

PHASE 2

IDENTIFY PRODUCTS, MARKETS AND MEANS OF MARKETING



BOOKLET D

Community-based
tree and forest
product enterprises:
**Market Analysis
and Development**

BOOKLET D

PHASE 2:
IDENTIFY PRODUCTS,
MARKETS AND MEANS
OF MARKETING

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Introduction

The primary **objective** of Phase 2 is to select the best products while building the capacity of target group members to develop their enterprises. As in Phase 1, information is gathered in the four areas of enterprise development (market/economy, resource management/environment, social/institutional, and science and technology) in order to identify opportunities and constraints and then select the most promising products. The three steps in this phase are shown in Box D.1.

BOX D.1

Phase 2: Steps in identifying products, markets and means of marketing

- STEP 1** Analyse the four areas of enterprise development
- STEP 2** Select the most promising products
- STEP 3** Create interest groups for the selected products

The outputs to be expected from this phase are:

- ☐ identification of the most promising products and collection of information for the design of business plans;
- ☐ formation of interest groups for the selected products; and
- ☐ formation of a team to undertake Phase 3.



Preliminary planning activities

Before starting this phase, the facilitator needs to prepare a work plan.

Organize the team

The team that will conduct Phase 2 comprises those villagers (no more than 12 people) who were identified in the final workshop in Phase 1. This team of information gatherers includes members of the target group who are currently involved in producing, trading or processing one or several of the shortlisted products.



Social aspects continue to be an important concern in Phase 2. The composition of the team of information gatherers is one of the means of addressing social issues.

Plan the time schedule

The time needed for the field research in Phase 2 depends on the area where the research will be conducted, the number and complexity of the shortlisted products, and the number of team members and their level of skill. It also depends on the complexity of the market channels for the chosen products and the accessibility of market information. It can take from one to three weeks, or longer if the international level is considered.



In planning the time schedule, it is important to take into account the needs of target group members and to ensure that they fully understand each step and are thus able to make sound decisions and undertake activities. It is also important to limit the time lapse between Phases 1 and 2 in order to maintain the enthusiasm of target group members.



Plan the budget

The costs involved in Phase 2 are mainly related to staff time, transport and communication. The survey team has to follow products along marketing channels either physically or by using telecommunications. If the market system of a product is limited to the district or province, then the costs of staff time, transport and communication should not be very high.

If the marketing channel is long and the final consumers of a product are located far from production sites, then the market survey may take longer and may incur higher transport and communication costs. It may also be difficult for the information-gathering team to conduct surveys at a distance from their villages. In this type of situation, the team may request that a partner be identified to conduct the survey at the national or international levels. This may significantly increase the required budget.

Train the team of information gatherers

The facilitator should organize a short training workshop (of no more than two days) in order to help information gatherers understand the concepts and tools required to conduct Phase 2. This will build on the training that information gatherers have already received in basic interview and observation techniques.





STEP 1 | Analyse the four areas of enterprise development

In this step, the facilitator will work with the information-gathering team to analyse the business environment of the shortlisted products and identify opportunities for their further development. In order to analyse the business environment of each product, information is gathered and analysed in the four areas of enterprise development at the community/district/provincial, national and international levels. Sample checklists are provided in this booklet. Tools are also suggested for use in collecting and organizing the information. (See also the tools for interviewing and observation in Booklet B. Note that training in these skills should already have been carried out.)

What information should be gathered?

Use product selection criteria

The following criteria can be used to assess the products that have the highest chance of success according to the objectives of the MA&D process. These criteria, which have been selected on the basis of field experience, have been classified under the four areas of enterprise development, and they should also include any additional criteria discovered as a result of the product assessment exercise in Phase 1. A sample product selection criteria form is provided in Step 2. The main topics on which information is required in the four areas of enterprise development are detailed in Table D.1.

- ▲ **MARKET/ECONOMY:** supply of raw material; market potential; competition (for finding a market niche); constraints to business entry (market channels, policies, expertise, financial needs); margins/profitability
- ▲ **RESOURCE MANAGEMENT/ENVIRONMENT:** availability (in time: seasonality); availability (in space: time needed to find and harvest); (for farm products form only) length of time from planting to harvest; (for forest products form only) regenerative potential and impact of harvesting on survival of the species; impact of production on environment
- ▲ **SOCIAL/INSTITUTIONAL:** indirect benefits for the community; contribution to incomes; experience with the product; potential for creating employment; gender impact
- ▲ **SCIENCE AND TECHNOLOGY:** suitability for members of rural target groups of processing location and processing technology required; infrastructure status; human resources/skills and expertise; human resources/number

PHASE 2: Identify products, markets and means of marketing

STEP 1: Analyse the four areas of enterprise development

TABLE D.1 The main topics on which information is required at the different levels

PHASE 2: Identify products, markets and means of marketing				
	▲ MARKET/ ECONOMY	▲ RESOURCE MANAGEMENT/ ENVIRONMENT	▲ SOCIAL/ INSTITUTIONAL	▲ SCIENCE AND TECHNOLOGY
Community/ district/ provincial level (in-depth study)	Demand Competitors Infrastructure Distribution Access to credit (local savings system) Market positioning	Environmental impact assessment Assessment of sustainable forest supply Resource management experiences and models	Access and control of resources Taxes and fees Role of local institutions Seasonal activities Permit application procedures Impact of gender, cultural and social perspective towards a product	Local technology (harvesting, extraction, storage)
National level	Demand Competitors Infrastructure Marketing channels/market chains Economic forces and constraints Access to credit	Forest inventories Comparative yield studies Regeneration studies Resource management model experience	Policy constraints Regulations Taxes and fees	Support services/ partners New technical research Processing Human resources
International level	Demand Quality requirements Potential distribution and promotion agencies	Experience from elsewhere	Policy constraints Regulations Trade agreements	New technology research

Prepare checklists for the survey at community/district/provincial level

Note: the checklists for Phase 2 include many questions that are similar to those asked in Phase 1. However, in Phase 2 both the aim of the questions and the depth of information required is different. During the assessment of the existing situation carried out in Phase 1, the survey gathered general information in order to identify severe constraints that would result in the elimination of a product, or the potential opportunities that would support its being retained for further consideration. In Phase 2, the survey aims to obtain more detailed information about the shortlisted products in order to assess their potential for further development. Information gatherers may already have obtained information in Phase 1 about products still under consideration in Phase 2. They can use the checklists to determine what else they need to know.



The final activity in Phase 1 was the formation of the team to conduct Phase 2, which included representatives of all expected beneficiary groups (such as landless people, forest dwellers and women). Represented in the information-gathering team, these groups will have the opportunity to collect information to assess the acceptability of the direct changes (increased income) and indirect changes (workload, land use, impact on other sources of income) that would occur as a result of the formation of enterprises for the products under consideration. They will also help the facilitator to adapt the survey and product selection tools accordingly. It is important that the facilitator should discuss with team members any changes in how the survey will be conducted and how tools are to be adapted.

The survey will focus on questions listed in the following checklists, classified according to the four areas of enterprise development.



