

CREATING VALUE FOR ALL: STRATEGIES FOR DOING BUSINESS WITH THE POOR



Insights from the first report of the
UNDP Growing Inclusive Markets Initiative

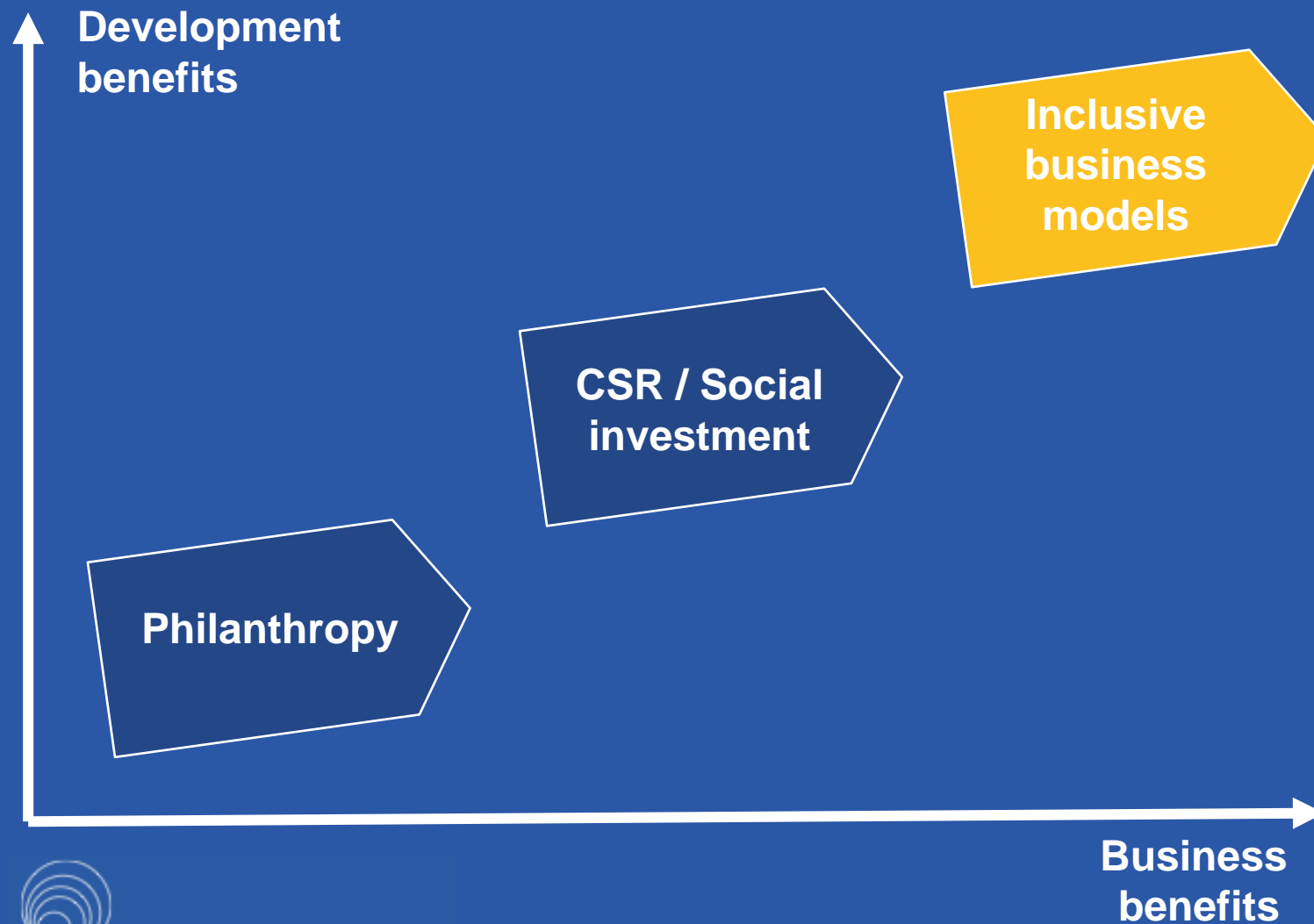
Istanbul, July 8, 2008

Agenda

- The Growing Inclusive Markets (GIM) Initiative
- Key Insights from the GIM Report
- Next Steps



Mindset Shift: The Role of Business in Development



What are inclusive business models?

