

**PRESENTATION GIVEN AT THE TRANSLINKS CEBU  
VALUE CHAIN WORKSHOP ENTITLED:**

**“Improving Value Chain Dynamics for Natural Products in  
the Furniture, and Gifts and Home Décor and Fashion  
Accessories Industry”**

**CEBU CITY, PHILIPPINES**

**JULY 2-3, 2008**

**HOSTED BY ENTERPRISEWORKS/VITA AND THE  
CEBU FURNITURE INDUSTRIES FOUNDATION**



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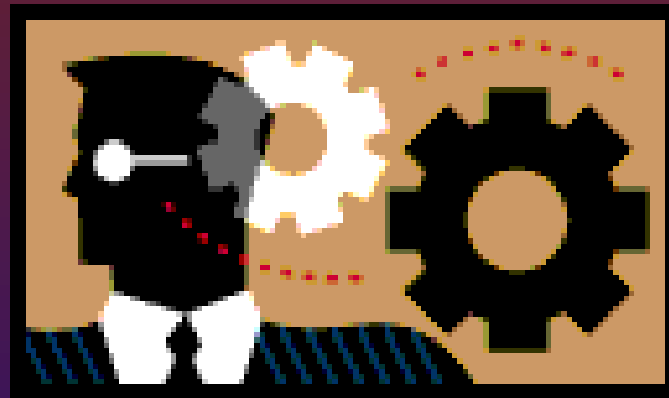
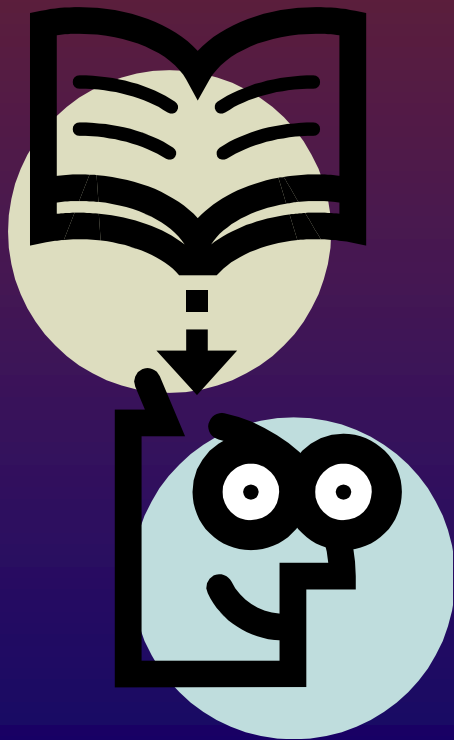
# **NGOs as Market Facilitator Lessons Learned**

**Translink Workshop  
July 2, 2008 Parklane Hotel  
Cebu City**

**UMFI Experience - Linking Community-Based Enterprises with the  
Mainstream Markets**



# Are we MARKET Ready?



# Primary Barriers to Trade

CBE Capacity

Local Distribution  
Infra Logistic  
Support

Market-Trade Perception  
and Polices

CBEs



Market Information

Skills Training

Linkages

Market



Product: Low Value  
and Poor Quality  
Capacity to Produce  
is limited/ erratic  
Poor Pricing  
No Permits, Licenses,  
Taxes

Transport  
expensive/ limited  
No Warehouse  
No interested seller or  
Distributor

Market sees Community:  
poor quality, unreliable  
Market Polices biased against  
Micro or small enterprises  
Payment Terms, Entry and  
Maintenance Costs



# UMFI Marketing Framework

## Technology

Product Development  
Business/Management Systems

## Financial Resources

Equipment/Facilities Upgrade  
Working Capital

## Market –Industry

### Information Intelligence

Trends  
Consumer Preferences  
Competition/ Prices  
Service Providers  
Suppliers/ Sources

Business  
Partners

UMFI

Market

Fair Price  
Better Y

Finished Products

Stable

Well Packaged

Competitive

MARKETABLE

15-25%

Quality  
Products

To Trade  
or  
Not to Trade  
(Commodity vs.  
Finished Products)





# Trading → Marketing

(Raw Materials → Finished Products)

- ❖ Given the cost and effort involved, the choice of product is very critical, to trade low value items or market high value products?
  - ❖ Improve Economic Returns through:
    - ❖ Grading, Sizing, Sorting, Sell Direct to Mfters
  - ❖ Disadvantages of Trading as an Intervention
    - ❖ Low margins (poor returns for communities)
    - ❖ Tendency to over-extract to improve profitability-sell bigger volume to increase profits
    - ❖ Cannot carry the costs and messages
- ❖ Value-Addition as a better option (can carry the costs and bring the message)