PHASE 2: Identify products, markets and means of marketing

STEP 1: Analyse the four areas of enterprise development

PHASE 2	MARKET/ECONOMY ■ COMMUNITY/DISTRICT/PROVINCIAL LEVEL	CHECKLIST 1a
▲ MARKET/ECONOMY	WHAT INFORMATION IS NEEDED?	
Demand	<p>For each product:</p> <ul style="list-style-type: none"> <input type="checkbox"/> What are the characteristics (types) of customers? <input type="checkbox"/> What amount of each product is sold: daily, monthly, seasonally, annually? <input type="checkbox"/> What are income and margins (per person/household or economic unit)? <input type="checkbox"/> What are the losses (spoilage, no buyers, etc.)? <input type="checkbox"/> What are the fees and taxes? <input type="checkbox"/> What is unmet demand (estimate based on unfulfilled orders, etc.)? 	
Competitors	<p>For each product:</p> <ul style="list-style-type: none"> <input type="checkbox"/> How many others (estimate: most, many, few; individuals, middlepersons, processors, etc.) are involved in producing; processing; marketing? <input type="checkbox"/> Is the price received/offered: the same? more? less? <input type="checkbox"/> In future trends, is there more/less competition? <input type="checkbox"/> Can it be substituted by other products? 	
Infrastructure	<p>Quality of local and product-related infrastructure:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Can the product be efficiently moved through the market chain? (user's point of view) <input type="checkbox"/> What is the primary mode of transport through the market chain? (truck, rail, air, etc.) <input type="checkbox"/> What is the cost of transportation from one transaction to the next? (amount per kg, tonne, container, etc.) <p>Telecommunication:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Do the actors in the market chain have access to the telecommunication facilities they need? (users' point of view) <input type="checkbox"/> What are the major sources of market information for each of the direct actors? 	

PHASE 2	MARKET/ECONOMY ■ COMMUNITY/DISTRICT/PROVINCIAL LEVEL	CHECKLIST 1b
▲ MARKET/ECONOMY	WHAT INFORMATION IS NEEDED?	
Distribution	What are the destinations for the product? How long does it take the product to be transported from producer to consumer (destination cities or countries)? How many direct actors are involved in the movement of the product (estimate only)?	
Access to credit	For each product: <ul style="list-style-type: none"> <input type="checkbox"/> What are the credit needs of the actors involved in production? <input type="checkbox"/> What are the credit needs of the actors involved in processing? <input type="checkbox"/> What are the credit needs of the actors involved in marketing? <input type="checkbox"/> What are the sources of credit available (both formal and informal) for each of the actors who needs it? <input type="checkbox"/> What restrictions are there on access to credit (e.g. gender, landlessness)? 	
Market positioning	For each product: <ul style="list-style-type: none"> <input type="checkbox"/> Who are the consumers of the product? <input type="checkbox"/> Is the producer aware of the consumers' preferences? <input type="checkbox"/> Is the product sold in a processed or unprocessed form? 	

PHASE 2	RESOURCE MANAGEMENT/ENVIRONMENT ■ COMMUNITY/DISTRICT/PROVINCIAL LEVEL	CHECKLIST 2
▲ RESOURCE MANAGEMENT/ENVIRONMENT	WHAT INFORMATION IS NEEDED?	
Environmental impact assessment	For each product: <ul style="list-style-type: none"> <input type="checkbox"/> Will the production/collection of the product have a negative impact on the resource? On the ecosystem? <input type="checkbox"/> If so, what are the potential negative impacts that could occur? 	
Assessment of the sustainability of supply	What volume of product can be harvested from the forest without harming the resource and the ecosystem?	
Resource management experiences and models	What is or can be done to minimize or eliminate the potential negative impact of harvesting/producing the product?	
<i>Note: this checklist is to be used only for forest products; it is not relevant to farm products</i>		

PHASE 2: Identify products, markets and means of marketing

STEP 1: Analyse the four areas of enterprise development

PHASE 2		SOCIAL/INSTITUTIONAL ■ COMMUNITY/DISTRICT/PROVINCIAL LEVEL			CHECKLIST 3																				
▲ SOCIAL/INSTITUTIONAL	WHAT INFORMATION IS NEEDED?																								
Control on the product	For each product: <table border="0" style="width: 100%;"> <tr> <td><input type="checkbox"/> Who spends time in producing?</td> <td>men</td> <td>women</td> <td>children</td> </tr> <tr> <td><input type="checkbox"/> Who spends time in transforming?</td> <td>men</td> <td>women</td> <td>children</td> </tr> <tr> <td><input type="checkbox"/> Who spends time in trading?</td> <td>men</td> <td>women</td> <td>children</td> </tr> <tr> <td><input type="checkbox"/> Who receives money from selling?</td> <td>men</td> <td>women</td> <td></td> </tr> <tr> <td><input type="checkbox"/> Who decides about the use of this income?</td> <td>men</td> <td>women</td> <td></td> </tr> </table>					<input type="checkbox"/> Who spends time in producing?	men	women	children	<input type="checkbox"/> Who spends time in transforming?	men	women	children	<input type="checkbox"/> Who spends time in trading?	men	women	children	<input type="checkbox"/> Who receives money from selling?	men	women		<input type="checkbox"/> Who decides about the use of this income?	men	women	
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<input type="checkbox"/> Who decides about the use of this income?	men	women																							
Role of local institutions and organizations	For each product: <ul style="list-style-type: none"> <input type="checkbox"/> What is the role of local institutions (including informal working groups, non-governmental organizations, government agencies, and private sector) in production (including subsidies and projects); processing; marketing? 																								
Access to resources	For each product: <ul style="list-style-type: none"> <input type="checkbox"/> Do the producers/collectors have legal rights of access? <input type="checkbox"/> If not, what could be the impact of lack of legal rights on product collection/production in the future? 																								

PHASE 2		SCIENCE AND TECHNOLOGY ■ COMMUNITY/DISTRICT/PROVINCIAL LEVEL			CHECKLIST 4
▲ SCIENCE AND TECHNOLOGY	WHAT INFORMATION IS NEEDED?				
Local technology	For each product: <ul style="list-style-type: none"> <input type="checkbox"/> What is the current level of skills and what are the local technical options available to men/women for: <ul style="list-style-type: none"> - extraction/harvesting - post-harvest operations (remember storage) - processing - marketing <input type="checkbox"/> How could local technologies and the skills of men and women be improved to meet the requirements of new (and expanding) markets? 				

Prepare checklists for the survey at national level

Team members may have difficulty conducting surveys at the national and/or international levels, since it may require travel far from their village. In this type of situation, a partnership will be formed with an individual or institution that will conduct the survey on behalf of the team. Therefore, the team needs to prepare a list of information that should be obtained from other sources, which will form the basis of the terms of reference for the individual or institution that will conduct the research at the national and international levels.

At the national level, the survey will focus on questions in the following checklists, which are classified according to the four areas of enterprise development.

PHASE 2	MARKET/ECONOMY ■ NATIONAL LEVEL		CHECKLIST 1
▲	MARKET/ ECONOMY	WHAT INFORMATION IS NEEDED?	
	Demand	What is the (national) trend of demand for the product? <input type="checkbox"/> Volume and value of the product in the country? <input type="checkbox"/> Marketing channels of the product (including other areas of the country)? <input type="checkbox"/> Trend during the past 5 years (increase, stationary, or decrease)?	
	Competitors	Are there other producers (areas of production) of the product? <input type="checkbox"/> If so, how many, what are their prices, and who are the customers?	
	Economic forces/ constraints	Is there government intervention: price or supply or subsidies for the production, processing, marketing of the product? Who (government, concessionaires, industry, etc.) has what level of control over the product?	
	Access to credit	Are financial resources available for the direct actors (men, women) in the market chain of the product?	