Business models that include the poor, whether as suppliers, distributors, retailers, franchisees, customers, or sources of innovation – in ways that are or have the potential to become commercially viable

Benefits for Business

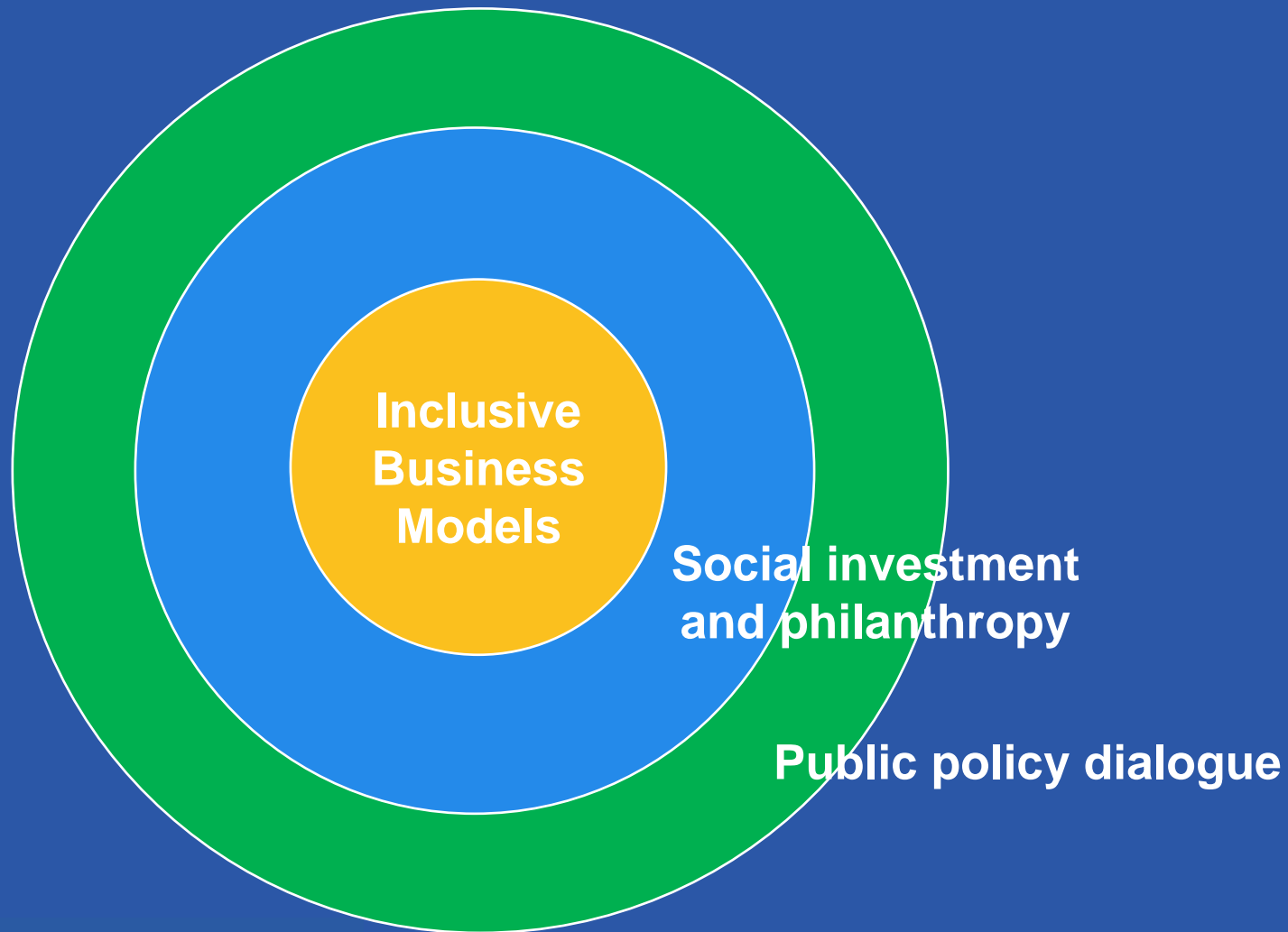
- Profits
- Innovation
- New markets
- Stronger supply chains