## Advantages of Value-Addition

# Better Economic Returns for the Communities

	Guava Jams/Jellies	Calamansi Concentrate	Duhat Wine
Selling Price of Raw Fruit	<b>PhP 25/ Kg</b>	<b>PhP 15/ Kg</b>	<b>PhP 10/ Kg</b>
Units processed Produced when	5 bottles (8 oz)	3 bottles (450 mL)	3 bottles (375 mL)
Production Cost (materials only, labor cost not included)	Raw Material = P 5.00 Other Major Mat = P 4.50 Packaging = <u>P 8.00</u> 17.50	Raw Materials = P 5.00 Other Major Mat = P 4.50 Packaging = <u>P 10.00</u> 19.50	Raw Materials = P 3.35 Other Major Mat = P 8.00 Packaging = <u>P 12.00</u> 23.35
Factory Price	P 37.50/ bottle	P 65.00/ bottle	P 75.00/ bottle
Margins for Labor Income ( per bottle)	<b>P 20.00</b>	<b>P 45.50</b>	<b>P 51.65</b>
Margins for Labor/ Income (per Kg)	<b>P 100.00</b>	<b>P 136.50</b>	<b>P 154.85</b>



to at least 30 endangered species of flora and fauna.

# UMFI products have Quality That Cares

for the Consumers, Community & Environment

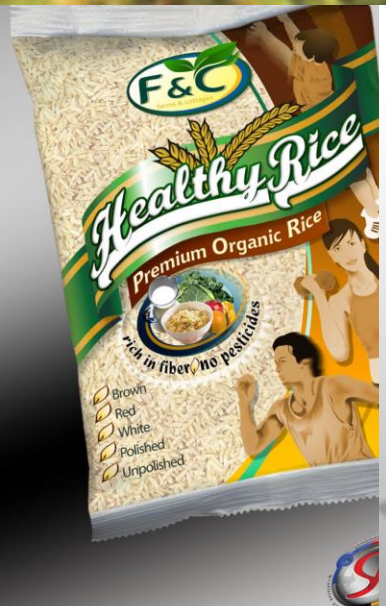
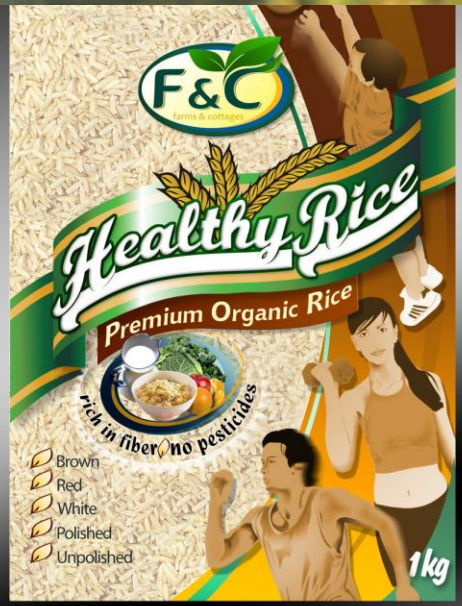


**Available at these outlets:**  
 Shoemart, Rustan's, Ever, Cherry South, Sta. Lucia, Landmark, Daily Isetan, Glori, Linnart, Makati Supermarket, Cash n Carry and other leading supermarkets and Groceries in Metro Manila, Central Luzon and Southern Tagalog

For details call us up telephone numbers 434-3593 and 925-4772 Upland Marketing Foundation Inc., and ask for Susan or Arlene.



back



back



front

# Markets Tapped





# We have reached the Market – so what?



- ❖ The easiest thing to do in Market Intermediation is getting there – accessing the market.
- ❖ What happens next is the real challenge
  - ❖ How do you survive or maintain the market?
  - ❖ How do you grow in the market?
  - ❖ How do you protect your share of the market?



