



RED MANTRA

Private Sector Engagement Toolkit

March 2014

Final Version

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Context

In June 2012, The Ford Foundation commissioned the Red Mantra Group to explore the potential for large US companies to adopt a more inclusive approach in their business model and integrate disenfranchised but productive members of communities into mainstream markets as producers and suppliers of various goods and services. Over an eight month period major companies in the agriculture, green housing, biofuels and forestry sectors were interviewed and a first-ever gathering of national players in the agriculture value chain including Walmart, Whole foods, C.H. Robinson, Glory Foods and Nestle came together with farmers, intermediaries and aggregators from the deep South and Central Appalachian regions representing WealthWorks grantees to discuss opportunities for and challenges of small farmer integration.

This toolkit represents the outcome of those multiple discussions and was developed in response to 1) Initial questions posed by WealthWorks grantees of “*How do we talk to large companies? Which door do we go through?*”, and 2) the issue of market readiness that was overwhelmingly singled out by companies as the primary barrier to the effective integration of smallholder businesses regardless of the value chain or sector they are part of.

As a complement to the Wealth Creation approach, this toolkit was developed to ***provide practical guidance for producers, service providers and intermediaries to assess when they are ready to engage the private sector within their value chains and how they can effectively do so.***

Toolkit Framework

WealthWorks is an approach to development that connects community assets with market demand for sustainable livelihoods. WealthWorks uses the value chain as the main process through which producers that have been economically marginalized come together with other producers, suppliers, aggregators, etc. to meet market demand. WealthWorks value chain coordinators facilitate the development of relationships on the supply and demand sides of the chain. This toolkit is designed primarily for Wealth Works value chain coordinators and businesses with little or no prior market experience but working towards integrating their products and services into the mainstream market. However, even for seasoned veterans of the commercial market, elements of this toolkit may be helpful in thinking through expansion strategies, new partnerships or repositioning their product in the marketplace.

Its contents have been derived from standard business and marketing practices and tailored with tried and tested Inclusive Business strategies.

The underlying premise of the toolkit is based on this project's main finding that: ***in the US market, companies become business partners only after they become customers first.***

Although the process described in this toolkit is appropriate to non-market based engagement, such as philanthropy and corporate social responsibility, it is primarily oriented towards turning companies into customers first so that further down the road, a conversation about a deeper partnership beyond selling and buying can be had.



When Harris Teeter decided to create their own line of gourmet beef cuts, they turned to a long-time family farm that had been supplying them for over five years. Their proven reliability and credibility made them a natural choice as an HT Rancher partner.

Introduction

For the purposes of this toolkit, corporate engagement in this context means ***working with private sector entities based on shared values that provide benefits to your enterprise and their business***. It is important to stress that engaging with the private sector has a greater probability of success if two basic conditions are met:

- 1) Your value chain is ready to engage with them in the marketplace; and,
- 2) Returns on investment (ROI) are realized by both the private sector partner and your value chain.

Although social advancement and economic development may be at the core of your objectives for working with the private sector, the conditions of your interactions with them will be shaped by the market into which you are entering and they are already a main player.

As in every market, the partnership has to be profitable and beneficial for everyone in the value chain if it is to succeed.

Why Engage the Private Sector?

