

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



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

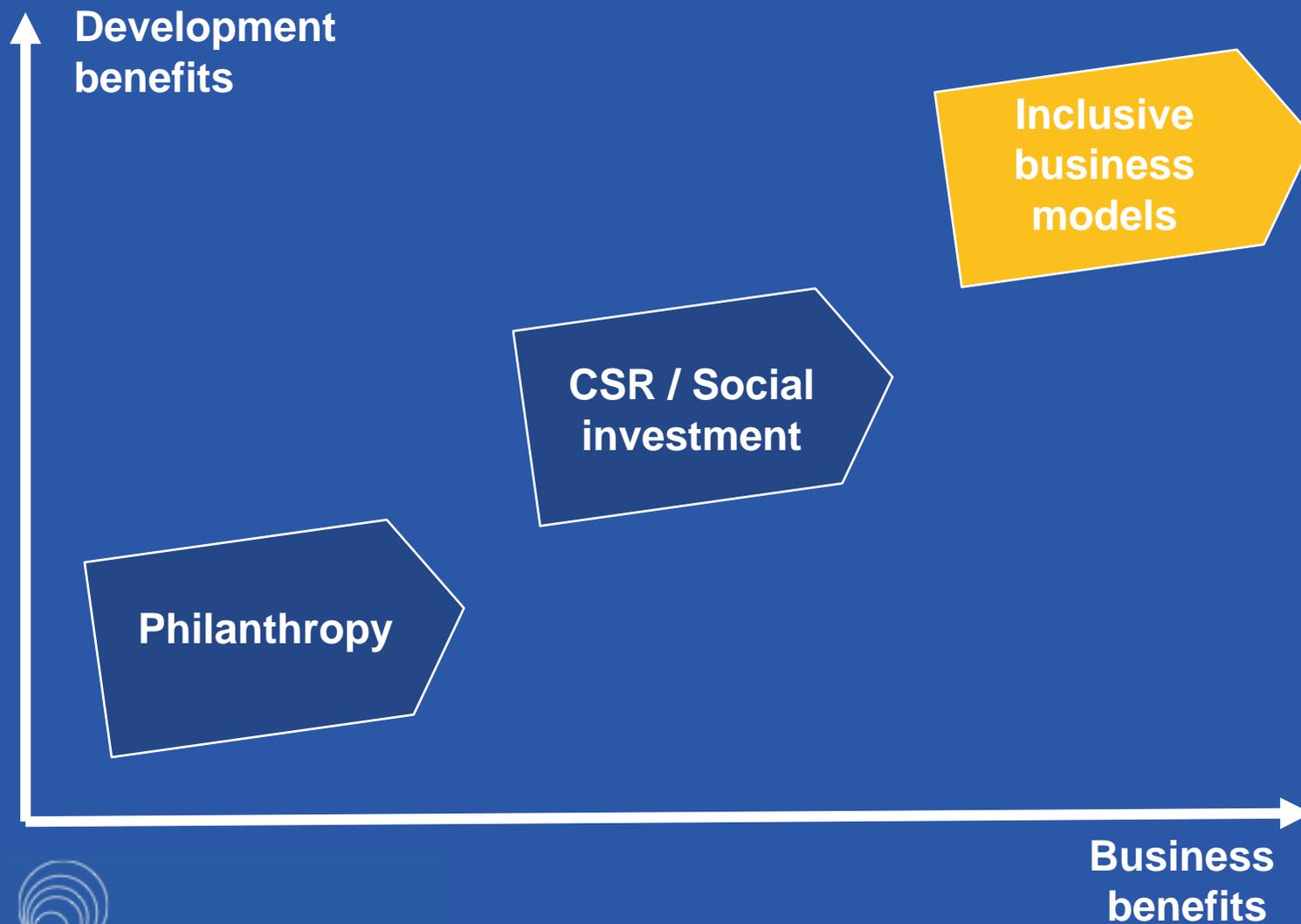
Istanbul, July 8, 2008

# 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

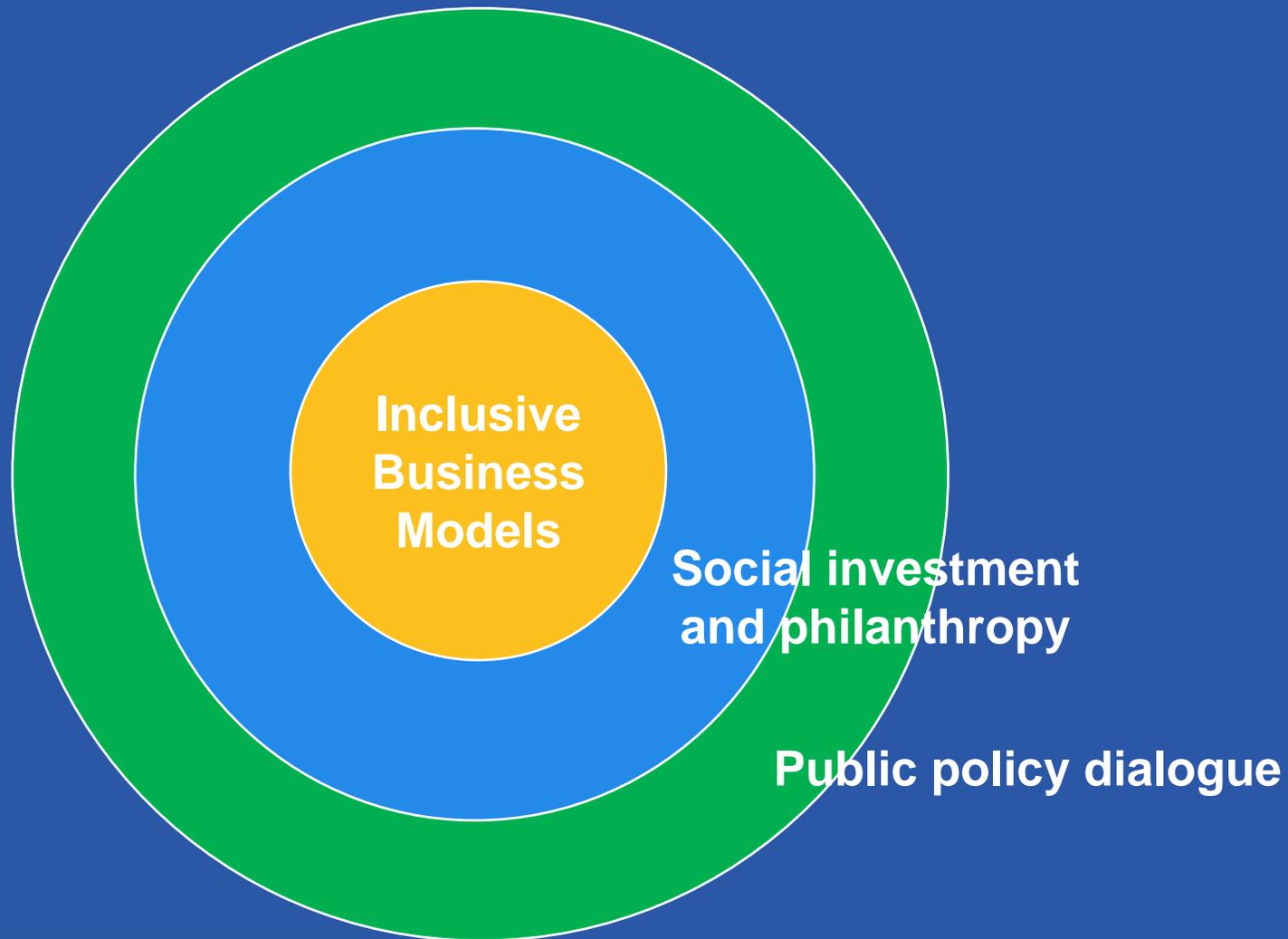