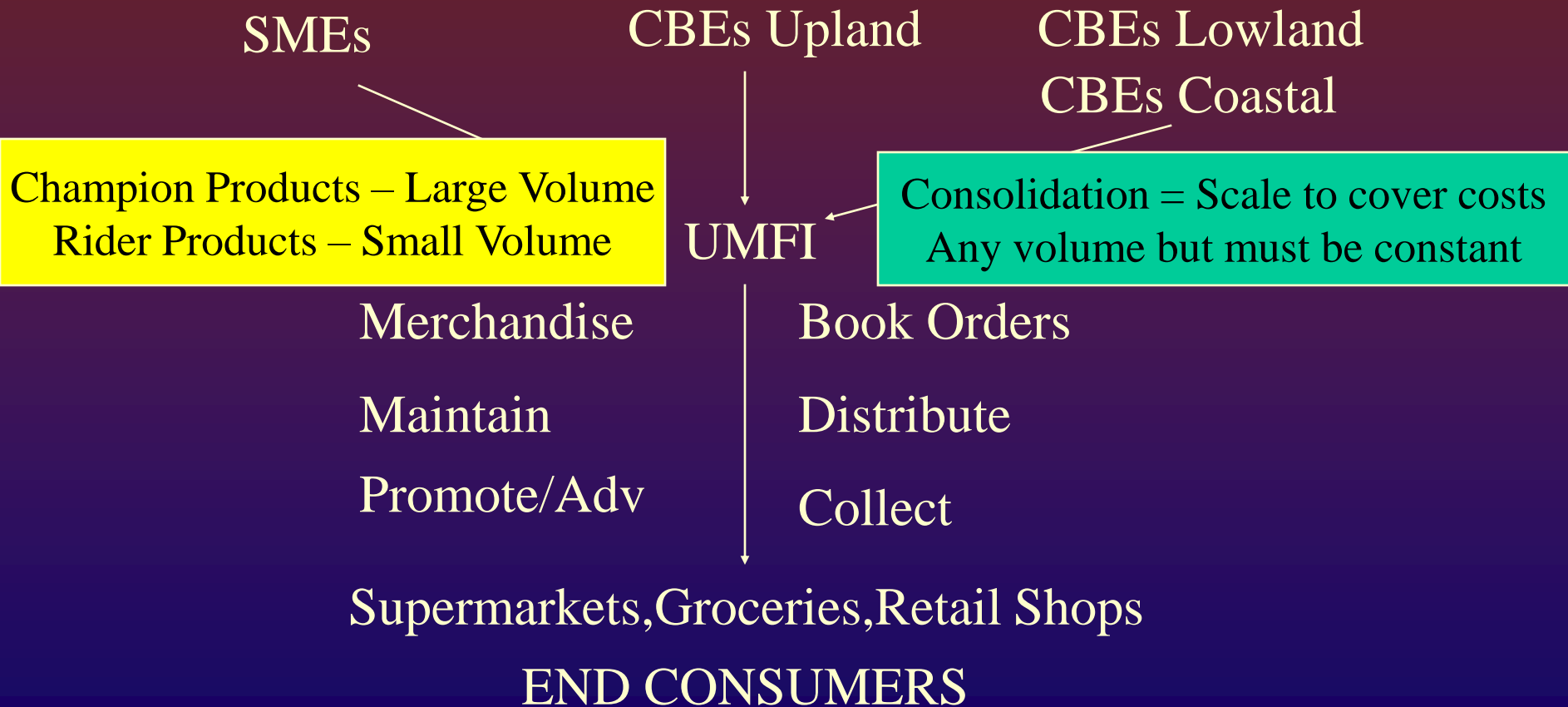
# Getting There: Marketing Rights

- ❖ Get the RIGHT PRODUCT and the PRODUCT RIGHT
  - ❖ Market Segment
  - ❖ Quality Definitions of the market
- ❖ GET THE RIGHT PEOPLE
  - ❖ With Expertise (knows the systems, policies)
  - ❖ With Experience (knows how to manage dynamics)
  - ❖ With Contacts (knows the people inside)
  - ❖ With Right Attitude and Orientation
  - ❖ Regular Training/ Re-tooling of personnel
- ❖ SET UP THE RIGHT SYSTEM
  - ❖ Upgrade Facilities : Logistic Support Common Service Facility
  - ❖ Delivery/ Merchandising (outsourced)
  - ❖ Warehousing
  - ❖ Financial/ Business System



# Surviving and Maintaining the Markets

## Consolidating for Sustainability – Many Products, Sources





# Surviving and Maintaining the Markets

## Common Brand for Sustainability

CBEs

CBEs

CBEs

Common Brand = Shared Quality Standards, Shared COSTS

Allows CBEs to collectively Supply the market and to recover From impact of natural disasters/ Internal problems

