



**BRIEFING
NOTE 27
ON:**

B2B Collaboration for Sustaining Small Farmer Market Access

Introduction

Anyone who buys and sells agricultural products tells the same sorry story in East Africa. From small farmers through middlemen, processors and wholesalers to retailers all talk of markets being inefficient, unreliable, unpredictable and highly risky. Some notable exceptions exist. Commodity markets, like coffee, tea, sugarcane, organized through larger corporations binding producer to factory to exchange work better. But for the rest of small farmer products it's a sorry story. Bigger buyers can never get the right quantity and quality of produce at the right place at the right time. All players in the market chain want secure transactions for their produce and their payments.

Transaction security is defined as the assuredness of sellers and buyers along the whole marketing chain, that their transactions are:

- at agreed times and locations,
- with agreed volumes and qualities,
- payments according to agreed conditions and times,
- track-able in case something did not work out as agreed and therefore corrections can be made without quarrels,
- traceability of produce through the whole chain back to the producers.

The issues of transaction security are critical for placing small holder farmers into a position where they can learn the required reliability for accessing profitable markets, trade with the markets at fair conditions, and break through the presently prevalent default behaviour of "everybody cheats everybody".

Despite many attempts the 'large corporation' business model has not yet worked for most commodities. The business model presented in the figure below relies on business-to-business (B2B) collaboration for mutual benefits. It is a search for 'win-win' solutions between many inter-dependent small businesses.

Who are the Clients?

Key clients at local level are small farmer associations and savings societies (SACCOS) including those of pastoralists. Just as important locally are the small traders, transporters and warehouse owners. At main and national market levels key clients are processors, wholesalers, and the supermarkets. See red boxes in figure below.

What are the Market Access Businesses?

Offering transaction security from producer to consumer, four independent small businesses operate. From local to national levels as shown in the blue boxes in the figure below the businesses are:

1. Information Board Manager (IBM) operates a frontline market intelligence service.
2. Market Access Company (MAC) operates a local market brokering service.
3. Transaction Security Broker (TSB) operates a business counselling and brokering service.
4. National Marketing Company (NMC) operates a service for transaction security and R&D on markets and business operations.

What is the Client to Market Access Business Relationship?

Shown in the figure below as red arrows; three kinds of relationships: advertising fee, commissions and contracts link clients to these businesses.

1. Local clients of the IBM pay a small fee to advertise on the information board their produce, purchase order or any other service like transport and storage.
2. Clients to the MAC pay commissions, based on percentage of sales on the deals MACs arrange for their clients.

3. Clients of the TSB and NMC sign contracts for transactions security with pay them for it directly.

What is the Business to Business Relationship in Market Access?

Profit incentives drive the business to business relationships. Being independent small businesses there is no command and control relationship between the different businesses. There are no franchise or dealership arrangements here. The businesses, however, do depend on each other for growth and profits. The relationships they develop are collaborative for mutual benefit and win-win operations. Thus all licensing fees that govern interdependence are managed as cost recovery and not as profit making. Profits for all the businesses come from advertising, commissions and contracts with their respective clients.

Thus the business relationship between IBM and MAC, as shown by the blue arrows in the figure below, has the IBM paying the MAC a registration fee covering rental of the information boards. In their turn the MACs pay the TSB a licence fee for access to larger deals and business counselling. TSBs pay the NMC a licence fee for access to transaction security service and R&D on new markets and operations.

What Supporting Services are Needed?

In order to succeed the market access businesses need two supporting services. These businesses and their relationships with the market access companies are shown as brown boxes and arrows in the figure below.

First is an SMS accessible online trading platform. The online platform makes possible the rapid exchange of time sensitive information necessary for secure transactions along the market chain from producer to consumer. 'Tradenet' provides the online trading platform for all businesses and clients. The trading platform is operated in each country by the NMC. The NMC pays a subscription to Tradenet at 8% of all income

resulting from the use of the platform. Income streams include a margin on every SMS, client user licenses, and advertising fees.

Second, is an online learning platform for all businesses and clients to enable B2B learning. Linkinglearners.net provides the online learning platform for this business-to-business learning. The LLL platform is operated by the NMC in each country. The NMC pays a licence fee to Linkinglearners.net based on the number of clients and businesses using the service in their country.

What Guides Commercial Collaboration?

Building solvency from the bottom up.

Sustained commercial success comes through ensuring solvency at the local level and then through to the higher levels. So IBM incomes from advertisements must be greater than their registration fees and operating costs. MAC incomes from commissions must be greater than their license fee and operating costs. TSB incomes from contracts must be greater than their licence fee and operating costs. NMC incomes from online trading and contracts must be larger than Tradenet subscriptions, linkinglearners licence fees and operating costs.

Passing opportunities downwards.

TSB's should not manage contracts that could be managed by a MAC. The principle is always to pass business down and never take away business that could be operated by a MAC or IBM. Optimum commercial development passes business opportunities down to the lowest level at which they can be managed. This allows the higher levels to expand their client network.

Ensuring Transaction Security.

Any commercial development must ensure the unique selling point of transaction security. Registrations and licences provide for control of service quality.

For more information contact:

clive.lightfoot@linkinglearners.net

uscheuermeier@yahoo.com

The Developing Commercial Relationships between Market Access Businesses