Benefits for the Poor

- Greater access to products and services
- Higher productivity
- Better incomes
- Economic empowerment



The Role of Business in Development: Current Thinking



The Growing Inclusive Markets Initiative

Offers a **platform for collaboration** among key stakeholders including business associations, development agencies, think tanks, and academic institutions

Its goals are to

- Raise awareness
- Provide research and practical tools
- Inspire action

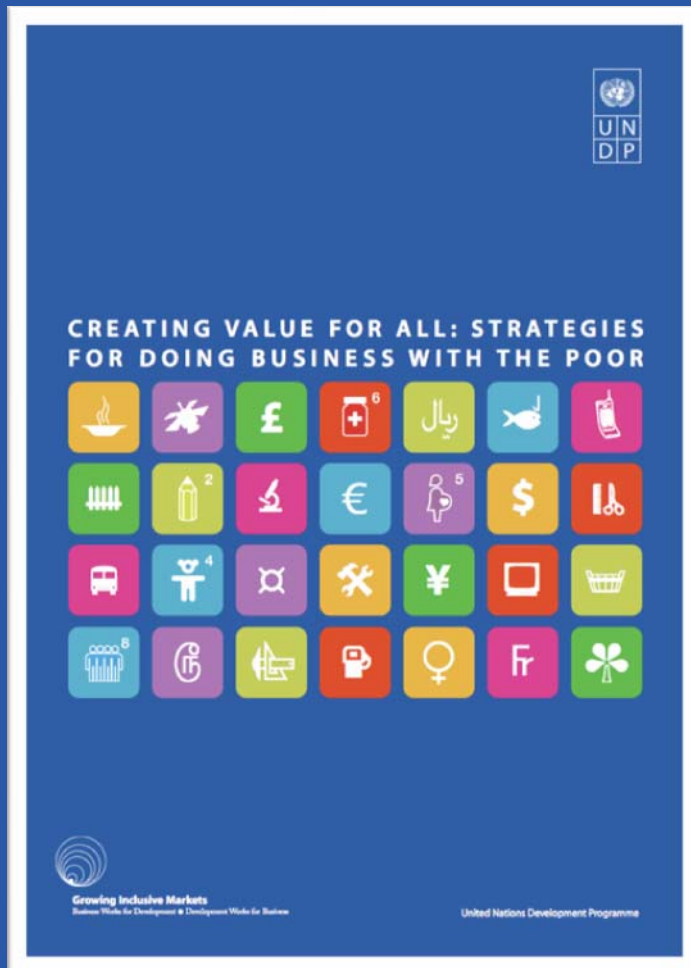


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First Product of the Initiative: the Report

