularly?

Are there structures in place to motivate collaboration or shared problem solving?

Is there one or more “champions” who will lead the process of co-innovation?

Do all actors understand and acknowledge the interdependence of the trading relationship?



2. Effective market linkages

Are trading relations stable?

Are trading relations profitable?

Do actors take advantage of market opportunities?

Do actors respond quickly enough to the changing needs of clients?



3. Fair and transparent governance

Are sale/purchase volumes and prices communicated clearly?

Are quality standards clear and consistent across the chain?

Are risks understood and shared proportionately along the chain?

Are trading relationships based on formal contracts or clear informal agreements?



4. Equitable access to services

Do producers have access to technical support services provided by the buyer or an indirect actor?

Do producers have timely access to market information provided by the buyer or an indirect actor?

Do producers have access to financial services provided by the buyer or an indirect actor?



5. Inclusive innovation

Are innovation processes carried out collaboratively?

Who participates and why?

If innovation is evident, who gains from the results?

Are there profit-sharing mechanisms in place?

Are small-scale producers encouraged to participate in inclusive innovation?



6. Measurement of outcomes

Have indicators been established that will measure the success of the business relationship?

Are the results of the business relationship measured frequently?

Are there feedback loops in place to guarantee effective chain-wide management and decision-making?



Principle 1: Chain-wide collaboration

		Strongly agree	Strongly disagree	N/A	Why?
1	We frequently <i>exchange information formally</i> * with our customer.	⑤ ④ ③ ② ① ① ①		<input type="radio"/>	
2	We frequently <i>exchange information informally</i> * with our customer.	⑤ ④ ③ ② ① ① ①		<input type="radio"/>	
3	We are aware of the effects our decisions have on our customer.	⑤ ④ ③ ② ① ① ①		<input type="radio"/>	
4	Our <i>commercial goals</i> * are aligned with those of our customer.	⑤ ④ ③ ② ① ① ①		<input type="radio"/>	
5	Our <i>social goals</i> * are aligned with those of our customer.	⑤ ④ ③ ② ① ① ①		<input type="radio"/>	
6	Our environmental goals are aligned with those of our customer.	⑤ ④ ③ ② ① ① ①		<input type="radio"/>	
7	We work closely with our customer to resolve problems.	⑤ ④ ③ ② ① ① ①		<input type="radio"/>	
8	We are able to respond quickly to problems that may occur to do with customer relations.	⑤ ④ ③ ② ① ① ①		<input type="radio"/>	
9	We recognise and value the <i>interdependence</i> * between ourselves and our customer.	⑤ ④ ③ ② ① ① ①		<input type="radio"/>	
10	Our activities and roles complement those of our customer.	⑤ ④ ③ ② ① ① ①		<input type="radio"/>	
11	<i>Incentives</i> * (financial and non-financial) exist to enhance collaborative behaviour with our customer.	⑤ ④ ③ ② ① ① ①		<input type="radio"/>	
12	Champions have been identified to lead the collaboration process with our customer.	⑤ ④ ③ ② ① ① ①		<input type="radio"/>	
13	We use <i>information and communication technology (ICT)</i> * to enhance collaboration with our customer.	⑤ ④ ③ ② ① ① ①		<input type="radio"/>	

Total points =

Average score = Total points ÷ (13 – Number of criteria marked N/A) =



Principle 1: Chain-wide collaboration		Strongly agree	Strongly disagree	N/A	Why?
1	We frequently <i>exchange information formally</i> * with our provider.	5 4 3 2 1 0		<input type="radio"/>	
2	We frequently <i>exchange information informally</i> * with our provider.	5 4 3 2 1 0		<input type="radio"/>	
3	We are aware of the effects our decisions have on our provider.	5 4 3 2 1 0		<input type="radio"/>	
4	Our commercial goals* are aligned with those of our provider.	5 4 3 2 1 0		<input type="radio"/>	
5	Our social goals* are aligned with those of our provider.	5 4 3 2 1 0		<input type="radio"/>	
6	Our environmental goals are aligned with those of our provider.	5 4 3 2 1 0		<input type="radio"/>	
7	We work closely with our provider to resolve problems.	5 4 3 2 1 0		<input type="radio"/>	
8	We are able to respond quickly to problems that may occur to do with our provider.	5 4 3 2 1 0		<input type="radio"/>	
9	We recognise and value the <i>interdependence</i> between ourselves and our provider.	5 4 3 2 1 0		<input type="radio"/>	
10	Our activities and roles complement well those of our provider.	5 4 3 2 1 0		<input type="radio"/>	
11	<i>Incentives</i> * (financial and non-financial) exist to enhance collaborative behaviour with our provider.	5 4 3 2 1 0		<input type="radio"/>	
12	Champions have been identified to lead the collaboration process with our provider.	5 4 3 2 1 0		<input type="radio"/>	
13	We use <i>information and communication technology (ICT)</i> * to enhance collaboration with our provider.	5 4 3 2 1 0		<input type="radio"/>	