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STEP 1: Analyse the four areas of enterprise development

PHASE 2		RESOURCE MANAGEMENT/ENVIRONMENT ■ NATIONAL LEVEL	CHECKLIST 2
▲	RESOURCE MANAGEMENT/ ENVIRONMENT	WHAT INFORMATION IS NEEDED?	
	Forest inventories	Are they available?	
	Yield studies (of product)	Are they available?	
	Regeneration surveys	Are they available?	
	Resource management model	Are there resource management models that have been developed to minimize the impact of harvesting the product on the natural resource base?	
<i>Note: this checklist is to be used only for forest products; it is not relevant to farm products</i>			

PHASE 2		SOCIAL/INSTITUTIONAL ■ NATIONAL LEVEL	CHECKLIST 3
▲	SOCIAL/ INSTITUTIONAL	WHAT INFORMATION IS NEEDED?	
	Land tenure	What are opportunities for and restrictions on land use?	
	Policy constraints	Is there government interference in production, pricing, etc.?	
	Regulations	Are there constraints on access to resources? Are there cumbersome regulations?	
	Taxes/fees	Are taxes and fees to be paid (note if by producer, processor, or trader/market)?	
	Social policies	Is women's labour regulated? Are there restrictions on children's work?	

PHASE 2		SCIENCE AND TECHNOLOGY ■ NATIONAL LEVEL	CHECKLIST 4
▲ SCIENCE AND TECHNOLOGY	WHAT INFORMATION IS NEEDED?		
Support services/ partners	Are support services/technical assistance available?		
New technical research	Who are potential partners in developing new technology? Is new technical research being conducted on the product?		
Processing	Is processing technology available for the product?		

Prepare checklists for the survey at international level

If there is an export market for a product, then a survey will need to be done at the international level. As with surveys at the national level, a partnership may need to be formed with an individual or institution that will conduct the survey, based on terms of reference prepared by team members.

PHASE 2		MARKET/ECONOMY ■ INTERNATIONAL LEVEL	CHECKLIST 1
▲ MARKET/ ECONOMY	WHAT INFORMATION IS NEEDED?		
Demand	What is the (international) trend of demand for the product? <input type="checkbox"/> Volume and value of the product (global)? <input type="checkbox"/> Trend during the past 5 years (increase, stationary, or decrease)?		
Quality requirements	Can the product meet international standards/requirements?		
Potential distribution and promotion agencies	Will national/international agencies and associations assist in the distribution/marketing of the product?		

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PHASE 2		RESOURCE MANAGEMENT/ENVIRONMENT ■ INTERNATIONAL LEVEL	CHECKLIST 2
▲	RESOURCE MANAGEMENT/ ENVIRONMENT	WHAT INFORMATION IS NEEDED?	
	Experience from other countries	Has there been successful sustainable harvesting of the product in other countries?	
	Pressure of demand for 'green' products	Is there experience in certification of environmentally sound products?	
<i>Note: this checklist is to be used only for forest products; it is not relevant to farm products</i>			

PHASE 2		SOCIAL/INSTITUTIONAL ■ INTERNATIONAL LEVEL	CHECKLIST 3
▲	SOCIAL/ INSTITUTIONAL	WHAT INFORMATION IS NEEDED?	
	Policy constraints	Are there international policy constraints (e.g. a ban) on the product or product processing?	
	Regulations	Are there regulations regarding the product (quality requirements)?	
	Trade agreements	Do current trade agreements help or hinder product marketing?	
	Pressure of demand for socially acceptable products	Is there experience in certification or respect of clauses to supply socially acceptable products?	

PHASE 2		SCIENCE AND TECHNOLOGY ■ INTERNATIONAL LEVEL	CHECKLIST 4
▲	SCIENCE AND TECHNOLOGY	WHAT INFORMATION IS NEEDED?	
	New technical research	Is there new research to help in product and market development?	

Plan for and organize information gathering

Villagers who are part of the research team are a precious source of information because they use and trade the products. Consequently, they usually feel confident about gathering information about their own experiences and the experiences of others in the geographical area. However, as mentioned above, if surveys need to be conducted at the national or international levels, it will probably be necessary to divide the survey into two parts.

Community/district/provincial level

A team of information gatherers works with the facilitator within a feasible geographical area. Information gatherers will be assigned one or more products, or groups of products, from the shortlist obtained at the end of Phase 1. They will gather information about the product(s) at village and district levels. Another group of information gatherers will collect information for all of the products from the district to the provincial level.



When conducting surveys, women interviewers have a tendency to hide behind men interviewers. To avoid this situation facilitators should use methods to enhance women's participation, such as forming small work groups comprising only women, and putting them in charge of a specific part of the survey.


National and international levels

A partner is identified to conduct the survey at the national and international levels and is given detailed terms of reference. The selection of the partner should be done by the target group members participating in the Phase 2 team, or it should at least be approved by them. For example, the partner could be a branch of the head office of the facilitator's organization, a specific technology or market information office, a service provided by a chamber of commerce and industry, or an individual.



EXAMPLE

In the Quang Binh, Viet Nam, case study, the information-gathering/facilitating team conducted the local market survey. They started the research by reviewing printed materials and interviewing key informants, including retailers, traders and manufacturers at the provincial level, and then they moved downwards along the marketing channels to the village producers. The national and international surveys were done by two experienced market surveyors.

 It is important to prepare carefully for information gathering in the field. Guidelines for conducting interviews, using observation, preparing field plans and reviewing the information that is gathered are provided in Booklet B. It is strongly recommended that the facilitator train information gatherers in these techniques before embarking on the MA&D process.

Gather the required information

There are several methods and tools that are particularly well suited for gathering information in the four areas of enterprise development. Some of them are outlined in this section.

- **Market channel analysis** is useful for gathering information on the market/economy aspects.
- **Rapid assessment of the sustainable supply of forest resources** is useful for gathering information on the resource management/environment aspects.
- **Social/institutional analysis; policy, rules and regulation analysis; and tree and forest products production calendar** are useful for gathering information on social/institutional aspects.
- **An activity profile of existing actors** is useful for gathering information on the science and technology aspects.



Gather information on market/economy aspects

MARKET CHANNEL ANALYSIS

A market channel analysis follows a product from the phase in which it is produced to the ultimate consumer: producer → consumer. It is a tool to identify opportunities, strengths and constraints in the market channels and to gather information about the business environment. These opportunities, strengths and constraints need to be identified before the current marketing system can be improved. Through this exercise, obstacles to the marketing of products can be identified. The goal is to gather information from everyone who is involved in the marketing of the product, and the decision on who to question first can be flexible. According to the opportunities identified, studies of the other areas of enterprise development are then undertaken.

BEFORE USING THIS TOOL

The information gathering team members first need to become familiar with some basic marketing definitions and concepts, such as market place, distribution channel, and market channels (see “Definitions” in Booklet A).

HOW TO USE THIS TOOL

Information gatherers need to keep in mind the following guidelines.

- ❶ Follow each product as it moves along the market channel from the place where it is produced to the ultimate consumer.
- ❷ Select the initial key informant. While the goal is to collect information from everyone involved with the marketing of the product (producers, traders, manufacturers, transporters and consumers), the starting point is flexible; for example, it might be appropriate to start with the consumer and retailer and work back through the marketing channel. Or, a decision could be made to start with the producer and follow the product through to the retailer and consumer, or to start with a middleperson and then follow the product back to the producer and forward to the retailer.
- ❸ Obtain information about the different sizes and origins of the direct actors (such as small-scale private manufacturer, public transportation agency, or new group of producers).
- ❹ Obtain most of the information through observation and interviewing. For instance, observe and take notes while counting the number of vendors selling the product in the market; interview several of the vendors about where the product came from and where it goes; and get a range of prices.