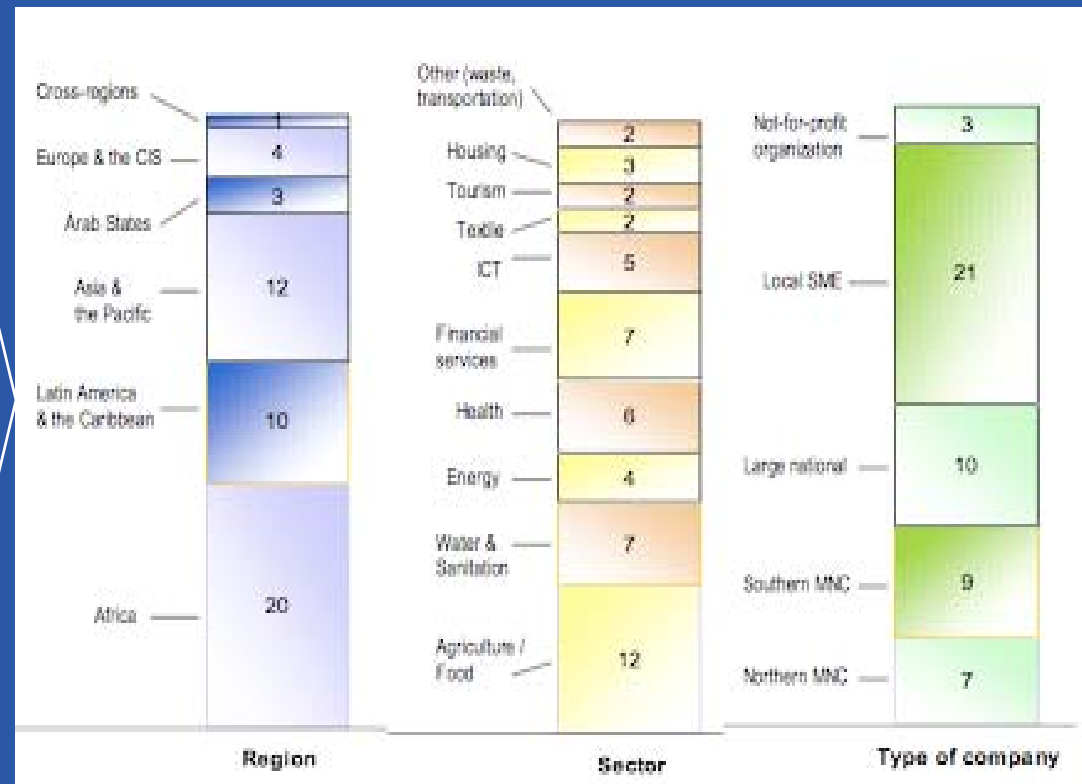


“Creating Value for All:
Strategies for Doing Business
with the Poor“

Launched officially on July 1st

Empirical Research Approach

- Report findings are strictly based on empirical evidence
- 50 case studies on inclusive business models have been conducted by 18 case authors from different regions
- Research question: how do businesses work successfully with the poor?



Resources included in the Report

Case Studies Bank

- Searchable database of 50 case studies, together with an inventory of constraints and solutions

GIM Strategy Matrix

- Analytical framework that helps to think through market constraints and strategies for addressing them

Market Heat Maps

- Spatial maps depicting levels of access to markets together with information on market structure

Core messages

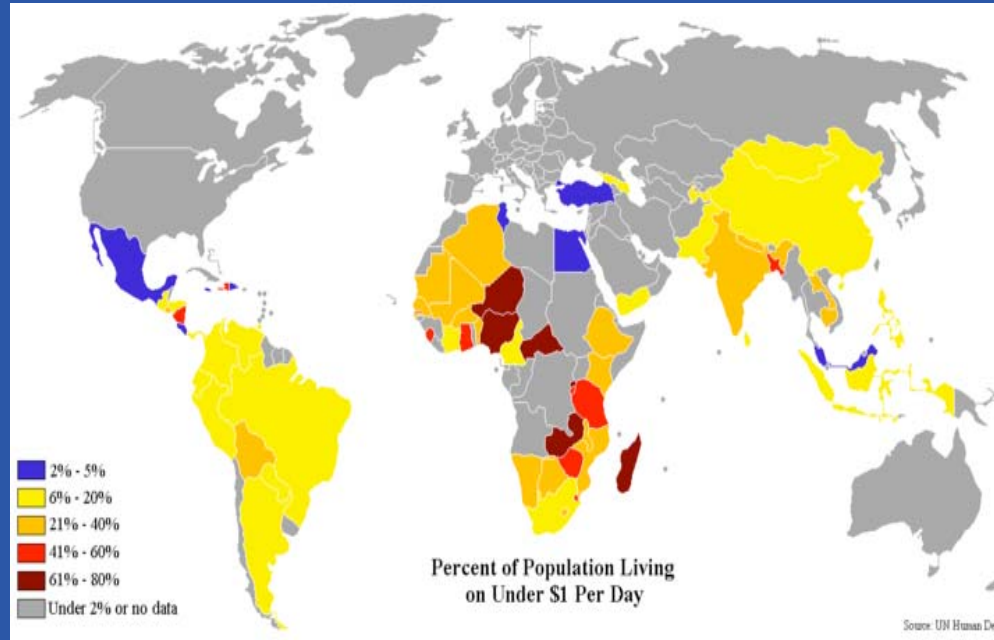
1. Inclusive business is an important opportunity for business and for those living in conditions of poverty
2. Inclusive business is challenging because of the market constraints that poor people face
3. Entrepreneurs have used five core strategies to overcome these constraints
4. We all have roles to play in making their work easier – allowing inclusive business models to scale and proliferate and deliver even more human development impact