Champion Products

Organic Rice	= 1 → 10 CBEs
Muscovado Sugar	= 1 → 5 CBEs
Honey	= 1 → 6 CBEs

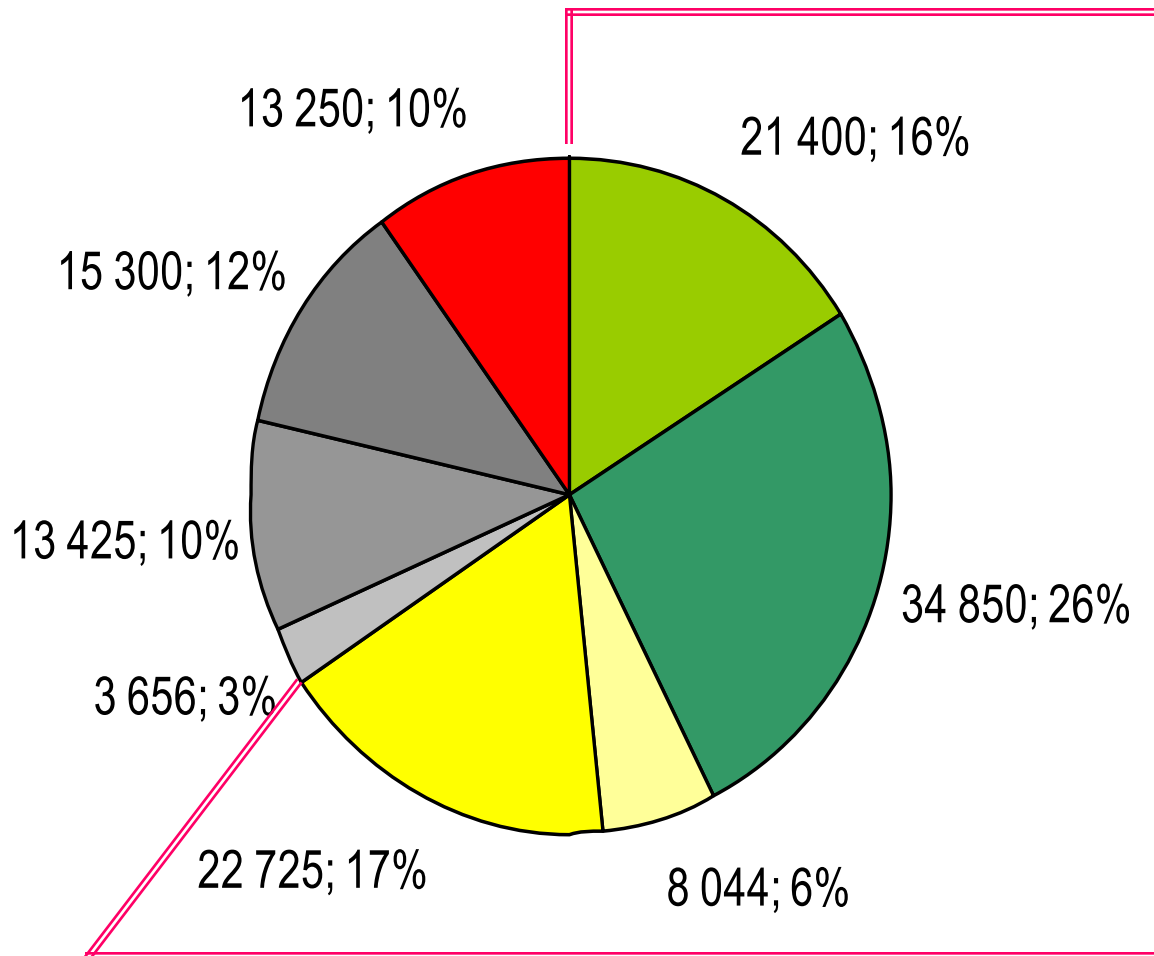
Supermarkets, Groceries, Retail Shops

END CONSUMERS



# Maintaining Fair Business Partnership

- ❖ Fair Pricing = Competitive Pricing : Fair Pricing is not tolerating inefficiency
  - ❖ Supply Inputs (convenience vs. best deal/price)
  - ❖ Production Costs = use of most efficient technology and processes
  - ❖ Transport and Logistics
  - ❖ Marketing
    - ➔ Fair for all (costs, workload, risks and investments)
- ❖ Strong Partnerships across the stakeholders
  - ❖ Transparency (Selective), Reliability, Relevance
  - ❖ Short Term (opportunistic) vs Long Term (Strategic) FPJ Style



- Farming Costs
- Farmer's margin
- Processing Costs
- Processor's margin
- Delivery
- Pre-sale preparation
- Distribution
- Sales to consumers