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STEP 1: Analyse the four areas of enterprise development

- ◉ Proceed along the market channel, taking time for discussion with product handlers (middleperson, retailers and consumers) in each of the links in the market channel.
- ◉ Direct the interview of each informant to the topics listed in the checklists (see above). For instance, identify constraints concerning exchange.

At the end of the exercise, compile the field notes and construct a market channel that identifies the constraints at each link, as well as potential improvements that can be made.

Information should be validated by using triangulation (see “Guidelines for information gathering” in Booklet B).

Note: information can be gathered from the same informants for the science and technology aspects of development of products (see p. 28).


EXAMPLE

In the Quang Binh, Viet Nam, case study, the market channels were analysed for small-diameter rattan; black pepper; honey; dyeing, aromatic and medicinal plants; mushrooms; bamboo; grass flower and palm leaf products; and silkworms. The information sources were printed materials and direct interviews. Market information was gathered for each product at the community, district and provincial levels, and for some of the products at national and international levels.

Some examples of the market information collected in the market/economy area, as well as the sources of the information, are given in Table D.2.



TABLE D.2 Sources of information in the market/economy area

TYPE OF INFORMATION	SECONDARY SOURCES OF INFORMATION (WRITTEN)			PRIMARY SOURCES OF INFORMATION (DIRECT INQUIRY)		
	Community/district/province	National	International	Community/district/province	National	International
Market/economy focus Demand/buyers Competitors Quality requirements		General Statistic Department records on cooperatives and small and medium enterprises	(Internet, fax, e-mail, mail) Assistance to exporters in developing countries Import promotion and trade facilitation Offices of traders, manufacturers	Local markets Consumers Private and government traders and processing companies	Private and government producers, traders, storers, transporters, manufacturers, small cooperatives and large companies	Private traders, import, export, manufacturing companies (small and large)
Supply/potential quantity, calendar	Forest sustainable supply assessment report German Agency for Technical Cooperation (GTZ) previous project reports	Bulletins of research institutes		Villages and communes Producers and traders Direct actors (private and government) involved in trading these products	Direct actors (private and government) involved in trading these products	
Economic forces and constraints		Rules and regulations on trade, transport, processing of forest products		Village and commune leaders Producers and traders Industry and agriculture departments Direct actors (private and government)	Ministry of Agriculture, Forest Institute Research institutes (mushroom, honey, medicinal plants, etc.)	Import/export regulations
Taxes	Tax Department records			Tax Department	Tax Department	
Access to credit	Records of branch of Bank for the Poor			Farmers who received loans from Agri-Bank or projects	Credit/financial project	
Infrastructure and communication				Farmers, traders Private and government transport agencies or individuals Industry and Construction departments	Private and government direct actors (traders, manufacturers and transporters)	

EXPECTED OUTPUTS

The analysis of the market channels will highlight comparative advantages and opportunities or points of leverage where activities would be the most effective.



Projects often need strategies for reaching a large number of beneficiaries at a single stroke. An analysis of the market channels will identify the best entry point in order to achieve maximum impact. This could mean, for instance, that a project may have a mixed strategy, supporting producers while at the same time supporting manufacturers who may need more raw materials, thus creating better conditions for the producers.

On the basis of the information obtained, it is possible to assess the following issues for each product.

- **Product.** The unique features of the product(s) (compared to others) have been described. They may include high standards of quality, uniqueness of raw materials, on-time delivery and cultural value. Problems related to the product(s) can be highlighted and potential solutions proposed.
- **Demand.** Actors in the marketing channels have been identified in addition to different types of potential customers. One type of customer, for example, will buy products because of their high quality, regardless of relatively high prices; another type of customer will buy products because of their low cost. The demand analysis contributes to an understanding of potential and effective demand for the product(s).
- **Promotion tools.** These are understood to be current advertising or promotion methods used by the traders to attract customers for their products.
- **Price structure.** Information has been obtained about price variations along the market channel, from harvester to consumer. This will be used to define the pricing policy of the enterprise.
- **Distribution channels.** It has been made clear who controls the market channels, and their terms and conditions can be dictated to other actors. Storage and transit conditions will have been noted.
- **Competition.** The strongest potential competitors have been identified.
- **Strategic marketing alliances.** Potential partners have been identified for strategic alliances in order to minimize risks.
- **Sales variation.** Information on the quality and volume of the product available to the buyer have been obtained from potential competitors. The responses to this sales survey may indicate in which month/period the customer is most likely to be ready to purchase the products. This will help in forecasting sales variations.



An unfortunate result of having inadequate information about what happens in the market channel is that the role of the middleperson is often misunderstood or distorted. The middleperson is often perceived as the villain, but, although exploitation does occur, the services provided by the middle trader should not be overlooked, nor should it be assumed that they are taking too large a portion of the final price. Many studies have shown that the amount the middleperson receives is not always disproportionate to their investment.



EXAMPLE

In the Quang Binh, Viet Nam, case study, a market channel analysis was done on the domestic market for honey. This example details the outcome of the analysis. The total production of honey in Viet Nam in 1997 was 4500 tonnes, out of which 3500 tonnes were exported. Currently, domestic knowledge about the quality of honey is increasing. The domestic market is 1000 tonnes and is expected to reach 2000 tonnes in the year 2000, with the main domestic market being in urban areas such as Ho Chi Minh, Ha Noi, Vung Tau and Dong Nai. The export price is much lower than the domestic price. The export price is US\$0.95 to \$1.45 per kg, while the domestic market price is about \$1.50 to \$3 per kg. In tourist areas such as Cuc Phuong National Park, a producer can obtain \$4.50 per kg of honey by selling directly to tourists.

In Viet Nam, honey is highly valued for its medicinal qualities (especially for women's health) and is considered a valuable gift for relatives at festival times. People sometimes regard labelled and packaged honey as "industrial" quality, which has lost its natural qualities. Some buyers like to see the hives and pay hunters to get the honey. Therefore, it is necessary to study the resource in order to determine the potential supply of forest hives, and the prospects for development of a niche market in the domestic market for pure, natural, certified honey should be studied. That is why it is also necessary to plan a study of the technological options available, the training possibilities, and other factors. Support is needed for organizing the market channels, and for organizing and training producers in market and quality requirements.

Although there is no record available, a significant quantity of honey from Australia and Spain is imported into Viet Nam. These imports could easily be substituted by local production if proper control of quality and proper purification and packing operations could be put in place.



Gather information on resource management/environment aspects

RAPID ASSESSMENT OF THE SUSTAINABLE SUPPLY OF FOREST RESOURCES

There are many methods that can be used to obtain information about forests and trees and forest products. While formal forest inventories provide accurate information, they are often time-consuming and expensive. Therefore, one of the best methods for gathering data on resource management aspects is rapid assessment of the sustainable supply of forest resources.

This is a very technical tool. It will be critical in some specific uses of MA&D if, for example, the approach is utilized in a conservation project in a protected area, but it may be less important when the MA&D process is conducted in other contexts. Therefore, only limited information will be provided here about this tool. If it is necessary to conduct a comprehensive assessment, refer to Peters (1993) and Mckone and Phaengsintham (1996).

How to develop products without destroying the resource base is a fundamental concern of the MA&D methodology. A product will be considered for development only if its resource base will not suffer as a result of an increase in the harvesting rate or if harvesting can be supplemented or substituted by cultivation. Therefore, it is important to get a clear picture of the status and quantity of forest resources before starting an enterprise. This can also be a tool to monitor environmental impact once an enterprise gets under way.