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Poverty Remains Pervasive



- 2.6 billion people live on less than US\$2 a day
- 1 billion lack clean water
- 1.6 billion lack electricity
- 2.6 billion lack sanitation
- 5.4 billion lack Internet access

Voices of the Poor: Poverty is best understood holistically, as a lack of opportunity to lead a life one values

Including the Poor Creates Opportunities for Business

Business benefits

Generating profits

Driving innovation

Developing new markets

Strengthening supply chains

Examples

- Smart Communications was the most profitable of the 5,000 largest corporations in the Philippines in 2003, with a net income of about \$288 m.
- Fingerprint-enabled ATMs developed for illiterate banking customers in India are being introduced in the US.
- 3.3 billion people worldwide now have cell phones
- Starbucks has access to the high-quality, environmentally sustainable, socially responsible coffee its consumers demand

It Also Creates Opportunities for the Poor

Benefits for the Poor

Meeting basic needs

Raising productivity

Increasing incomes

Cultivating empowerment

Examples

- RiteMed reached more than 20 million low-income clients with generic drugs in 2006, at prices 20%–75% lower than name brands
- Amanco sells small-scale lemon farmers drip irrigation systems that can raise annual yields from 9 tons per hectare to 25
- Huatai provides alternative sources of income for local tree farmers and significantly increases the incomes of about 6,000 rural households.
- Access to loans, such as those provided by K-REP Bank, are not only sources of investment but also of self-confidence and independence.

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Five Areas of Market Constraints

Market information

- Businesses know too little about poor people—what they prefer, what they can afford and what products and capabilities they have to offer. **Barclays, Construmex**

Regulatory environment

- The markets of the poor lack regulatory frameworks that allow business to work. Rules are not enforced. People lack access to a functioning legal system. **Chaka Money Express, VidaGas**

Physical Infra-structure

- Transportation is complicated by the lack of roads and supporting infrastructure. Water, electricity, sanitation and telecommunications networks are lacking. **CelTel, sanofi-aventis**

Knowledge and skills

- Consumers may not know the uses and benefits of particular products or may lack the skills to use them. Suppliers, distributors and retailers may lack the knowledge and skills to participate in supply chains. **Tsinghua Tongfang, Integrated Tamale Fruit**

Access to financial services

- Lacking credit, poor producers and consumers cannot finance investments or large purchases. Lacking insurance, they cannot themselves against external shocks. And lacking transactional banking services, they face insecure and expensive financial management. **Amanco, VCP, Chevron**



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Five Core Strategies

Adapt products and processes

- Avoid constraints through technological adaptations or business process redesign

Invest in removing market constraints

- Remove market constraints through own or joint investments

Leverage the strengths of the poor

- Work with existing institutions and systems and engage the poor themselves

Combine resources and capabilities

- Collaborate with other organizations to leverage existing assets and core competencies

Engage in policy dialogue with gov't

- Inform the policy making process to help remove constraints over the long term, system-wide

**Adapt
products
and
processes**

**Invest in
removing
market
constraints**

**Leverage
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**Combine
resources
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capabilities**

**Engage in
policy
dialogue
with gov't**

**Leverage
Technology**

- Leverage ICT
- Off-grid energy, on-site water purification
- Small-scale irrigation

- M-PESA
- Narayana Hrudalayanaya
- Proctor & Gamble
- Amanco

**Design
business
processes**

- Small unit pricing
- Shared use
- Streamlined requirements
- Creative collateral