## Benefits for Business

- 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

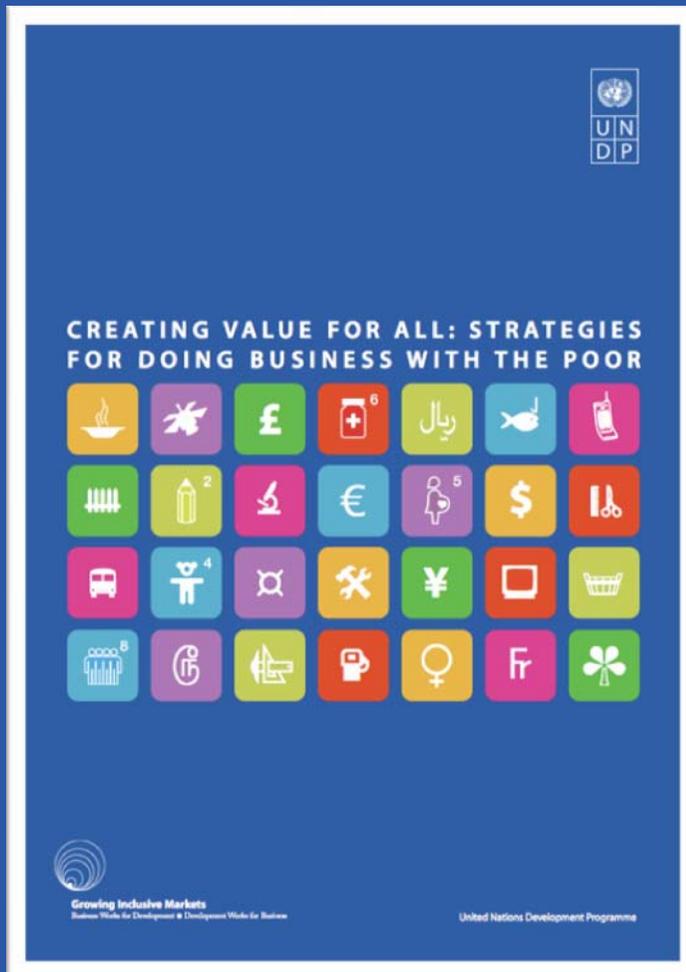


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# First Product of the Initiative: the Report