Total points =

Average score = Total points ÷ (13 – Number of criteria marked N/A) =

Case example: REOPA and Colruyt, Peru

Colruyt, a Belgian supermarket chain, purchases asparagus from REOPA, a Peruvian smallholder farmer organization. REOPA receives support from the Belgian NGO Veco Andino, which also facilitated the application of LINK Methodology with other supply chain actors Gandules (canned asparagus) and Scano Noliko (imports asparagus to Belgium).



Principle # 1: Chain-wide collaboration

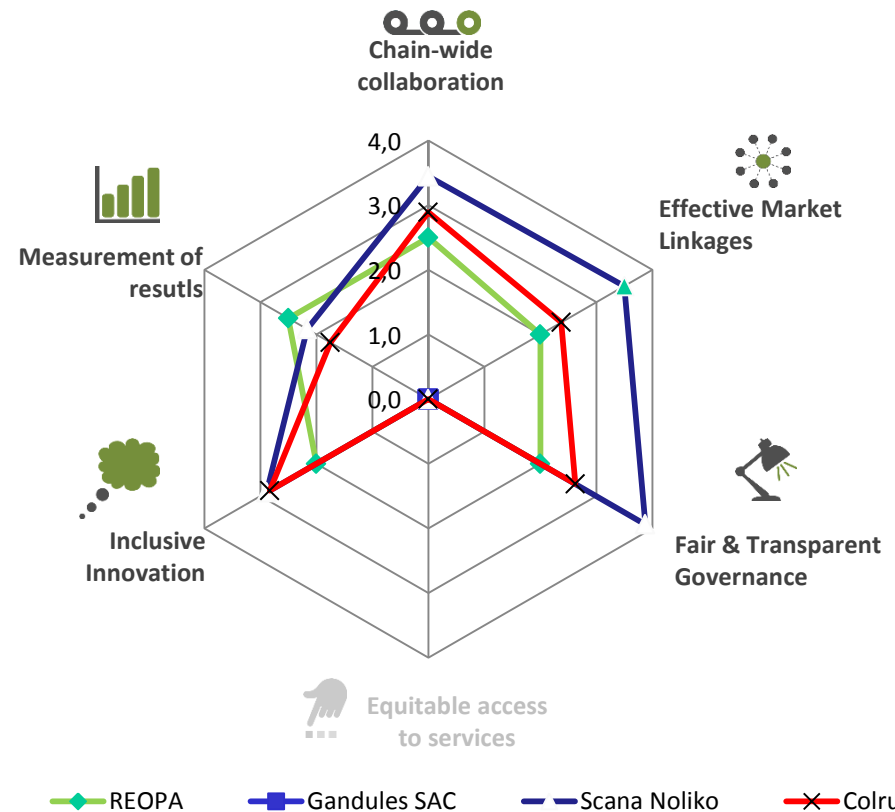


Currently established:

- NOLIKO heads up collaboration
- Clear roles among actors
- Common objective to add value to product
- Focus on problem-solving