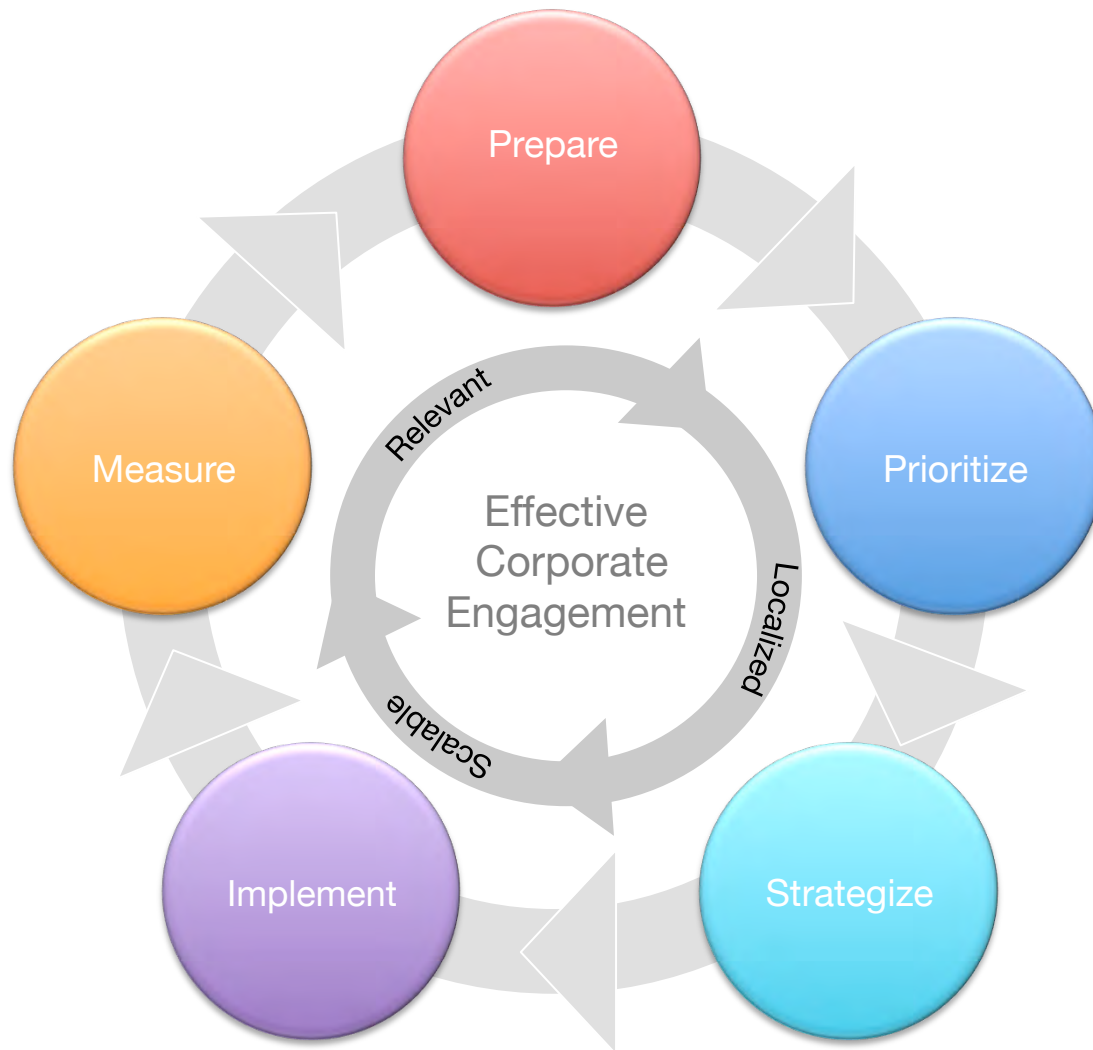
Corporate engagement is not always the right market solution because it is highly conditional. In the agriculture sector in particular, failures occur because the resources (primarily time, effort, money) it requires to supply a large-scale retailer are often underestimated. However, under the right set of circumstances, working with the private sector can be beneficial for the following main reasons:

Formalizing Enterprises – entry into the mainstream market through corporate engagement will help formalize organizational and operational processes that are required to establish a legitimate and credible business regardless.

Sustainability – larger markets of which companies are already a main player can provide stability and consistency over the longer-term where smaller markets are more vulnerable and less reliable.

Scale – addressing the larger market needs of the private sector generally provides greater opportunities for expansion and growth for small enterprises than smaller markets that have limited growth potential.

