Participatory Market Chain Approach

By Thomas Bernet [1], André Devaux, Oscar Ortiz and Graham Thiele

The rapid growth of the urban population presents special challenges for small-scale farmers in developing countries. They are under increasing pressure to fulfil the new market requirements of powerful supermarket chains and agroindustry, which demand product quality, volume, and continuity of delivery. Most farmers in rural areas agree: "The worst pest we face nowadays is low prices and researchers so far have not found adequate measures to help!"

Many agricultural research and development (R&D) institutions have realized that small-scale farmers' key concern is not only agricultural productivity but also better market access.

The challenge to involve marketing chain actors

The strategy for R&D institutions seems obvious. Given existing or potential business opportunities, marketing chains must be modified so that all actors of the marketing chain benefit, particular small-scale farmers. Two options are possible:

- to gain efficiency in the marketing chain by lowering costs (i.e., production and/or transaction costs); or
- to add value in the marketing chain by increasing consumer prices (i.e., products and services supplied are of higher value).

What is less obvious to R&D institutions is how to create these new beneficial marketing settings that involve different marketing chain actors, who normally compete and mistrust each other in their daily business. Attempts in recent years to promote collaboration along marketing chains have often not generated the wished benefits. The main reasons for this limited success are:

Potato commercialization in Lima's wholesale market: the need for change is obvious but difficult to achieve!

- **The lack of market-oriented participatory method expertise of R&D institutions.**

  Many agricultural R&D organizations have struggled with reduced funding, which has limited institutional investments to enhance capacities outside of the core (agricultural) activities. Few have staff trained in both marketing and action research.

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Bringing the main message across: project leaders as market chain actors in the first public event (Phase 1).

- **The lack of methods that effectively integrate the different marketing chain actors.**

  Most participatory R&D methods focus on agricultural contexts and do not explicitly involve other market chain actors. In addition, many relevant diagnostic approaches such as Participatory Rural Appraisal (PRA) and Rapid (or Relaxed) Appraisal of Agricultural Knowledge Systems (RAAKS) stop with the elaboration of a work plan and do not move to implementation of development activities.

  Much marketing chain analysis is very theoretical and lacks practical advice on how to implement a functional exchange of information and build trust, to make price-competing market chain actors collaborate.

The Participatory Market Chain Approach

The Participatory Market Chain Approach (PMCA) is a participatory R&D method that has recently been developed. Involving the different actors of market chains, it seeks to generate group innovations based on a well-led and -structured participatory process that gradually stimulates 1) interest, 2) trust and 3) collaboration among members of the market chain. These innovations can be new products and processes, new technologies or new institutions, benefiting the different actors of the marketing chain directly or indirectly. PMCA is a flexible method to be applied in different marketing chain contexts. Its use is not restricted to agriculture. The R&D institution needs to adapt PMCA to the specific market contexts and policy environment to ensure the desired types of impact (e.g., poverty reduction, gender enhancement, farmer empowerment).

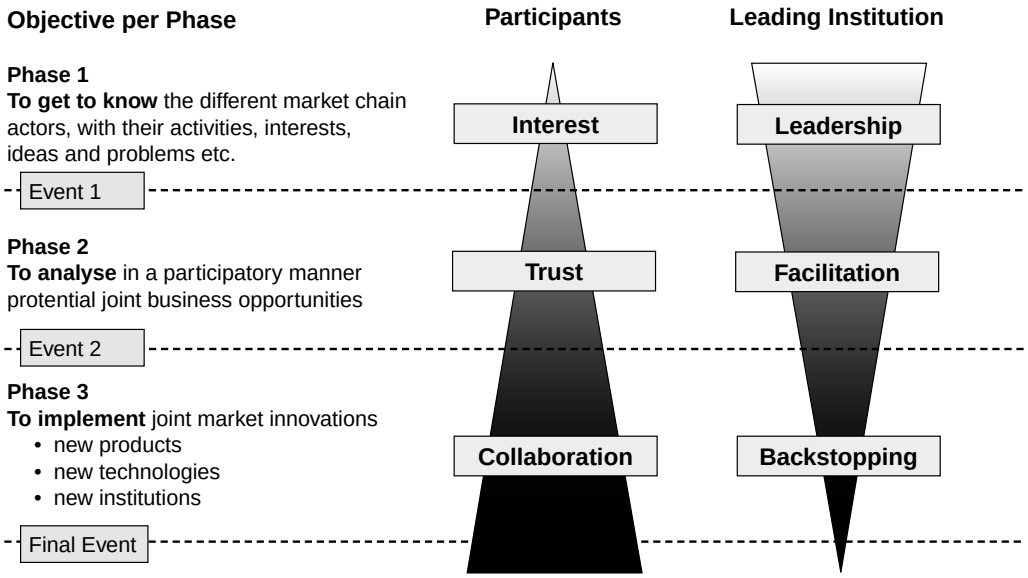
The only fixed elements of this approach are its three phases, with flexible duration depending on how the process advances. Each phase has a specific objective and a closing event. At the final event of each phase, results are presented to a larger group of participants and further steps are discussed. It is important that the institution that leads the PMCA process understands the "sustainability logic" of this 3-phase structure, gradually seeking to empower key actors involved in the process on the cost of the R&D institution, which progressively reduces its importance and influence on decision making along the process (Figure 1).