The rapid assessment of the sustainable supply of forest resources tool is used to (a) measure and document indicators of the existing biological characteristics of the selected resources; (b) understand their sustainable potential extraction rate; and (c) identify ways in which the resources are being managed. This will give an important indication of how resources should be managed if an enterprise is developed from one or several products.

The rapid assessment of the sustainable supply of forest resources includes a set of profiles:

- 1) a forest profile;
- 2) a forest block profile; and
- 3) a resource profile of selected species.

These profiles measure and document indicators of the existing environmental condition of the forest and selected species, and the way in which they are being used, exploited or managed. Periodic profiles can help reveal environmental changes that may either require immediate corrective action or call for longer-term changes in the enterprise. Initially, the profiles are based on inputs from a local forest expert and the forest users, but they should be repeated regularly by the forest product interest groups.

The profiles and inventories are completed using Rapid Rural Appraisal (RRA) and Participatory Rural Appraisal (PRA) techniques, as well as conventional vegetation sampling methods. The length and degree of sophistication of the sampling exercises will vary according to the size of the study and the resources available to carry it out. Detailed quantitative information is usually not required, and the sampling and inventories do not require much time or many human resources. The skills and knowledge needed to carry out the assessment will require the involvement of local forest dwellers, local forest extension officers and, on occasion, a specific product expert for higher-scale activities. Generally, local forest dwellers, forest extension offices, protected area institutions, scientists, universities and non-governmental organizations working in the area have already conducted partial inventories, and it can be useful to refer to them.

EXPECTED OUTPUTS

By combining the information gathered, it is possible to make estimates of:

- how much the entire area produces and is capable of producing; and
- which types of products provide the highest yields.

When products that can be sustainably harvested have been selected, the information can be used for monitoring and for developing a management plan that will:

- determine which areas to exploit;
- establish access routes and collection centres; and
- evaluate costs and benefits of different exploitation strategies.

The use of these methods will help local people to avoid making the following common mistakes:

- overestimating the potential supply because they do not understand the biological regeneration cycles of the species;
- using destructive harvesting practices that may lead to the extinction of a product and thereby to the loss of the income related to it; and
- underestimating the importance of resource management, which may lead to a decrease in the resource stock or a missed opportunity to increase production.



Gather information on social/institutional aspects

Social and institutional criteria must be considered equally as important as the economic, resource management and technical criteria of a potential enterprise. Potential activities should help, or at least not harm, the most economically vulnerable members of the community. This section gives guidelines for how to conduct a social/institutional analysis, and gives details of two other commonly used tools: the policy, rules and regulation analysis; and the tree and forest products activities calendar.

SOCIAL/INSTITUTIONAL ANALYSIS

The objectives of a social/institutional analysis are to:

- gather detailed information about the potential producers (specifically:
 - to what extent is the group able to respond to the marketing activities?
 - are there external factors that prevent participation?);
- assess the direct and indirect potential impacts of the proposed products on the community in order to design socially sensitive actions and to minimize (or eliminate) negative social impacts; and
- analyse the legal aspects affecting the target group, such as access to resources and user rights.

Using the checklists, the team will:

- identify the target group members directly involved as well as people indirectly affected;
- evaluate the skills of target group members and their access to productive resources and services;
- assess the level of participation that target group members are prepared to have in the proposed activities; and
- assess the capacity of the target group members to deal with the change that will result from the new enterprise.





Lack of awareness of rules and regulations and of the legal issues affecting the development of enterprises is a weakness of local people in remote areas because of their limited access to information. Involving them in the social and institutional analysis can help build their capacity to defend their rights, and open their minds to new ideas. For example, in central Viet Nam (see the Quang Binh, Viet Nam, case study) people realized that they could benefit by forming self-help groups for the management of rattan. They had learned during the MA&D process that the commune would contract the management of forest land to producer groups. There is another positive consequence of involving potential target group members in the social analysis: they are able to select products that match their needs. In addition, they gain knowledge that can be applied in later monitoring of the impact of the new activities. It is important to have each subgroup (such as rich, poor, landless and women) represented so they can express their own expectations and limitations, influencing the selection of products and the size and organization of the future enterprises.

POLICIES, RULES AND REGULATIONS ANALYSIS

Several tools and methods can be used in a social/institutional analysis. One of these is the policies, rules and regulations analysis. The following questions provide basic guidelines for carrying out the analysis.

- What are the policies, rules and regulations concerning tree and forest products?
- Are the laws effective? How do people get around the law?
- Evaluating the political attitude and involvement of the government (all levels),
 - does the government enforce the laws;
 - does it give clear guidelines; and
 - does the government provide subsidies for products that it controls?
- What are the policies and regulations relating to resource access and tenure (in both agricultural land and forest)?
- What are the policies and regulations relating to access to capital? Do small companies or industries have access to capital? Can communities or community members get access to formal credit?
- Does the current tax system create incentives or disincentives for the marketing of products (raw or processed)? Do local governments levy taxes (such as payment at check-points) on goods that leave their county, prefecture or province?
- What are the laws relating to the international export of products (raw or processed)?



The role of the facilitator is to make the new information available to the potential entrepreneurs, who can then make a decision about the best legal status for their enterprise. This means that the facilitator will need to take the time to translate the legal text into a form that can be understood by the target group members.

TREE AND FOREST PRODUCTS ACTIVITIES CALENDAR

This tool can help in developing an understanding of the distribution of workload and activities between the men and women of the target group.

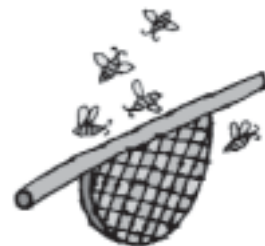
The tree and forest products activities calendar attempts to establish regular cycles or patterns of activities involving tree and forest products over a given period. This seasonal calendar helps present diverse information in a common time frame. It compares village activities, month by month. It identifies cycles of activity that occur within the target group on a regular basis. These cycles are important in determining such factors as women's involvement, labour availability for new activities, and variations in cash flow.

The informants from the target group should be diverse, so that there are men and women and young and old people. In a community with several distinct groups (class, income, caste, ethnic, etc.), household calendars can also be collected and compared in order to identify the differences in activities.

In MA&D Phase 2, information about the labour demand (including men, women and children) and the tree and forest production seasons is needed. This helps to assess the workload for men, women and children, as well as labour availability for future activities.

A suggested procedure follows.

- Use large sheets of paper with colour markers (or first make a sketch on the ground, if the group prefers).
- Draw the local calendar in a matrix form (with columns representing months of year). Write the local names of the months on each column.
- Ask what forest and tree products are harvested/collected, when, and by whom.
- Ask who does what with tree and forest products (e.g. not only who collects, but also who processes and who sells the product).



EXAMPLE

In the Quang Binh, Viet Nam, case study, the following harvesting and production calendar of tree and forest products was prepared. Table D.3 shows the harvesting and production calendar of tree and forest products, and thus the duration of the supply for potential enterprises. It helps clarify how different products can be combined so that the producers can harvest and earn income throughout the year.