Corporate Engagement Cycle

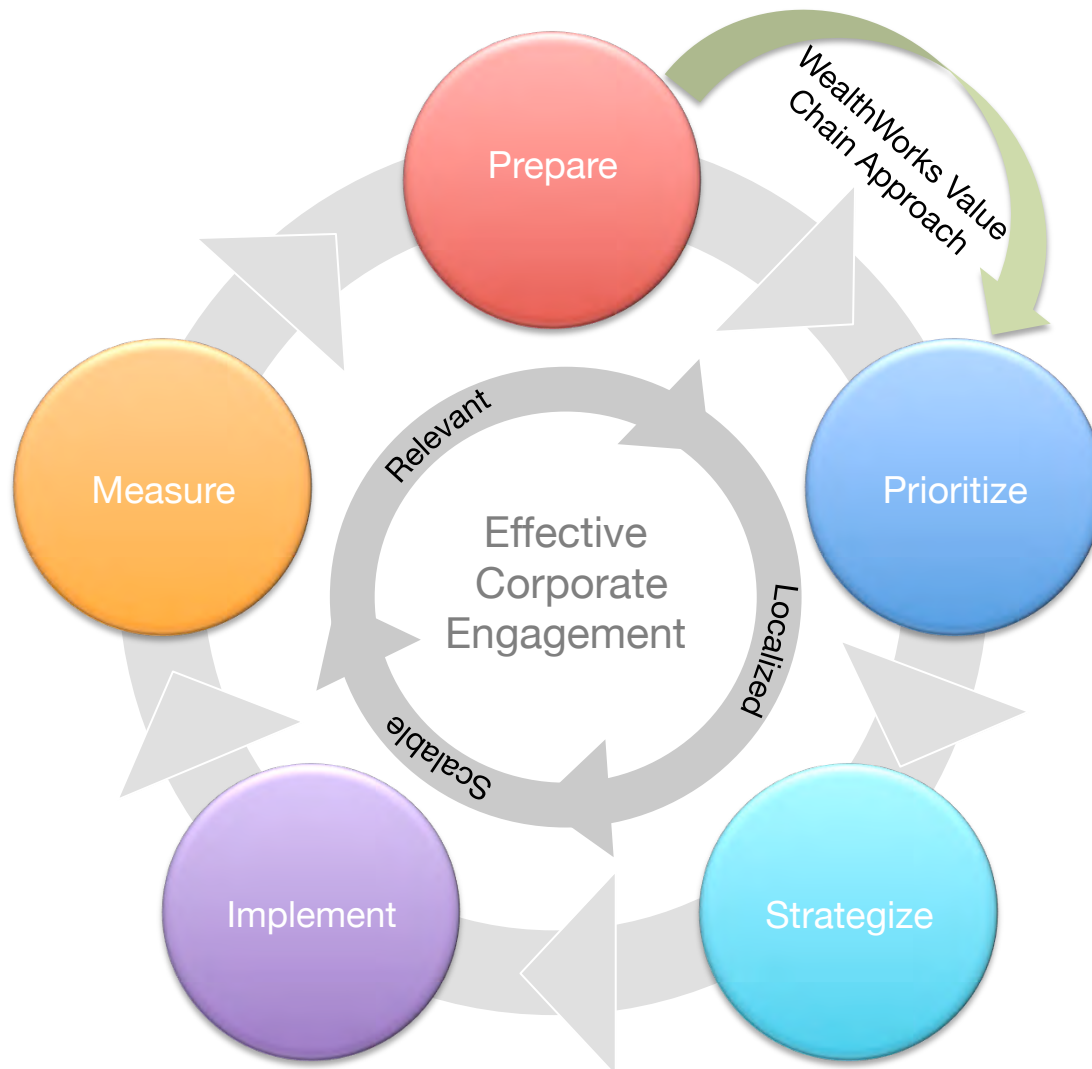


The Corporate Engagement Cycle is one of many approaches to strategically cultivate a relationship with the private sector. Each step in the cycle represents a process that helps you think through various facets of preparation.

This approach was systematized based on the experience of developing Inclusive Businesses – private sector companies that have successfully integrated historically marginalized producers, suppliers or service providers into their value chains.

Prepare

How do I get ready to engage with a company?



WealthWorks value chains deliver a combination of goods, services, and values such as transparency, environmental protection, and social equity to the market in response to demand. Relationships within WealthWorks value chains are held together by the self-interests and shared interests of participants, including buyers. What is your value chain offering its customers?

Prepare

What is my value proposition?

