Making business inclusive

With the right business models, the private sector can deliver economic, social and environmental benefits for producers, consumers and their communities. For this to happen on an inclusive basis, however, certain elements must be in place: government policy, business support, investment, and fair and equitable trading relations. All must be part of an enabling environment that supports small-scale producers to maximise the benefits from both formal and informal markets. No-one doubts that the private sector has great potential to strengthen economies and lift millions out of poverty; making sure that as many people as possible can participate in the process on an equitable basis will present challenges along the way.

**Supplying value**

Suppliers of products from small-scale producers need to be clear about what value they bring and this needs to be incorporated into the ‘value proposition’ at the heart of inclusive business models. This proposition will shape decisions over resources and support needed, and plans for distribution, market identification and producer input into new product design.

Getting the value proposition right is crucial to the success of a business and may require support to adapt products, establish new working relationships and negotiate responsibilities for risk.

**Upgrading**

Maintaining consistent product quality and supply is a major challenge for any producer and sometimes a barrier to participation in more formal markets. Certification systems such as the Rainforest Alliance standard while intended to offer small-scale producers the opportunity to enter new markets, set standards, for which proving compliance is costly. Meeting these standards can stretch small businesses and growers to the limit.

Is certification helping the development of inclusive business models, or does it sometimes lead to failure because of high barriers to market entry, especially for small businesses?

**Coordination**

Small-scale producers need access to markets to make their businesses work. These markets, meanwhile, need seamless supply of the right kind of goods. For this to happen, a person or company in the middle, which is translating market requirements for producers, smoothing over production glitches with buyers and building networks, has been shown to be an asset. This can make the difference between small-scale producers succeeding or failing in the market place.

Getting rid of the middleman with a view to increasing the revenue of a small business may be counterproductive.

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"In Unilever we believe that business must be part of the solution [for a sustainable future]. But to be so, business will have to change. It will have to get off the treadmill of quarterly reporting and operate for the long term. It will have to see itself as part of society, not separate from it. And it will have to recognise that the needs of citizens and communities carry the same weight as the demands of stakeholders.”

Paul Polman, CEO of Unilever, reporting on the progress of its Sustainable Living Plan in 2011

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**More to think about**

**Take one sector in your country: what is its attitude to certification? Does it help to include small-scale producers in the market or is it a barrier to involvement?**

**How much does your government invest in supporting product development and marketing for small and medium-sized enterprises?**

**Is there a chamber of commerce in your country? Who does it represent? Does it provide specific networking opportunities for small-scale producers to meet representatives of new markets?**

**What government policies exist specifically to support women producers in your country?**

**Can you think of any examples of partnerships between government, business and small-scale producers in your country? Are they effective, what kind of support do they receive and what are they hoping to achieve?**
Making business inclusive

Wilmar Agro Limited exports cut flowers from 4,000 Kenyan smallholders to the Dutch auction market. The company invests in its growers by enabling access to bank accounts, using transparent pricing and payment models, and through technical support for sustainable production.

So far, so good. But in 2006 the company found that while supply was growing because many farmers were attracted to the inclusive business model, the Dutch wholesalers’ monopoly blocked increasing demand. The time had come to take more direct routes to flower supermarkets in order to expand.

The transition from the ‘push’ market of low specification and undifferentiated demand, to the ‘pull’ market of high specification and low tolerance to variation was extremely challenging. First attempts to supply bouquets to UK supermarket and Walmart subsidiary ASDA failed the stringent quality test and the arrangement ended. With the help of an ‘ethical agent’ with commercial and development know-how, Wilmar Agro Limited was able to innovate, test and reinvent products and systems, allowing the business to evolve. The company now supplies more than 100 Sam’s Club stores, a Walmart subsidiary in the US.

In its groundbreaking sustainable living plan launched in 2010, for example, Unilever challenged itself to engage with 500,000 small-scale producers in its supply network by 2020. It’s still not clear exactly what this will this mean, and how Unilever will measure the quality of its engagement.

Even if effective methods are found, positive impact depends not only on thriving, inclusive business but also on genuine equity and all-round producer wellbeing. That is, the wellbeing of the producer, their family and their community. Improving wellbeing can’t be the sole responsibility of business, which is why partnerships with local community organisations and government are vital in providing a holistic response.

The future: changing the way we do business

Businesses in developing and emerging markets are beginning to realise the potential opportunities open to them. Opportunities exist not just in niche markets but more widely, if the right structures, people and support can be found to bridge the gap between small-scale producers and national and international markets, and to embrace both formal and informal markets and models. Driving this change to fairer and more equitable trading relations will require business, policymakers and practitioners to be supportive, flexible and innovative. It may mean questioning assumptions around current practice. And it will be messy, with no single tidy solution. Citizens and the private sector must now work together as partners for a sustainable future.

Additional resources

- Establishing sustainable supply chains for commodity brands: www.windwardstrategic.com
- Unilever Sustainable Living Plan: www.unilever.com/sustainable-living

Key statistics

- The decision by Lipton Yellow Label and PG Tips to make all the tea in their teabags sustainable by 2015 has already resulted in more than 38,000 smallholder farmers gaining Rainforest Alliance certification, providing good working conditions for 175,000 tea growers.
- The private sector provides 90 per cent of jobs in developing and emerging economies
- 75% of all farmers and food producers are women.

This briefing has been produced by IIED, for the Reframing Rio project. Reframing Rio is an ambitious multimedia project that aims to reignite the global debate about the need to re-set the world on more sustainable pathways around the landmark Rio+20 meeting in Brazil in May 2012. The project has been implemented by tve, together with IIED and IPS. This content has been produced with the financial assistance of the European Union. The content is the sole responsibility of IIED and tve, and can under no circumstances be regarded as reflecting the position of the European Union.

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