Phase 1 of PMCA is diagnostic research, typically taking two to three months and involving between 20 and 40 qualitative interviews. In contrast to conventional market research, the gathering and evaluation of technical or quantitative information is less important than getting to know and understanding the key actors of the market chain, with their interests, problems, and ideas. Contacts established through the interviews help to motivate these actors to participate in the first public event of the project, where also other actors of the market chain, representatives of research and government institutions are invited.

In the first part of the event, findings from the interviews are presented and discussed in plenary. Then two or three smaller working groups are formed, based on topics of joint interest identified through the interview session. In this sense, this event is used as a first occasion to share ideas and interests among the different stakeholders.

Phase 2 of PMCA aims in each thematic group to define and analyze potential business opportunities. For every working group, the R&D institution provides a facilitator who ensures optimal interaction and mutual learning. The group meetings have a strong demand-

Figure 1. Objectives and Structure of PMCA



oriented focus, not giving room for never-ending, supply-driven discussions. Six to ten meetings might suffice to analyze carefully the different joint opportunities. To support the working groups with in-depth studies, the leading R&D institution might want to contract marketing specialists at this stage.

At the final event of this phase, the identified market opportunities are represented by each working group and discussed with a wider audience. This event provides an opportune momentum to integrate new actors into the R&D process, to complement the working groups with requested but lacking knowledge and capabilities.

Phase 3 of PMCA concentrates on the implementation of all activities needed to put in place the suggested market opportunities. The time needed for their implementation might vary according to working groups and projects: complex settings require more time, while availability of support staff and frequent meetings speed up the process. In any case, three to six months are necessary to satisfactorily implement the planned activities and launch the generated innovations at the closing event of the project. In contrast to previous events, invitations to this last event are sent to a much wider group, such as press people, politicians, and public donor agencies. The idea of this last big event is to optimally capitalize on the project's outcome and empower those actors who will be prominent to sustain the innovations over time.

PMCA explicitly finishes with this big last event, seeking to pass full responsibility over to those market chain actors who at this stage are the owners of the engendered products. Nevertheless, this does not impede the R&D institutions from following up with specific activities to help consolidate all achievements:

Getting to know each other by finding common ground: first group meeting at the first public event (Phase 1).

new products, processes, and institutions. The degree of involvement will be different from case to case, depending much on the nature of the innovations and the capabilities of the market chain actors to move forward independently. Further support is especially necessary when new institutions are formed, which need initial resources to start to operate properly.

Advantages of PMCA

PMCA has not been widely used yet, but the first application and its initial results were well analyzed in a participatory setting, where R&D experts from different Andean countries participated. The following advantages were identified:

- **PMCA achieves practical outcomes.**

The approach covers a range of activities from diagnostic to the implementation of coordinated concrete activities. Many participatory research methods tend to stop with the definition of a work plan of activities that should be implemented.

Our experience shows that research input is important during all three phases, being more conceptual in the initial phases and more technical to support initiatives during the implementation phase. In any case, the continued backstopping of the R&D institution in the implementation phase is crucial to avoid losing group dynamic until innovated products are launched and institutional innovations are consolidated.

- **PMCA is flexible.**

The approach consists of three explicit phases with a clear objective, but its implementation is highly flexible as it responds to different contexts and user needs. Many key actors are identified in later stages of the process, when concrete marketing opportunities are analyzed and implemented, but specific key knowledge and capacities might be lacking in the working groups. In this sense, the approach has shown to be very effective in functionally pooling information and skills during the different phases while optimally combining development with research activities.

- **PMCA focuses on real interests.**

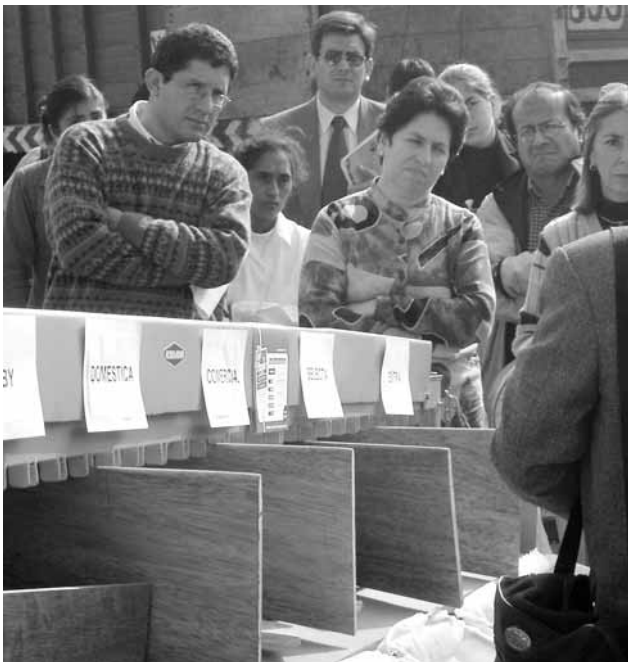
The approach is strictly demand-driven and responds to collectively identified business opportunities, seeking to link consumer-oriented demands to technological innovation. Supply-driven discussions are minimized and put into the context of the market chain. This allows giving more room to those actors who are closer to consumers, and therefore crucial for identifying and analyzing valid joint marketing opportunities.