*Engaging companies will require a more detailed approach built upon your product and how it stacks up to the competition – this is your **value proposition**. Clarity on what your product is and how it adds value for customers begins with an understanding of the market you are interested in.*

Value Aspect	Key Question to Consider
Market Understanding	<p>What market am I interested in?</p> <p>Who are the main consumers in this market?</p> <p>Which companies do these consumers buy from?</p> <p>Who are my main competitors? HINT: Look further afield than local competitors because your main competition is likely from a different country.</p> <p>What advantages do they offer companies and consumers?</p>
Product Offering	<p>What product or service can I offer in the target market?</p> <p>What need or pain point, does my product address in the market?</p> <p>Am I able to offer my product competitively? i.e. price, quality, quantity</p> <p>Where is my product best placed or sold? i.e. greatest demand, best opportunity, closest marketplace etc.</p>
Business Values	<p>What does my product represent? E.g. the effort of hardworking local producers who have come together to bring economic opportunities to their community, a socially and environmentally sustainable product etc.</p> <p>How does it my product generate impact within the 7 forms of wealth? What is my primary goal in entering my product into the market? i.e. profit first, benefit first, responsibility first etc.</p> <p>Who else in the marketplace shares these values?</p>

Prioritize

With whom am I best suited to engage?



After a full day of meetings and reaching agreement with a farming community, Walmart placed its order for watermelons. Months later on harvest day, 17 Walmart semi-trucks arrived and were met by 17 pickup trucks full of watermelons.

The most important factor in assessing the right company to engage is **compatibility**. Not just in terms of values but in terms of business models. It is not uncommon for small businesses to fail financially because of overreaching their capacities.

Each company will have their own business model that requires a supplier with specific capacities. For example, a company like Walmart has a high volume- low margin business model and so a supplier will need to be able to consistently sell their produce in very large quantities that compensate for low prices while a company like Whole Foods has a niche market-high margin business model that gives them flexibility on pricing but less flexibility on quality and aesthetic standards.

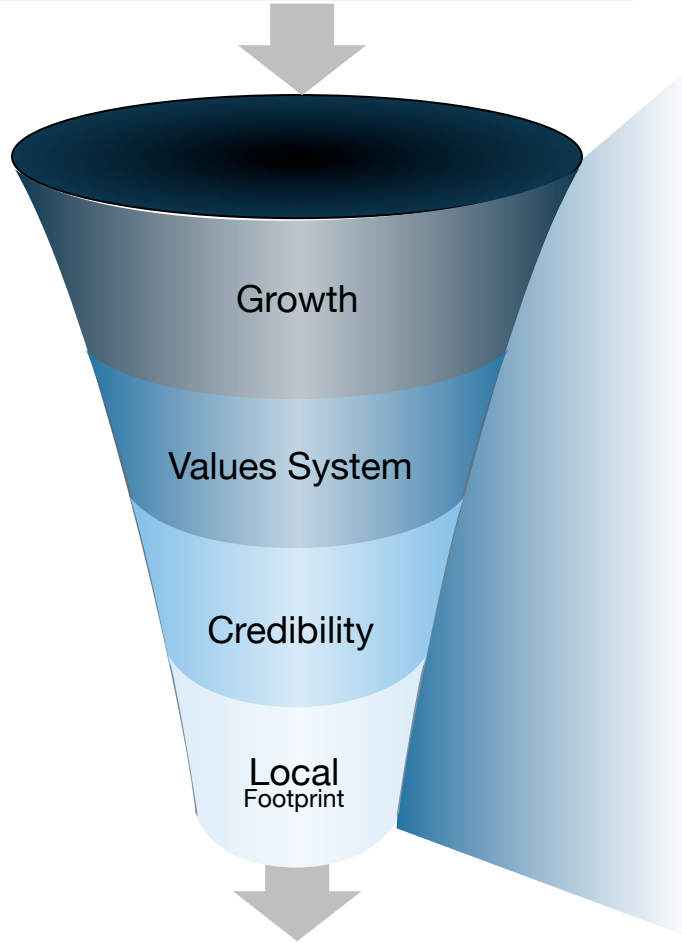
A supplier for Whole Foods may not have to produce the voluminous quantities demanded by Walmart, but they will need to produce and deliver the highest quality and near perfect-looking produce consistently. Being certified 100% organic is simply an intrinsic value.