- Smart Communications
- Village Phone
- Wizzit
- VCP, Starbucks, Standard Chartered

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**Ensure
private value**

- Targeting
- Contracting
- Capturing and accounting for intangible benefits

- Patrimonio Hoy
- Integrated Tamale Fruit
- Lafarge Indonesia

**Leverage
social value
to share cost**

- Grants and subsidies
- Reduced cost capital
- Patient capital

- M-PESA
- Saiban



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**Local
knowledge &
relationships**

- Focus groups, community-led surveys
- Train-the-trainer
- Franchising
- Hiring

- Slum Dwellers Federations
- Smart Communications
- HealthStores
- RuralFone

**Existing
informal
systems**

- Contract enforcement
- Risk-sharing
- Incremental investment
- Co-investment

- Martins
- Grameen Bank
- Patrimonio Hoy
- Saiban



**Adapt
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**Combine
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capabilities**

**Engage in
policy
dialogue
with gov't**

**Combine
complementary
capabilities**

- Operational partnership
- Contracting
- Referral

- VCP and Banco Real
- Amanco and RASA
- Technoserve
- SEBRAE

**Pool
resources**

- Asset-sharing
- Cost- and risk-sharing
- Information exchange
- Learning

- ITC Ltd.
- Martins Retail University
- PSI Malawi, Projeto Vinculos
- Real Microcredito and Accion International



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**Individual
engagement**

- “Lobbying”
- Leveraging existing relationships

- Tiviski Dairy
- Coco Tech

**Demonstration
effects**

- Proof of concept
- Self-regulation

- Argoz El Salvador
- HealthStores
- Angola Partnership Init
- DeBeers

**Collective
engagement**

- Business associations and industry groups
- Cross-sector alliances
- Partnership with development agencies

- GSMA Mobile Money Transfer Programme
- Business Trust/NBI
- Philippines Business for Social Progress
- WBCSD-SNV



The GIM Strategy Matrix

		Strategies				
		Adapt Products and Processes	Invest in removing market constraints	Leverage the strengths of the poor	Combine resources and capabilities with others	Engage in policy dialogue with governments
Constraints	Market information					
	Regulatory environment					
	Physical Infrastructure					
	Knowledge and skills					
	Access to financial services					

Case Example: Smart Philippines

Strategies

Constraints

		Adapt Products and Processes	Invest in removing market constraints	Leverage the strengths of the poor	Combine resources and capabilities with others	Engage in policy dialogue with governments
Market information				Obtain new service ideas from agents		
Regulatory environment	Simplify requirements				Engage in industry-policy dialogue	Engage in industry-policy dialogue
Physical Infrastructure	Enable wireless top up			Engage microentrepreneurs	Build on existing distribution networks	
Knowledge and skills						
Access to financial services	Simplify requirements; small unit pricing					