TABLE D.3 Harvesting and production calendar of tree and forest products in the four communes in the Quang Binh, Viet Nam, case study

RESOURCE/PRODUCTS	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
<i>Natural resources/forest</i>												
Wild honey				x		x	x					
Rattan		x	x	x	x	x	x	x	x	x	x	
Rattan fruits		x										
Wildlife	x	x	x	x	x	x						x
Fuelwood	x	x	x	x	x	x	x	x	x	x	x	x
Nhan Tran						x	x	x	x	x	x	
Bo Ket (hair)		x										
Kim Tuyen										x	x	x
Vang tea leaf	x	x	x	x	x	x	x	x	x	x	x	x
Timber for logging			x	x	x							
Orchids			x	x								
Grass flower for brooms		x										
Palm leaves	x	x	x	x	x	x	x	x	x	x	x	x
Quercus seeds									x	x	x	
Wild vegetables		x										
Cinnamomum bark								x				
Wrapping leaves		x										
Bamboo			x	x	x	x	x					
Bamboo shoots							x	x		x		
<i>Home garden</i>												
Fruits/vegetables			x	x	x	x	x	x	x	x		
Pepper			x	x	x							
Silkworms/food		x						x				
Honey	x				x				x			

EXPECTED OUTPUTS

The social/institutional analysis can make clear whether the target group is ready to develop the potential products, or whether it needs a preparation phase before initiating proposed marketing activities.

Through this analysis, target group members can avoid making the following common mistakes:

- underestimating the importance of local authorities (traditional and government), which may lead to loss of their support;
- underestimating the importance of strategic alliances with other users, which may lead to isolated action that is too limited to overcome market constraints;
- creating negative impact on women, such as an unacceptable increase in workload;
- violating local tradition, religion, or unwritten laws that might affect the enterprise;
- failing to share the benefits with local people, which may create social conflict and affect the enterprise;
- underestimating the time and cost of obtaining legal papers, such as an operating licence (to work, sell or even export some products), which may lead to financial constraints in starting the enterprise; and
- using property that is subject to an ownership dispute, which therefore might create conflict in the short term and might later bring activities to a halt.



Gather information on science and technology aspects

The main issues to be addressed regarding the science and technology aspects related to marketing of the products are the following.

- What is the current level of technical skills for natural resource extraction, post-harvest operations, processing and marketing?
- How could these technical skills be improved to meet the requirements of new markets?
- What are the costs of the technical improvements?

ACTIVITY PROFILE OF EXISTING ACTORS

At the end of interviews related to the market channel analysis, the information gathering team should continue to work with the same informants and ask questions about the science and technological aspects affecting development of a product. These include:

- processing, storage and transportation requirements for the selected products in different seasons;
- identification of the gaps between the current situation and the skills to be developed and improved to meet market requirements, and study of improved techniques that might be used during production;
- identification of the current practices of production, processing and marketing (for forest products, collaboration with the ecological survey is needed); and
- study of the physical infrastructure (road, railways and airport), availability of energy (water, electricity, cow dung, fuel) and costs.

All the actors in the market chain should be interviewed concerning the uses and requirements of the products (such as size, colour and quality), processing techniques and related aspects. The study can be conducted with local or national professionals. For example, in the case of a small enterprise, it is usually easy to learn the price of simple equipment from local sources, but for a larger-scale enterprise it might be necessary to visit equipment distribution centres.

All the components of the technical study should include a cost analysis. This analysis could indicate that the proposed technology, or the skills training needed to bring a competitive product to market, is too costly in relation to the value of the product. In this case, either the product should be eliminated or an alternative design of the product should be considered and its feasibility should be studied.

EXPECTED OUTPUTS

This information will build an understanding of the existing technical level in the production, processing and marketing of selected products and will enable an assessment of the potential level of improvement. Technologies are required for improving production, for integrating environment-friendly methods in the production process, and for upgrading the ability of potential entrepreneurs to use this improved technology. The facilitator will identify which indirect actors can help in these areas and then which technical strategic alliances will be built.

At the end of this step, technical improvements will be proposed and their related costs will be known, and this information can be integrated into the next step.

Using these methods, potential entrepreneurs will avoid making the following common mistakes:

- introducing inappropriate techniques that destroy the environment and lead to decreased productivity;
- introducing equipment that cannot be maintained locally, thus limiting the scope of the enterprise to the short term;
- underestimating the costs and difficulties of repair and maintenance, which can lead to an unsustainable enterprise;
- producing products that are too sophisticated;
- failing to provide for a regular and sufficient supply of packing materials and processing auxiliaries; and
- failing to provide for sufficient storage facilities for raw materials and finished products.





STEP 2 | Select the most promising products

In Step 1 of this phase, the facilitator helped the target group members to analyse the business environment of the products that had been selected at the end of Phase 1. In Step 2, the target group identifies the opportunities and the constraints related to the proposed products, in order to make comparisons and select the most promising products on which to base the future enterprises.

How to select products

In order to select the most promising products, the facilitator and target group members will:

- 1 process the information gathered in Step 1; and
- 2 organize workshops for all members of the target group (including those who were not in the information gathering teams) in order to share the results of surveys carried out to assess the market environment, identify opportunities and constraints, rank products and select the most promising ones accordingly.

Process the information gathered in Step 1

The facilitator needs first to ensure that all target group members can understand the information gathered in Step 1. Information gatherers may have to be trained in how to process the information in order to be able to present it to all target group members in a simple and understandable way. This could involve training information gatherers to:

- compile the information from the worksheets, which includes classifying types and varieties of products, and calculating sales, prices, values, market shares, margins or losses per product, and types of customers over time; and
- reconcile the information (if the information is contradictory, or if there are gaps, it may be necessary to continue to gather information and conduct interviews).



**EXAMPLE**

The Quang Binh, Viet Nam, case study provides an example of how information gathered in Phase 2 was aggregated and analysed, and then used in the further selection of products. When information from the four communes was compiled, it was presented as follows.

Tree and forest products play an important role in the household economy of the target group. A sample of 104 households showed that about 85 percent of the population are involved in producing for the market. Tree and forest products represent an average of 30 percent to 65 percent of their total cash income, ranging currently from US\$38 to \$215 per year for 70 percent of the households, within which most are earning between \$61 and \$184. The other 30 percent earn between \$215 and \$884, with most earning between \$292 and \$423 per year. Rattan, wildlife, honey, eagle wood, timber, palm leaves, silkworms and quercus seeds (in order of importance) are the products contributing most of the income earned.

Organize workshops with the members of the target group

Once the information has been compiled, workshops are organized in order to:

- share the results of the survey of the market environment;
- identify opportunities and constraints; and
- select the most promising products.

SHARE THE RESULTS OF THE SURVEY OF THE MARKET ENVIRONMENT

The information gathering team will present to other target group members the aggregated results of the survey in order to provide a sufficient basis for selection of products.

IDENTIFY OPPORTUNITIES AND CONSTRAINTS

Information gathering will have little, if any, use unless it is geared to the implementation of activities. Target group members will need to be assisted in preparing themselves to select the most promising products. They will need to further analyse the results of the market channel survey in order to more carefully assess products. A tool called the product assessment table will be useful in doing this.



Product assessment table

This tool will help target group members to analyse information in more depth. Through this exercise, they will have to assess each product and justify their choices, thereby deepening their analysis.



The product assessment exercise can have a powerful impact on the further selection of products. Through this assessment, target group members identify criteria that are important to them and that will be included in the selection criteria form in the next exercise. All interested subgroups should be able to participate in an assessment exercise to ensure that their needs are taken into consideration during product selection. The facilitator may therefore need to plan more than one assessment exercise, according to the number of subgroups identified in previous steps.

The facilitator will direct target group members to:

- list opportunities and positive aspects for the product;
- list constraints that need to be overcome in order to improve the current status of a product; and
- classify both the opportunities and constraints within the four areas of enterprise development, in order to be able to identify what support will be needed for each type of problem.



The following are some examples of opportunities for one product.