In relation to the WealthWorks approach, think about your product holistically and what a relationship with the company will contribute towards impacting all aspects of the 7 forms of wealth. What would they bring to the table? How would this relationship impact your value chain?

Prioritize

With whom am I best suited to engage?

Universe of Potential Customer Companies



As you review and analyze the various companies in your value chain, you can use these filters as a way to assess their potential for being your customer.

Key Considerations

Growth

Is the company currently profitable and is it projected to grow further?

Values System

Does the company already include smallholder businesses like me in their value chain? Are they investing in the value chain to generate broader social impacts beyond economic gain?

Credibility

Does the company have a positive track record in working with smallholder companies in terms of formality, fairness and commitment?

Local Footprint

Is the company committed to the local community while expanding its presence regionally or nationally?

Select Priority Companies

Strategize

How do I best engage?

Developing an Engagement Strategy

The most important element of engaging the priority companies you have identified is to have a working knowledge of their business – what is most important to them, what their future plans are, how they work, what their pain points or needs are, what values they have, how they are perceived in the marketplace – to understand two main things:

- 1) What would motivate them to work with you? and,
- 2) How would you fit into their business model?

This level of understanding will help guide you to the right “Opportunity Door” through which to engage them and creates a common language with which you can dialogue about mutually beneficial opportunities.



Surprisingly, most retailers still accept cold calls as a way of doing business, but more often they work through their existing network of suppliers to recruit new ones. According to Kroger the worst thing a farmer can ask is “What do you need me to grow?”. The most effective way to engage is to do your homework and have a product ready to sell. Talk to existing suppliers to better understand the company and verify if being part of their network is right for you.

Strategic Engagement

Key Considerations in Developing an Engagement Strategy

1. Am I completely clear about why I am engaging this company?
2. Do I know exactly what it is that I want from them?
3. Do I understand the company's values and core business?
4. Do I understand what of their way of working I can capitalize on to establish common ground with them? Do I have examples to demonstrate that I did my homework?
5. Can I clearly and concisely articulate my value proposition that speaks to the company's market needs?
6. What value does my product offering bring to satisfying the needs of the company and its customers?
7. What guiding principles should I use in my engagement strategy? – what to focus on, be in the listening frame of mind, use of visual aids or not etc.
8. What key information gaps do I need fill to ensure my first meeting will be effective?