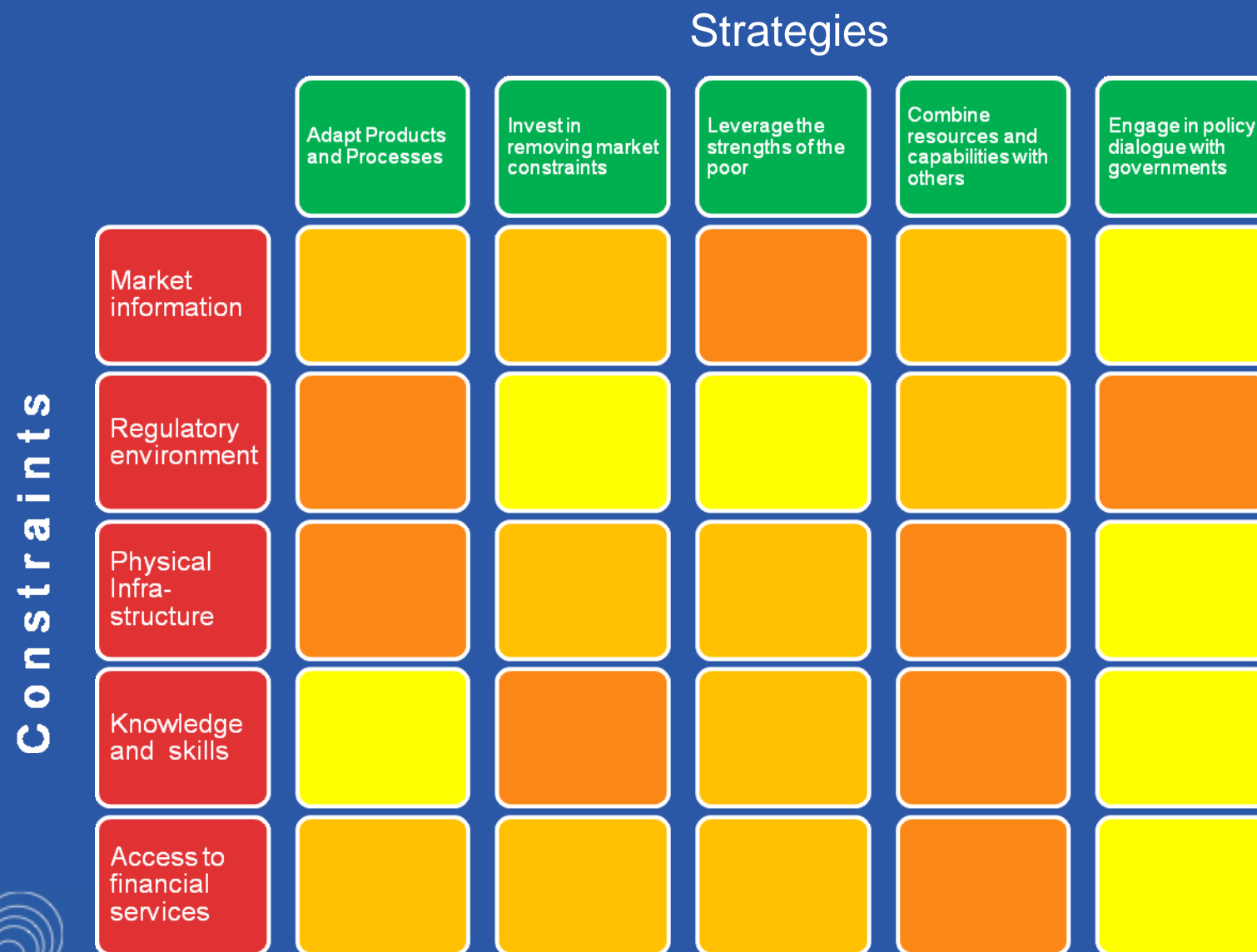
Case Example: HealthStores Kenya

Strategies

Constraints

		Adapt Products and Processes	Invest in removing market constraints	Leverage the strengths of the poor	Combine resources and capabilities with others	Engage in policy dialogue with governments
Market information						
Regulatory environment		Hire nurses, community health workers				Demonstration effects
Physical Infrastructure		Combine drugstore and clinic				
Knowledge and skills			Ongoing training	Hire nurses, community health workers	Collaborate with gov't on public health campaigns	
Access to financial services			Provide credit for franchisees			

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What we can do

Business

- Create space for innovation
- Develop specialized investment tools
- Build capacity for collaboration
- Engage in policy dialogue

Government

- Establish dialogue platforms to engage business
- Strengthen institutional capacity for collaboration
- Remove constraints in the market environment

Communities

- Organize to make it easier for businesses to engage

NGOs

- Serve as sources of innovation, educate business on poverty

Donors

- Raise awareness, facilitate business engagement with government

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www.growinginclusivemarkets.org



Regional hotspots

- Identifying and documenting additional cases
- Connecting local, national, and regional business associations and development partners
- Supporting learning networks
- Driving action

Get Involved in GIM!

If you have questions, comments, ideas,
or want to collaborate with GIM,
please contact :

Christina Gradl

christina.gradl@undp.org

www.growinginclusivemarkets.org