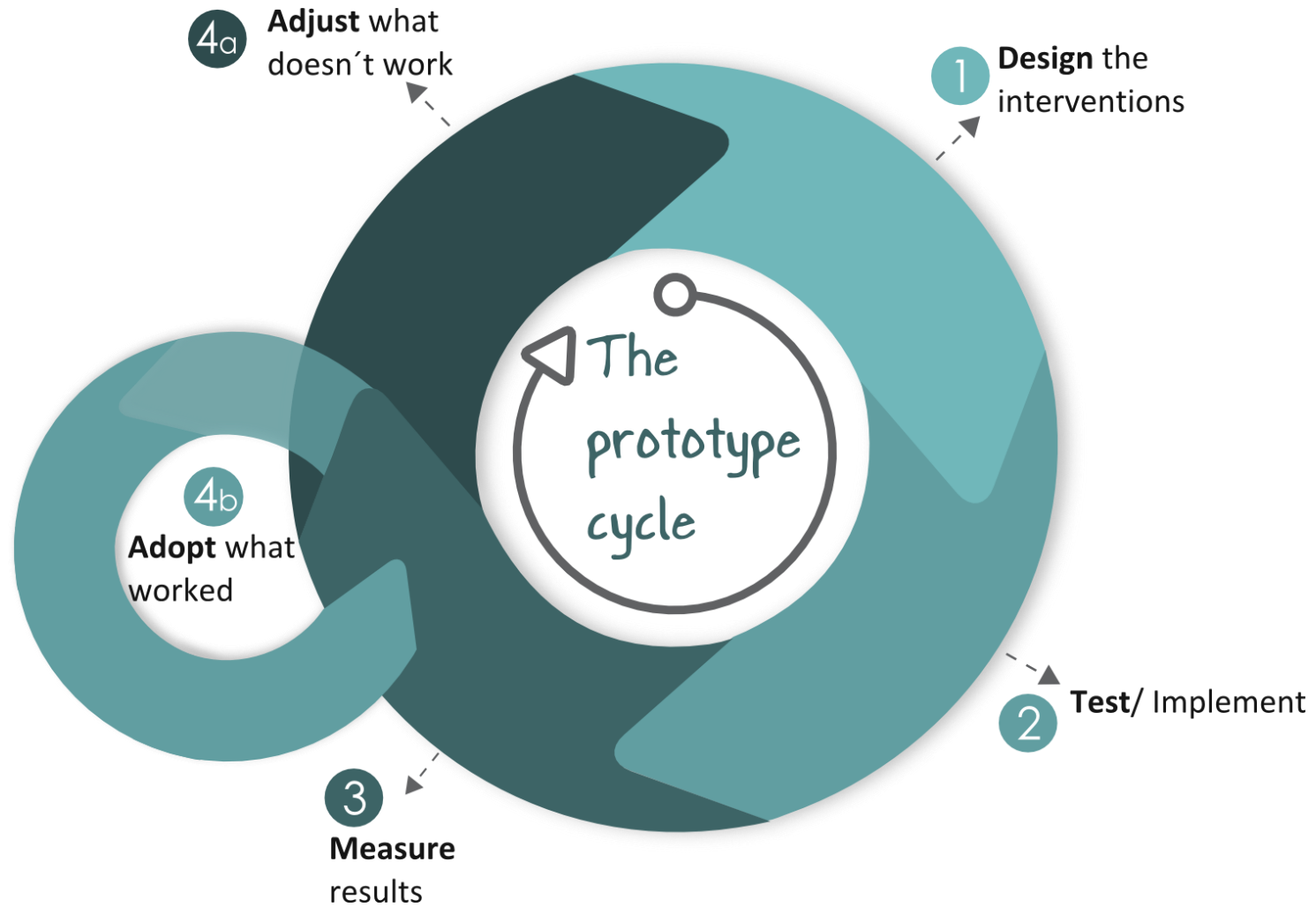
To improve in the future:

