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

An Overview

By
Robert Darko Osei
Institute of Statistical, Social and Economic Research (ISSER)
University of Ghana
Introduction

- Some stylized facts about World Poverty
  - About 40% of the over 6.6 billion people in the World, are said to live below US$2/day line
  - About 25% lack electricity
  - About 84% lack access to the internet

- The participation of this 2.7 billion people in the market is limited

- The poor harbour a potential for consumption, production, innovation, and entrepreneurial activity.
Introduction

- The report demonstrates how entrepreneurs by serving the poor
  - Generate profits
  - Create new growth potential
  - Improve the lives of the poor

- The report’s main message is therefore that:
  - ‘Business with the Poor can create value for all’
Introduction

- There are many opportunities with regards to doing business with the poor
- However, there are significant challenges
  - The report therefore draws on 50 case studies across developing countries to show how businesses have overcome some of the constraints to doing business with the poor
Constraints – Doing Business with the Poor

<table>
<thead>
<tr>
<th>Limited Market Information</th>
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<tbody>
<tr>
<td>• Businesses know very little about the market offered by the poor – from a consumption as well as a production perspective. E.g. is the Barclays Susu case</td>
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<table>
<thead>
<tr>
<th>Ineffective Regulatory Environments</th>
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<tr>
<td>• Regulatory environment in developing countries is subject to too much red tape and imposes higher opportunity costs – this encourages informality which also creates problems for effective business links</td>
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## Constraints – Doing Business with the Poor

<table>
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<tr>
<th>Constraint</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Inadequate Physical Infrastructure</strong></td>
<td>This is more pronounced for accessing markets that serve the poor</td>
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<tr>
<td><strong>Missing Knowledge and Skills</strong></td>
<td>Poor people usually have limited education and skill set. This limits their productivity as well as their demand for certain types of goods and services (e.g. demand for banking services in the Barclays case)</td>
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<tr>
<td><strong>Restricted access to Financial services and products</strong></td>
<td>This restricts the poor as consumers as well as producers</td>
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## Opportunities for Business

<table>
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<tr>
<td><strong>Generating profits</strong></td>
<td>• Many of the inclusive business models that lie behind these case studies show that business with the poor can be profitable and sustainable – ITFC case demonstrates that the potential for profits can be quite high.</td>
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<td><strong>Developing New markets</strong></td>
<td>• The poor have low average incomes but large numbers and so provide a significant market. E.g. Barclays Susu case.</td>
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<td><strong>Driving Innovation</strong></td>
<td>• Doing business with the poor engenders innovation, which is key to competitiveness and growth.</td>
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• **Enlarging the labour Pool**
  
  - The poor provides an opportunity for firms to get cheaper labour and become more competitive – businesses can leverage the local knowledge and connections of poor people to access their market.

• **Strengthening the value chain**
  
  - Involving the poor into businesses value chain makes these business more competitive. E.g. ITFC using many small scale farmers and businesses within their area of operation.
Opportunities for the Poor

• Meeting basic needs
  • Loans provided under the Barclays susu scheme

• Improving the productive capacity of the poor
  • This comes directly through training programmes and indirectly by becoming part of a value chain that imposes higher standards

• Increasing incomes
  • Through higher productivity and also increasing business and employment opportunities.

• Empowering the poor
  • Through education, raising awareness, and increasing their incomes. E.g. ITFC
5 Key Strategies that Businesses have used

- **Adapt products and processes**
  - This includes both technological adaptations as well as those of business processes

- **Invest to remove the constraints**
  - Invest to build infrastructure, create tangible benefits and improve supplier performance. ITFC invested in out grower network to remove market constraint

- **Leverage the strengths of the poor**
  - To get around the challenges with doing business with the poor is to work with them and build on the social networks
• Combine resources and capabilities with others
  • Inclusive business models are successful when there are beneficial partnerships and collaborations. E.g. ITFC overcome their land constraint by partnering with local farmers

• Engage in policy dialogue with governments
  • Public policy support makes a big difference to the success of inclusive business models
What Lessons for Ghana?

- Inclusive business model is consistent with the broad objective of Ghana’s development agenda

- The lessons for Ghana are no different from the main theme for this report
  - Businesses can do even better by looking at the ‘base of the pyramid’

- Two cases from Ghana provide examples to show that the model is applicable
  - The two cases are **ITFC** and **Barclays Bank**