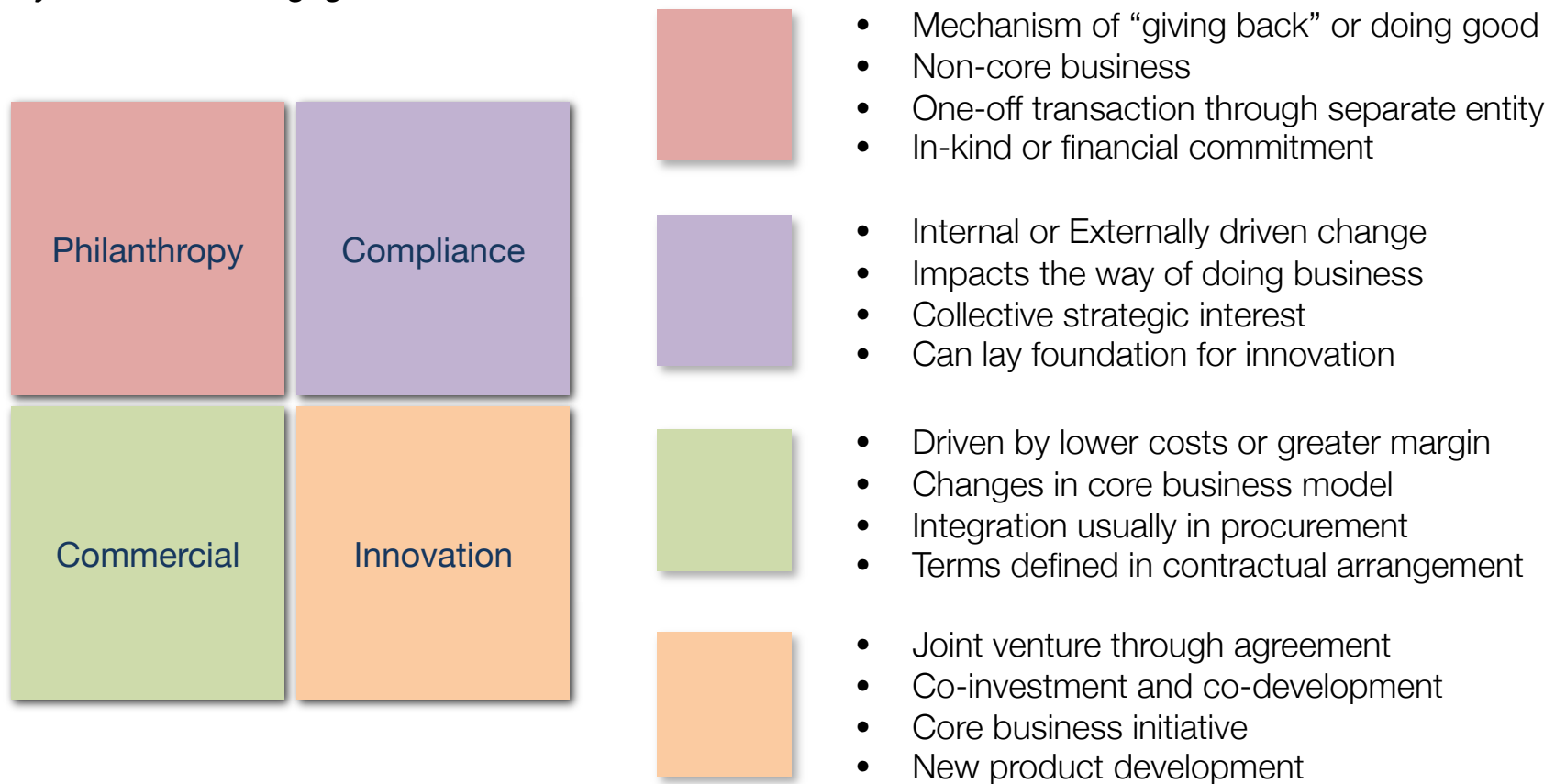
Purpose Overview

*At the end of analyzing your value chain and/or a strategic planning process, you should have a general idea of **why** you want to engage with companies and what you aim to get out of the engagement. Below is a typology of common motivations to help you think through your own.*

Motivation	Condition
Philanthropy	<ul style="list-style-type: none"> - Need to subsidize operations to get up to speed on production - Have a list of material needs that, if met, can sustain operations
Investment	<ul style="list-style-type: none"> - Need capital investment funding in exchange for a stake/share in the business - Loan (regardless of type) to address very specific needs to improve the product (i.e. equipment, labor, logistics, expansion etc.)
Technical Assistance	<ul style="list-style-type: none"> - Need specific expertise to: solve a key production/operational problem, employ new, more efficient technologies or techniques - Often paired with philanthropic engagement - Often packaged as a project
Development Assistance	<ul style="list-style-type: none"> - Often involves meeting wider community needs - Often paired with philanthropic engagement - Packaged as a one-time project focused on social impacts
Commercial	<ul style="list-style-type: none"> - Commercial/Large-scale market entry and integration - Consistent sale of products and/or services to retailers - Focus on profitability and possible re-investment into social benefits - Basic business development - Eventual business partnership

Private Sector Motivation

At the other end of the spectrum are the main reasons why the private sector engages with smallholder companies. It is key to understand the primary motivation of the company you want to engage and match this to your own motivation to determine the best avenue or “Opportunity Door” for you to initiate engagement.



Strategic Engagement

The Opportunity Door through which you enter also depends on the conditions of your situation as summarized in the guidelines below.

Philanthropy

- Your primary motivation is to meet needs to generate your product
- When your market readiness is limited
- Your business has a strong social component
- A strong social benefit can be demonstrated by your company

Compliance

- Your primary motivation is to develop the social benefits of your business
- When you are market ready
- Your value proposition lends itself to their current CSR or other social responsibility mandates

Commercial

- Your primary motivation is to integrate into the mainstream value chain
- When you already have some level of market experience
- Your value proposition is consistent with their current business model
- Benefits are focused on profitability for both companies in addition to social benefits

Innovation

- Your primary motivation is to expand your business with the company
- When you already have an established track record with the company
- A value proposition is mutually defined
- Both parties are willing to financially invest



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Matching Motivations

Matching needs, capacities, values and interests is complex and every individual case is highly nuanced. However, the basic parameters below provide some guidelines on developing an approach depending on the premise of your engagement.