- ▲ A strong **market/economy** opportunity is increased demand, as consumers express a new need. For example, Nepalese herbal tea was traditionally consumed by local people to favour long life and good health. With the decline in importance of traditional medicine because of pressure from modern imported medicines, consumption of the herbal tea decreased. Because of the declining demand, low prices were offered to producers. On the basis of information about the traditional use of this plant, its proven therapeutic benefits and the increasing demand for 'natural' products, the future niche demand for a 'new look' herbal tea has been analysed as being a potential option.
- ▲ A **resource management/environment** opportunity would be the sustainable production/gathering of the product. For example, in Nepal, the managed harvesting of high-value medicinal plants that grow at high altitude would include harvesting only after dissemination of seeds, leaving a portion of the plant for regeneration, or rotation of harvesting for strong demand and a high-price product. A good example is valerian (*Nardostachys jatamasi*), which should be harvested only every three years in order to obtain marketable roots.
- ▲ A **social/institutional** opportunity at the national level (it may also occur at the provincial level) would be policy and legislation that allows access to certain products even in protected areas. If local people have legal access to certain products and are able to manage their exploitation, then these products can be considered for future development if they have good market potential. A social/institutional opportunity at the community level would be the existence of strong solidarity linkages and group activities among the forest product interest groups. That would facilitate the organization of producers' groups and the production of a sufficient quantity of raw materials. For example, in Viet Nam, collectors are reluctant to walk to remote villages to collect small amounts of raw materials from individuals, but they may consider making the journey for larger amounts offered by a producers' group.
- ▲ A **science and technology** opportunity is one in which there is a good level of expertise or equipment available. In Nepal, for example, large amounts of valerian roots were available but were too heavy to be profitably carried on the backs of men to the market place. But the further development of the product could be considered when the valerian could be processed by rural distillation machinery to extract essential oil, thus transforming it into a much lighter and more valuable product.



EXAMPLE

Table D.4 summarizes the outputs of the exercise conducted under the guidance of the facilitating team in the Quang Binh, Viet Nam, case study. This table presents conclusions for honey at the community level.

TABLE D.4 Product assessment: conclusions for honey at community level in the Quang Binh, Viet Nam, case study

▲ MARKET/ECONOMY	▲ RESOURCE MANAGEMENT/ENVIRONMENT	▲ SOCIAL/INSTITUTIONAL	▲ SCIENCE AND TECHNOLOGY
<p>Opportunities</p> <p>Low investment is required</p> <p>Production costs are low</p> <p>Little labour is required</p> <p>Honey has high market value</p> <p>It is in large demand</p> <p>Product acts as catalyst for development of other crops</p> <p>It has potential income from side products (beeswax, pollen)</p> <p>It is a speciality of the two districts</p>	<p>Opportunities</p> <p>It is suitable to the local ecosystem of the two districts</p> <p>It maintains biological diversity through pollination</p> <p>It acts as an influence to keep environment free of poison harmful for the bees (pesticides, etc.)</p>	<p>Opportunities</p> <p>Product has long tradition</p> <p>There is no legal restriction</p> <p>Activity can be carried out close to the house</p> <p>Activity involves little time investment</p>	<p>Opportunities</p> <p>Activity requires simple equipment and tools</p> <p>There is no need for skilled labour</p> <p>Technical knowledge is easily obtained</p>
<p>Constraints</p> <p>There is need to adapt to request of the buyer to pack honey in clear bottles</p> <p>It is difficult to find clear bottles</p> <p>It is difficult to sell a large quantity at one time</p> <p>The price of honey from beekeeping is lower than that of wild honey</p> <p>Producers do not know exactly what quality the market demands</p>	<p>Constraints</p> <p>Flower resources are reduced because of degradation of the forest</p> <p>It is difficult to control poison/pesticide used by non-beekeepers close to the gardens</p>	<p>Constraints</p> <p>Individual producers do not know how to improve</p> <p>There is lack of knowledge and experience of how to keep the groups functioning and active</p> <p>Activities are controlled only by men</p>	<p>Constraints</p> <p>There is lack of knowledge of new technology</p> <p>Seedling bee resources are difficult to obtain</p> <p>More instruments are needed to extract honey, to build the beehives and to refine honey</p> <p>Storage is difficult if honey is extracted the wrong way</p>

The product assessment table usually results in the transformation of *existing products* into *new products*, since the proposed products will be in some way different from the existing products available at the time of a study.

The distinction between existing and new products is site-specific: an existing product at one site could be a new product in another village. For example, hibiscus flower is an existing product in a Vietnamese village where it is used as a basis for perfume making. However, it would be a new product in another district where hibiscus is used as an ornamental plant.

The selection will consider exclusively the existing or new products resulting from the product assessment table exercises.



EXAMPLE

In the Quang Binh, Viet Nam, case study, before the product assessment exercise was conducted, honey was one of the potential products. At the end of the exercise, it was agreed that packaged honey from beekeeping should be considered for selection. After addressing the opportunities and constraints of honey production and enhancing the quality of the honey, entrepreneurs decided to package the honey in bottles, thereby proposing a new product.

SELECT THE MOST PROMISING PRODUCTS

Using the results of the product assessment, the facilitator will guide workshop participants in the final selection of products. The main tools to be used in this exercise are the product selection criteria form and the comparison of product scores.



It is rare that a single product satisfies the needs of a large number of target group members, especially in a heterogeneous social context. In a project context, where the number of beneficiaries is a concern, it is important that more than one or two products be selected. The number of products selected will usually reflect the social diversity and expectations of the target group.



PRODUCT SELECTION CRITERIA FORM

Using the product selection criteria form, the facilitator will encourage the workshop participants to check each product against a list of selection criteria and rank them accordingly (see the criteria list in Step 1, p. 4).



It is important that the facilitator let target group members lead the exercise, since their personal assessment of the product is central to their ongoing willingness to develop it.

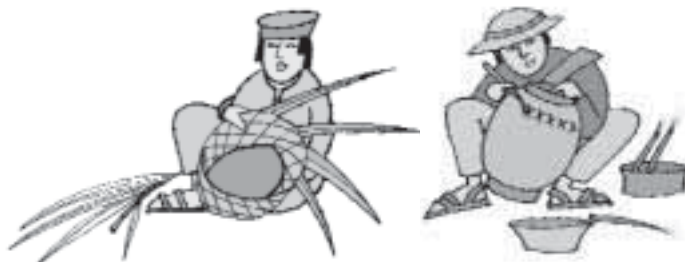
The steps for preparing a product selection criteria form and ranking products are the following.

- Take each product from the shortlist that resulted from the product assessment table.
- Fill out one product selection criteria form per product.
- Refer to the gathered data, and circle the most appropriate score for each criterion.
- Calculate the total score for the product.

According to the nature of the product, the facilitator will use two different forms, one for the harvested products and the other for the cultivated products.

The facilitator will allow participants to choose how to conduct this exercise: participants may fill out the entire form for each product in turn, or they may put all products on the same form. On the selection form, parameters are ranked 1, 2 or 3, according to their potential contribution to, or influence on, achieving the product and market development goals. For example, if the criterion is positive for the further development of the product, it will be given a high rank. This is a relative ranking meant to assist in the comparison of products; it would be meaningless to consider the ranking an absolute value. In certain situations, it will be necessary to change some parameters, and some criteria will be added or removed in order to adapt the selection to particular objectives.

For example, in the Quang Binh, Viet Nam, case study, the objective was to have viable enterprises that benefited a large number of people. Therefore, the rating of the social factors had broader parameters.