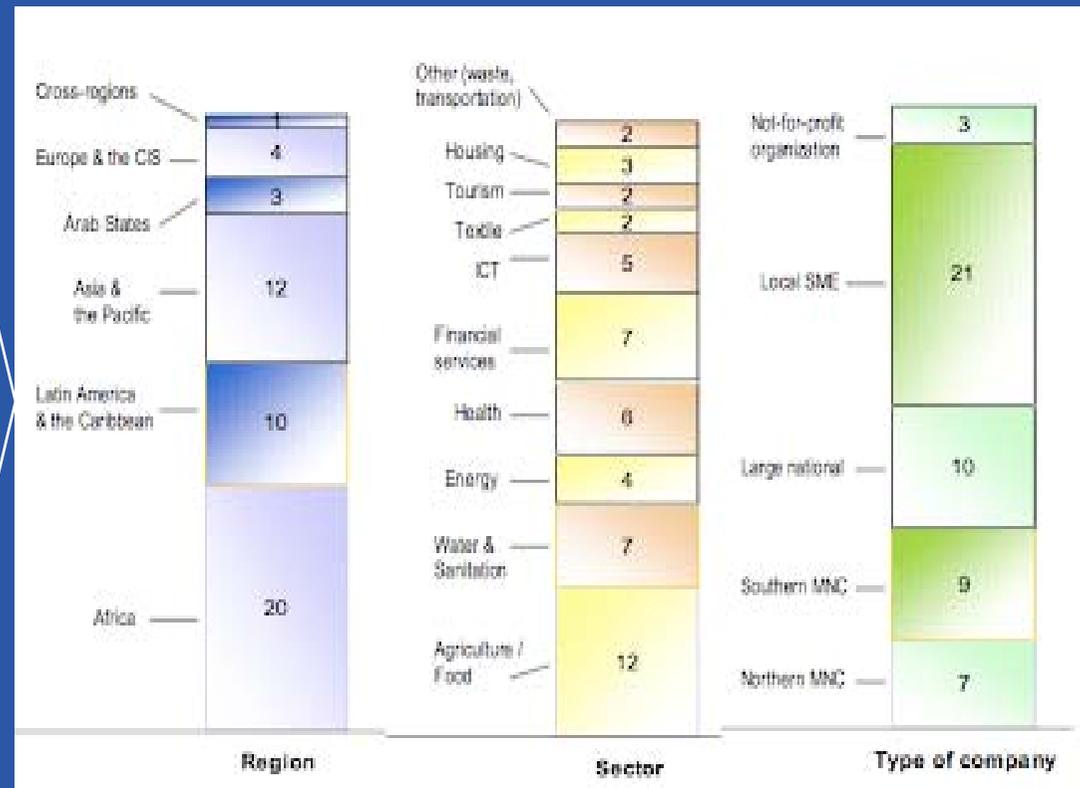


“Creating Value for All:  
Strategies for Doing Business  
with the Poor“

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

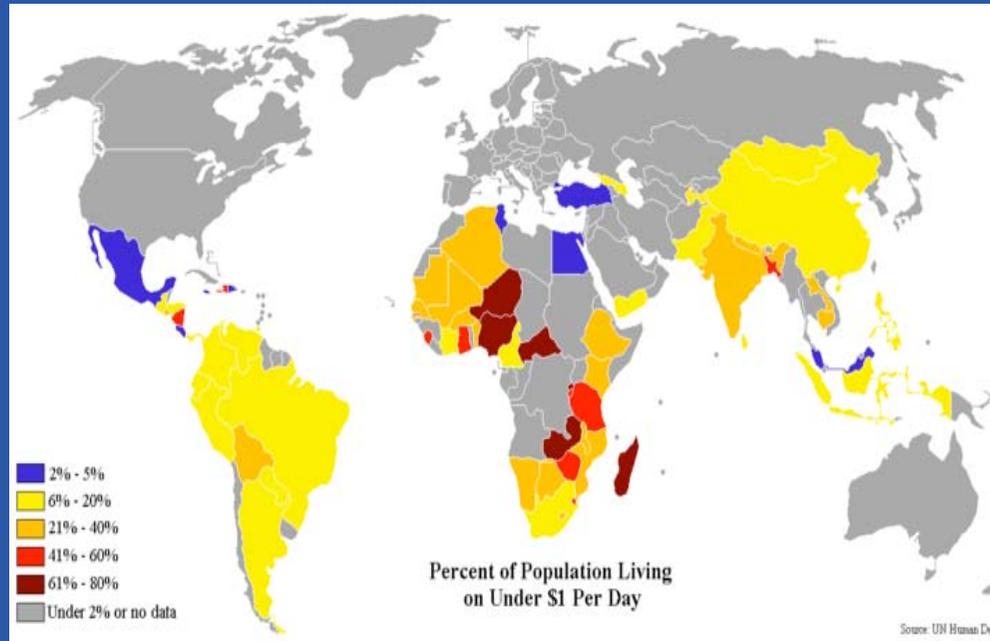


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# Poverty Remains Pervasive



- 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 Infrastructure

- 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  
the  
strengths of  
the poor**

**Combine  
resources  
and  
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

Adapt products and processes

**Invest in removing market constraints**

Leverage the strengths of the poor

Combine resources and capabilities

Engage in policy dialogue with gov't

**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



Adapt products and processes

Invest in removing market constraints

Leverage the strengths of the poor

Combine resources and capabilities

Engage in policy dialogue with gov't

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 products and processes

Invest in removing market constraints

Leverage the strengths of the poor

**Combine resources and 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



Adapt products and processes

Invest in removing market constraints

Leverage the strengths of the poor

Combine resources and capabilities

Engage in policy dialogue with gov't

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

## 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					
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				



# The GIM Strategy Matrix

## 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	Yellow	Yellow	Orange	Yellow	Light Yellow
Regulatory environment	Orange	Light Yellow	Light Yellow	Yellow	Orange
Physical Infrastructure	Orange	Yellow	Yellow	Orange	Light Yellow
Knowledge and skills	Light Yellow	Orange	Yellow	Orange	Light Yellow
Access to financial services	Yellow	Yellow	Yellow	Orange	Light Yellow