Private Sector Motivation	Conditionalities	Relevance to Your Engagement Approach
Philanthropy	<ul style="list-style-type: none"> - Offered through separate philanthropic organization (corporate/family foundation) - Generally in the form of grant or project funding - Project-based (often one-off) - Highly localized to area or community of concern - Mission and vision driven 	<ul style="list-style-type: none"> - Differentiate between your funding needs (grants, project funds) and investment needs (loans, venture/capital investments etc.) - Focus efforts on cultivating a relationship with grants staff - Know what they have funded in the past and align your approach to their mission and priorities
Compliance	<ul style="list-style-type: none"> - Offered through Corporate Social Responsibility or other similar office - Generally in the form of community initiatives for social returns - Project-based (often one-off) - Often localized to an area proximal to company operations 	<ul style="list-style-type: none"> - Likely has a connection to your community but not your business - Focus on how your business translates into broader community benefits - Be wary of turning your business into a project
Blended Motivations	<ul style="list-style-type: none"> - Companies can offer a combination of support to suppliers such as loans (Whole Foods), technical assistance (Walmart and Land Grant Universities), or other forms of support 	<ul style="list-style-type: none"> - Find out where the company's flexibilities are and what they and their philanthropic counterparts have supported in the past - Areas of flexibility may provide opportunities for you

Matching Motivations

Private Sector Motivation	Conditionalities	Relevance to Your Engagement Approach
Commercial	<ul style="list-style-type: none"> - Value is in your product - Integration once price, quality and quantity standards are met competitively - Buyers are key but individual stores can also be advocates and good entry points - You must have an operational business plan - Accounting systems in place and track record 	<ul style="list-style-type: none"> - Study the company and start a conversation at the smallest entry point: a local store, a local buyer - Review who their current suppliers are - Cultivate relationships indirectly by talking to those already in the company's supplier network - If possible, consider joining a network of suppliers instead of doing it alone - Value proposition discussion is about price, quality and volume - Treat the company as your customer - Focus your efforts on getting in the door and becoming a long term supplier
Innovation	<ul style="list-style-type: none"> - Potential partnership for established suppliers - Usually in the form of new products, techniques or technologies, business models - Mutual investment in innovation 	<ul style="list-style-type: none"> - This type of partnership occurs after the company has been your customer for a long period of time - Need to have your own resources to invest in the venture - Assume mutual risk - Prime position to talk about innovative business models that embody the 7 forms of wealth

Implement

How do I make the initial approach?

It is better to be over prepared in the initial meeting and “winging it” is never an option. Demonstrating that you did your homework, are knowledgeable about their core business and can place your product squarely within the context of their operations will significantly increase the probability of success.

Key Considerations

1. **It's a dialogue not a monologue** - focus on listening to and understanding **their** needs instead of talking about your own.
2. **Try to qualify and quantify their “pain”** – articulate how your product addresses their pain points, how you fit into their business.
3. **Ditch the pitch** – focus on prospecting and tell a story instead of selling a product. This is where talking about common values is important but remember, it's not the values that get you into the door, it's your product!
4. **Look for a personal connection** – be clear on how you create value and what that value represents on a broader level (value chain, community, sector etc.)
5. **Less is more** – be concise and stick to your value proposition.
6. **Obtain a commitment** – secure a next step in the form of a meeting, a phone call, a proposal submission, a presentation etc.