# Margins across the Marketing Line

Farm Gate Price  
 = P12/kg palay  
 = 18.46/kg rice  
 65% recovery

Mill/Consolidator Price  
 = P27/kg rice

Distributor's Price  
 = P35.1/kg rice

Supermarket Price  
 = P39/kg rice

G Margins =

PhP 8.53  
 31.62%

PhP 7.10  
 20.22%

PhP 3.9  
 10%

Less Expenses =

Drying = 1.50  
 Mill = 1.75  
 Hauling = 0.50  
 Sacks = 0.17  
 Trucking = 2.00  
 5.92

Packaging = 2.30  
 Returns = 1.35  
 Transport = 1.00  
 4.65

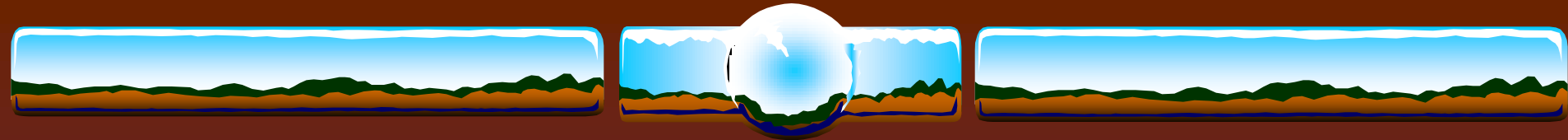
PhP 2.45  
 6.9%

Other Overhead/Activities

Mgt  
 Sales  
 Office/Eqpt

Mgt  
 Office/Eqpt  
 Sales Team  
 Merchandisers  
 Fees/Promo

Mgt  
 Office/Eqpt  
 Sales  
 Operations  
 Store Space  
 Utilities



# Erecting Barriers – Protecting Markets

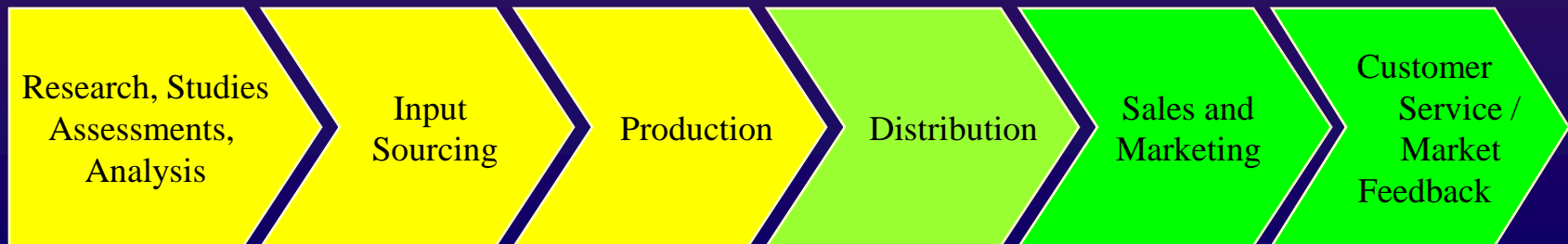
Making it harder for new entrants to come in

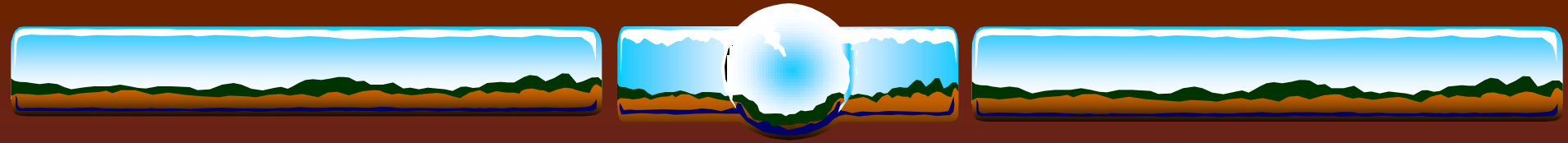
- ❖ Build a Strong Brand and Partnerships along the line
- ❖ Set high Product Standards (at par or better than Industry Level)
- ❖ Get Certification
- ❖ Making it harder for new entrants to copy (innovate)
  - ❖ Product Development – Higher Value products – going beyond access to markets and better packaging



# Overall Survival Strategy

- ❖ If you can, know everything but do NOT do everything. Address the bottlenecks →
  - ❖ Establish partnerships – Trust and Transparency
  - ❖ Outsource services outside your core business
  - ❖ Work with past/existing/relevant initiatives (organized communities, standards, policy)
  - ❖ Focus on core business





Thank You