Value Chain Analysis

SEEP Network Annual General Meeting
Pre-Event Workshop:
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Action for Enterprise (AFE)

Program Design Process

(1) Select Economic Sector
(2) Analyze Sector
(3) Identify Solutions/Services
(4) Market Assessment of Solutions/Services
(5) Identify Program Interventions

Frameworks:
- competitiveness
- etc.

Frameworks:
- subsector analysis
- value chain analysis
- etc.

Frameworks:
- BDS Markets Analysis
- commercial viability
- etc.
Presentation Outline

1. What is Value Chain Analysis?
2. How to gather Value Chain information?
3. Why is Value Chain Analysis important?

Subsector and Value Chain Analysis

- Value chain analysis is complementary to subsector analysis
- Provides additional analytical elements that can improve the program design process
- Builds on the foundation of a subsector analysis framework
Subsector and Value Chain Analysis

What is a Subsector?

**Definition:**
- range of activities required to bring a product or service to the final consumer
- includes producers, processors, input suppliers, exporters, retailers, etc.
- includes both vertical and horizontal linkages
- can be defined by a particular finished product or service
  - e.g. wood furniture, green beans for export, etc.

**the same definition can be applied to Value Chains**
Elements of Subsector Analysis

1) Understanding Product Markets and Market Trends

2) Relationships between Participants
   - describes functions, participants, and relationships among participants

3) Identification of Constraints and Opportunities
   - including: technology, market access, organization, policy, finance, input supply, etc.

4) Subsector mapping
   - graphic presentation of inter-relationships;
   - can help to identify participants to interview
Elements of Value Chain Analysis

1) Geographic Coverage
   - value chain analysis reviews activities at all levels (national, regional, global)

2) Global Benchmarking
   - benchmarking (with competing countries)
   - learning from buyers
   - use of star diagrams
3) Inter-firm Cooperation
   - level of cooperation among participants in value chain
   - degree of interaction (beyond buying and selling)
   - structure of transactions (e.g. subcontracting, etc.)

4) Governance
   - who decides what is produced?
   - how are the rules of trade determined?
   - what is the nature of relationships between participants?
**Types of Value Chain Governance**

- **Market-based**
  - “arm’s length” transactions between buyers & sellers
  - little or no formal cooperation among participants

- **Balanced**
  - fairly equal decision making among participants
  - cooperation but no one dominates

- **Directed**
  - controlled by firm(s) who determine product specifications, trade rules, etc.

**Hierarchy**
- vertically integrated enterprise that controls various functions along value chain

**Type of governance may vary within different parts of a single value chain**
Value Chain Governance Structures

<table>
<thead>
<tr>
<th>Market</th>
<th>Balanced</th>
<th>Directed</th>
<th>Hierarchy</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Tomatoes)</td>
<td>(Organic Coffee)</td>
<td>(Export Crafts)</td>
<td>(Cut Flowers)</td>
</tr>
<tr>
<td>Buyers</td>
<td>Buyers</td>
<td>Major Buyer</td>
<td>Integrated Firm</td>
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<tr>
<td>Suppliers</td>
<td>Suppliers</td>
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Source: The Governance of Global Value Chain; Gereffi, Humphrey, Sturgeon

Small Group Exercise

- Break-out into five groups of 5-6 people each
- Read the value chain case
- Discuss and answer the following questions:
  - what type of governance structure does it have?
  - what are the advantages or disadvantages to this governance structure?
Subsector and Value Chain Analysis

Governance

Inter-firm Cooperation

Global Benchmarking

Geographic Coverage

Constraints & Opportunities

Market Trends

Relations Among Participants

Subsector Mapping

Services/Solutions to upgrade MSEs

Program Design Process

(1) Select Economic Sector
- Frameworks: competitiveness etc.

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- Frameworks: subsector analysis value chain analysis etc.

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(4) Market Assessment of Solutions/Services
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(5) Identify Program Interventions

Action for Enterprise: SEEP Pre-Event Presentation
**Presentation Outline**

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**Information Gathering & Compilation**

1) Review Available Data
2) Develop Initial Map
3) Gather Primary Data
Review Available Data

Where can you get data on subsectors/value chains?

- studies and reports
  - government, donors, development projects, etc.
- web-based research
- etc.

Develop Initial Map

Mapping Steps
- identify final markets
- identify key functions/activities
- identify participants performing each function
- map participants according to functions they perform
- map inter-relationships between participants
**Milk Subsector/Value Chain Map**

**Production**
- Smallholder Farmers
- Medium/Large Dairy Farmers
- Raw Milk

**Collection/Bulking**
- Farmer Groups
- Traders (5,000)

**Pasteurizing**
- Medium/Large Dairies (10)

**Cooling**
- Large/Dairies (20)

**Processing**
- Wholesaling
- Retailing

**Wholesaling**
- Large Retailer (10)

**Retailing**
- Urban Consumer (90,000)
- Rural Consumer (90,000)
- Poor (145,000)

**Gather Primary Data**

- Guided interviews with key informants and value chain participants
- Focus group discussions
- Stakeholder meetings

**Specific details of these tools will be presented at the Tools Workshop (Day 2)**
Presentation Outline

1. What is Value Chain Analysis?

2. How to conduct value chain analysis?

3. Why is value chain analysis important?

Value Chain Analysis can help to...

- Reveal *links* between producers, exporters and global markets
- Identify *constraints* all along the chain to competing in the marketplace
- Clarify the *relationships* in the chain from buyers to producers
- Highlight the distribution of *benefits* among buyers, exporters and producers in the chain
**Link to MSE development**

- understanding of value chains increasingly important for MSE development

**USAID/AMAP Hypothesis**
- greater integration of MSEs into value chains can contribute to:
  - improved enterprise performance,
  - household well-being, and
  - growth and competitiveness of value chain

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5. **Identify Program Interventions**
   - Frameworks:
     - etc.
Value Chain References and Links

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