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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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The screenshot shows the homepage of the Growing Inclusive Markets website. At the top left is the logo, which consists of several concentric, overlapping circles. To the right of the logo is the text "Growing Inclusive Markets" in a bold, dark blue font, with the tagline "Business Works for Development • Development Works for Business" underneath in a smaller, lighter blue font. In the top right corner, there is the UNDP logo (a globe icon above the letters "UN" and "DP" stacked vertically) and the text "Français | Español".

Below the header is a navigation menu on the left side, listing various sections: HOME, ABOUT, WHAT'S NEW, PARTNERS, REPORTS, TOOLS, LOCAL INITIATIVES, and PRESS. Under "TOOLS", there are sub-items: Approach, Heat maps, Innovations Bank, and Case Studies. Under "LOCAL INITIATIVES", there are sub-items: News and Press Kit. At the bottom of the menu is a search bar with the word "Search" and a magnifying glass icon.

The main content area features a large image of two men carrying heavy loads on their heads and backs, walking through a dusty, outdoor environment. To the right of this image is the heading "Growing Inclusive Markets" in a bold, dark blue font. Below the heading is a paragraph of text: "Growing Inclusive Markets (GIM) is a new initiative led by the United Nations Development Programme (UNDP) and backed by an unprecedented coalition of thinkers and doers in the fields of business, academia and human development. Driven by a strong conviction that in the race to achieve the Millennium Development Goals (MDGs) by 2015, the greatest untapped resource is the private sector, Growing Inclusive Markets strives to study and share ways in which the pursuits of profit and human progress can work to mutual advantage. Growing Inclusive Markets is relevant for businesses, policymakers, civil society and academics alike." Below this paragraph are two links: "→ Read more about Growing Inclusive Markets" and "→ Watch the trailer".

Below the main text is a section titled "What's New?" with two bullet points: "→ A New GIM Case Study: SADIA (Brazil)" and "→ GIM Launches First National Report".

# 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](mailto:christina.gradl@undp.org)**

**[www.growinginclusivemarkets.org](http://www.growinginclusivemarkets.org)**