- **PMCA benefits participants in different ways.**

The approach generates differentiated and continuous benefits for all involved in the project. Group meetings generate tangible benefits for participants: access to new and relevant information, skills, and business contacts. The leading R&D institution is on the winning side as acquired knowledge and contacts help to better respond to concrete needs and opportunities. In this sense, PMCA provides an interesting concept to determine technological innovation at the farm level based on market demands.

- **PMCA builds trust.**

PMCA has been very successful in bringing together actors with different backgrounds, such as traders, farmers, processors and R&D institutions, who previously mistrusted each other. It allowed the creation of confidence amongst them to point that they shared the same project interests and they were willing to invest considerable time and money to take forward the group's activities.



Empowerment in practice: market chain actors present the achieved innovations to the public.

Application of PMCA in the Peruvian Potato Sector

The International Potato Center (CIP) has been developing and applying PMCA in the SDC-funded INCOPA project that aims to create new marketing opportunities for small-scale potato farmers in Peru.

After the diagnostic study of Phase 1, and based on 24 qualitative interviews applied on different actors of the market chain (i.e., farmers, NGOs, traders, processors), two working groups were formed to analyze existing and potential marketing opportunities during Phase 2. One working group developed a marketing system for a quality wholesale potato product. The other working group decided to analyze the development of a new industrial product. In this latter case, a marketing study was conducted to determine the market potential of native potato chips. After the public event of Phase 2, where the results were presented to a larger audience and new key actors were involved, both working groups started to implement step by step the necessary activities to launch the different innovative products. In the final event of the project, all these innovations were presented by the project participants themselves:

- "Papy Bum": a registered potato chip brand made of native yellow potatoes.
- "Mi Papa - Seleccionada & Clasificada": a registered brand name for a standardized 50-kg wholesale potato bag with well-selected and well-classified potatoes, to be applied on different commercial potato varieties.
- "CAPAC PERU": a new formal association working as a platform involving actors from the whole agri-food chain with the objective to promote quality marketing of Andean crops, owner of the brand "Mi Papa" and with its own homepage: www.capacperu.org.
- "Papa al dia": a daily bulletin with actual potato wholesale prices, including more than 20 potato varieties and classes.
- A new potato grader: a flexible machine at relatively low cost to be used in different locations of the Andes, capable to grade different potato varieties and sizes.

Altogether, PMCA was implemented in Peru to create a functional platform where farmers, private sector actors, and supporting R&D organizations could interact. PMCA became a mechanism not only for generating market chain innovations but also to make market chain actors' demand more explicit to R&D institutions. The biggest challenge for CIP was to ensure that the PMCA enables farmers to express their needs. Given the distance between Lima and the main potato production areas, they could only sporadically be involved in the process, mainly in the closing events of each phase. CIP trusted the different NGOs to advocate farmers' needs in the R&D process and build the last link in the market chain within the production region helping "their" farmers respond to the new business opportunities discussed in the working groups.

Disadvantages and critical success factors

PMCA per se does not guarantee a successful project. Failures might result from bad application or a difficult context, when, for instance, certain key actors dominate a whole marketing chain and alternative commercialization solutions do not seem feasible. In any case, the following factors need to be addressed to enhance PMCA's, successful future applications:

- **PMCA might appear too abstract.**

The approach works with new and rather unconventional mind sets and concepts that are not always easily understood, especially by R&D institutions related to agriculture, where most staff members have been trained in production sciences. If the R&D institution does not have the technical expertise and social skills to apply PMCA, it would be wise to access consultants who have the desired skills. The fact is that inadequate leadership frustrates voluntarily participating "market chain experts", putting at risk their active project involvement and thus mutual learning as a first important step in stimulating desired group innovations.

- **PMCA might challenge the direct involvement of main project beneficiaries.**

The approach is market-oriented and prioritizes the identification and implementation of marketing opportunities. This initially gives less attention to production-oriented problems and the actors behind them (i.e.

farmers). These production-related activities are tackled at a later stage when the marketing opportunity is constrained by production quality, volume or prices.

If the geographical distance between the production areas and the market impedes active participation of producers as the main beneficiaries, the R&D institution needs to maintain a firm position in favour of producers and focus only on those activities that ultimately generate direct and/or indirect benefits for this target group. More over field trips might be planned to improve the links with farmers.

- **PMCA might be restricted by rigid funding.**

The approach requires a flexible allocation of funds to support those activities that participating actors jointly identify as important for the project. It will be important that donor agencies move away from activity-based towards objective- and process-oriented funding. This would help the R&D institution to better respond to demands from market chain actors and make research activities more relevant for achieving development goals.

„PMCA is a new method used so far in Peru, Bolivia, and Ecuador. Authors are currently validating the experiences. A PMCA user guide should be available in Spanish and English in the coming months."