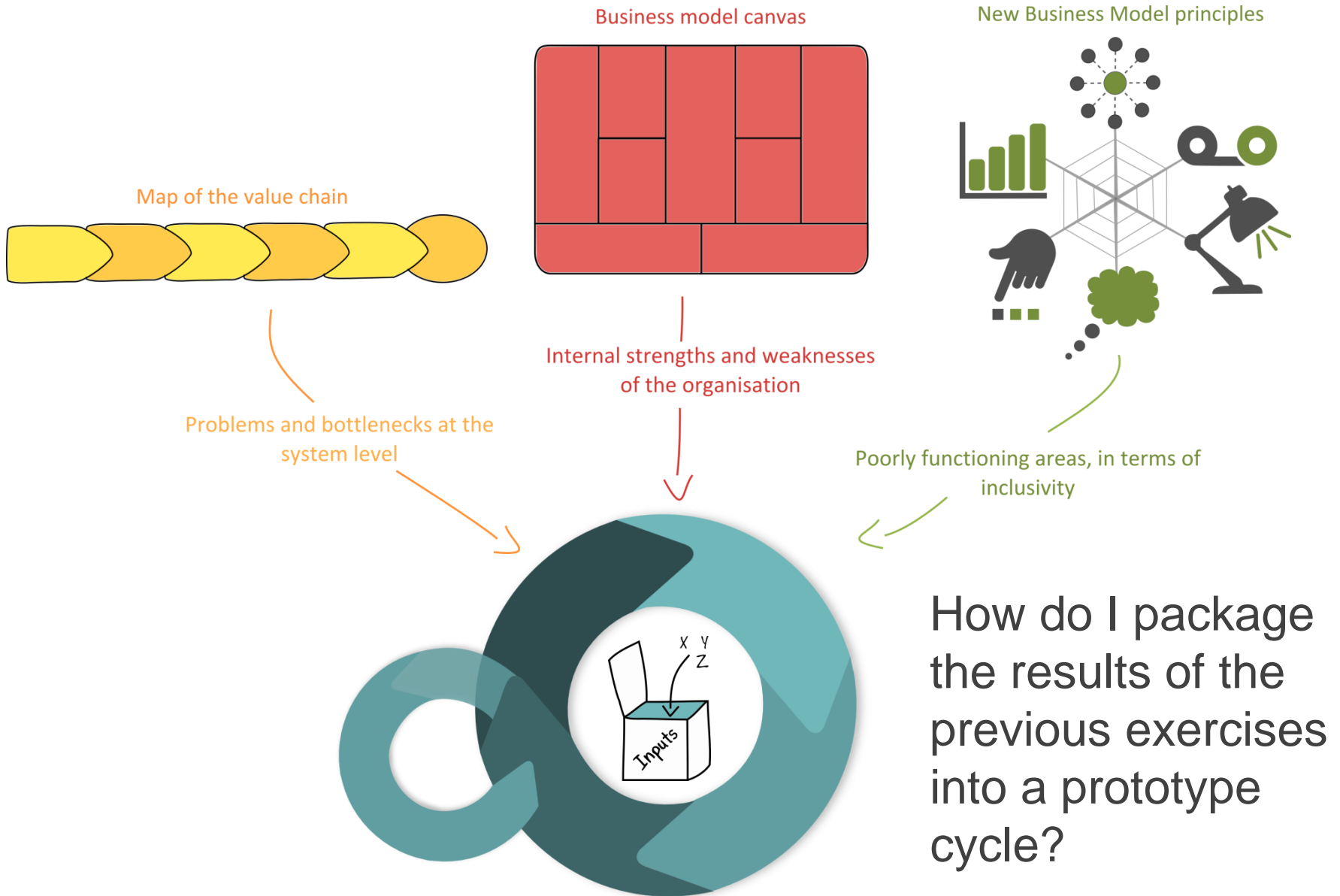
- Contribute to REOPA's stable income
- Work to share social goals with Gandules
- Improve regularity of information flow



Note: Veco Andino did not apply Principle 4: Equitable access to services

What is the prototype cycle?





Lessons learnt

- Theory: Less is more
- Practice: More is more
- Positive uptake from NGOs (i.e. Veco, CRS, Swisscontact, CATIE, IICA, Practical Action, Prisma) and companies (i.e. Unilever, Walmart, Colruyt,)
- For communities, much confusion is generated by the multitude of different definitions and concept around inclusive business and the variety of approaches promoted by development actors. Needs streamlining.
- The LINK facilitator needs a certain level of expertise and experience in participatory facilitation and business approaches
- The management of the facilitating NGO needs to be 'on board'

CIAT provides training/guidance to 14 case studies that are currently underway in Latin America

Partial implementation of selected tools of LINK Methodology in 13 cases in Colombia is completed

Other cases are/were being implemented in Indonesia (Veco), Ethiopia Kenya and Uganda (Ford Foundation)

Alexandra Amrein

a.amrein@cgiar.org

Mark Lundy

m.lundy@cgiar.org

Download LINK Methodology

www.dapa.ciat.cgiar.org/methodologies-to-make-market-linkages-work/