Measure

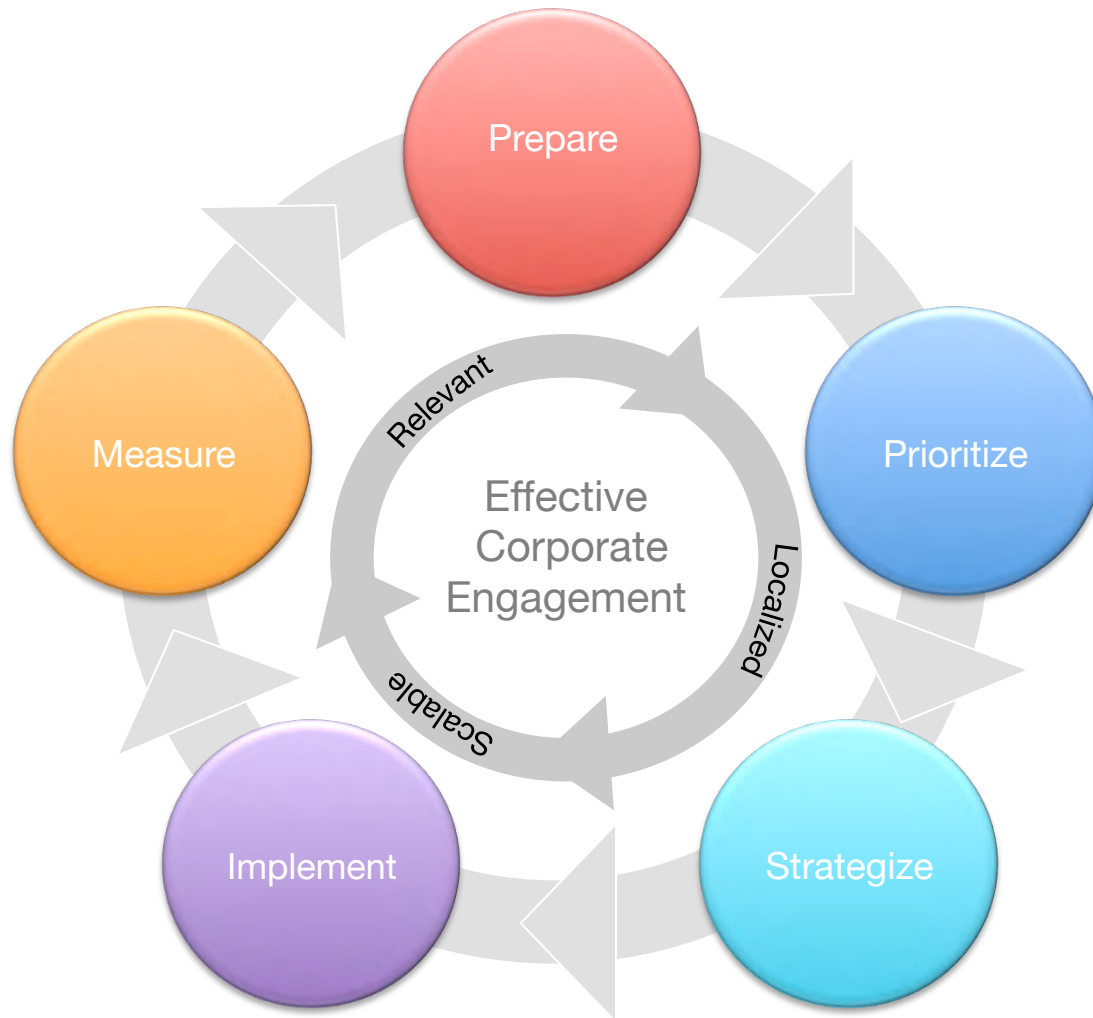
Was the engagement successful?

Learning from your engagements will help fine tune your approach in the future. The value and importance of measuring your success cannot be overstated.

The Engagement was Successful If:

1. A **commitment** for a next step was secured from the company – this is the bottom line.
2. Overall, the first meeting was characterized by **agreement** between both parties.
3. Both parties came away with a new and improved **understanding** of each other's work and values.
4. A high level of **engagement** from the company as indicated by simple things such as the ease with which they disclosed information, enthused storytelling, the meeting running longer than expected etc.
5. If the interaction gave you or both parties **new ideas** for the market.

Parting Thoughts



Engagement is an iterative process, go through the relevant aspects of the cycle as you further your relationship with the company and as you fine tune your approach.

Learn from your engagements and improve your approach as you meet with different companies.

Practice makes perfect. Rehearsing will help you focus your message and hone in on the most important details to convey.

Be **persistent** but not a pest.