EXAMPLE

TABLE D.5 Sample of product selection form for domestic honey in the Quang Binh, Viet Nam, case study

CRITERIA	SCALE	SCORE
▲ MARKET/ECONOMY		
Raw material supply	large	3
	moderate	2
	limited	1
Market potential	large	3
	moderate	2
	limited	1
Competition (for finding a market niche)	weak	3
	moderate	2
	strong	1
Constraints to business entry (market channels, policies expertise, financial needs)	slight	3
	moderate	2
	severe	1
Margins/profitability	high	3
	moderate	2
	low	1
▲ RESOURCE MANAGEMENT/ENVIRONMENT		
Availability (in time): seasonality	almost always	3
	occasionally	2
	rarely/seasonally	1
Availability (in space): time needed to find and harvest	widespread	3
	moderate	2
	rare	1
<i>For farm products form only:</i> Length of time from planting to harvest	short	3
	moderate	2
	long	1
<i>For forest products form only:</i> Regenerative potential	high	3
	moderate	2
	low	1
<i>For forest products form only:</i> Impact of harvesting on survival of the species	positive	3
	neutral	2
	negative	1
Impact of production on environment	positive	3
	neutral	2
	negative	1

Note: the numbers in bold in the score column are the scores given for domestic honey by the workshop members after having completed the assessment table.

CRITERIA	SCALE	SCORE
▲ SOCIAL/INSTITUTIONAL		
Indirect benefits for the community	high	3
	moderate	2
	limited	1
Contribution to incomes	high	4
	moderate	2
	low	0
Experience with the product	high	3
	moderate	2
	low	1
Potential for creating employment	high	4
	moderate	2
	low	0
Gender impact	women	3
	both men and women	2
	only men	1
▲ SCIENCE AND TECHNOLOGY		
Suitability for rural interest groups Processing location	village	3
	district	2
	province/other	1
Suitability for rural interest groups Processing technology required	high	3
	moderate	2
	low	1
Infrastructure status	high	3
	moderate	2
	low	1
Human resources/skills expertise	available	3
	moderate	2
	limited	1
Human resources/number	available	3
	moderate	2
	limited	1
Total		42

COMPARE THE SCORES OF THE DIFFERENT PRODUCTS

Once the selection criteria form for each product has been completed, target group members will compare the scores of the products. Products obtaining the best total scores are the most promising. The possible procedure includes the following three steps.

- 1) Use a large sheet of paper with colour markers (or make a sketch on the ground if the group prefers).
- 2) Draw the comparison form in matrix form (with columns representing the different products). Write the list of criteria in the first column and the name of the products at the head of each successive column.
- 3) Report the scores (using numbers or other symbols, such as stone, flower or leaf, as used in the previous form) obtained by the product for each parameter on the proper column.



EXAMPLE

In the Quang Binh, Viet Nam case study, the comparison of the product scores was done in the workshop by a group of future entrepreneurs and is shown in Table D.6.

- Table D.6 provides an indication of the most promising products to develop under local circumstances. In this example they are domestic honey, silkworms and cultivated rattan. Forest rattan and black pepper trees also seem to be promising, while grass flower brooms, palm leaves and wild honey show a higher risk or need more corrective measures.
- Table D.6 also provides evidence of the strengths and weaknesses of each product. This provides a valuable basis for the design of the enterprise strategy. It shows which areas should be reinforced if the product is to be successful. For example, broom making could be a very profitable activity if the demand could be identified and if more customers could be linked to the group. This would require specific market development work. It also indicates the social sensitivity of the products; if social aspects have to be stressed, then silkworm production (which scores 10 in social criteria) will have a comparative advantage over domestic honey (which scores 8 in social criteria) because it takes the gender dimension into consideration.

The products that obtained the best scores will form the basis of the future enterprises, for which a strategy and related action plan will be developed in Phase 3.

At the end of the workshop that produced the above example, farmers who had carried out the selection decided to go back to their villages and form groups based on their common interest in developing one or more of the most promising products. This step will be described in the next phase.

TABLE D.6 Comparison of the scores of the different products in the Quang Binh, Viet Nam, case study

CRITERIA	PRODUCTS	Wild honey	Domestic honey	Forest rattan	Planted rattan	Bamboo	Black pepper	Silkworms	Grass flower brooms	Palm leaves
▲ MARKET/ECONOMY										
Raw materials supply		1	2	2	3	2	3	3	2	2
Market potential		3	3	3	3	2	2	3	2	2
Competition (for market niche)		2	2	1	1	1	2	3	1	2
Constraints to business entry		3	3	2	2	2	3	3	2	2
Margins/profitability		3	2	2	2	1	2	2	1	2
Subtotal		12	12	10	11	8	12	14	8	10
▲ RESOURCE MANAGEMENT/ENVIRONMENT										
Availability (in time)		1	3	3	3	3	2	1	1	2
Availability (in space)		1	2	2	3	3	3	3	3	2
<i>For farm products form only:</i>										
Time from planting to harvest			3		1	2	2	3		
<i>For forest products form only:</i>										
Regenerative potential		1		2					3	2
Impact of harvesting on the survival of species		2		2					2	1
Impact of production on environment		2	3	2	3	3	2	2	3	2
Subtotal		7	11	11	10	11	9	9	12	9
▲ SOCIAL/INSTITUTIONAL										
Indirect benefits for the community		1	1	2	3	2	3	2	2	2
Contribution to incomes		1	2	2	2	1	1	2	1	1
Experience with the product		3	2	3	3	3	2	2	3	3
Potential for job creation		1	2	1	3	1	1	1	1	1
Gender impact		1	1	1	1	1	2	3	1	1
Subtotal		7	8	9	12	8	9	10	8	8
▲ SCIENCE AND TECHNOLOGY										
Suitability for rural entrepreneurs: processing locations		1	3	1	2	1	1	2	2	1
Suitability for rural entrepreneurs: processing technology required		1	2	1	2	1	1	2	2	1
Infrastructure status		1	2	1	2	1	2	2	2	1
Human resources/skills, expertise		2	2	2	2	2	2	2	2	2
Human resources/number		1	2	2	2	2	2	1	1	1
Subtotal		6	11	7	10	7	8	9	9	6
Total		32	42	37	43	34	38	42	37	33



STEP 3 | Create interest groups for the selected products

It is important that the target group members make their own decisions about their business activities and also that they be able to develop and run their own enterprises. But, in order to attract outside support (for example, investment or training), they need to be organized into a recognized structure.

At the end of Phase 1, target group members were made aware of the benefits of working together and, in Step 1 of Phase 2, the social/institutional analysis provided information about the legal possibilities for future entrepreneurs wanting to structure their activities.

In this phase, the future entrepreneurs discuss these possibilities and start to form interest groups.

The groups will be formed by the target group members according to the product(s) they wish to develop and according to their own affinities with other members. Social concerns will be reflected in the strategy chosen by each group member:

- they can select a product and join the group developing this product; or
- they can join more than one group, if they feel they have the capacity and the desire to earn more income (thus reaching the financial objectives set in Phase 1) through different activities.

People in the same interest group may have set different financial objectives, and this may have an impact on the intensity of their activities.



**EXAMPLE**

In the Quang Binh, Viet Nam, case study, producers decided to form an informal platform of federated small groups working together for the production and marketing of the same products.

Higher in the market channel, for processing activities, the interest group could be made up of no more than five or six people who have decided to team up to establish a small industry.

Traders in the same subsector, such as medicinal plants, could create professional boards to supply larger markets and to solve problems related to packing and movement of goods.

One interest group may have one or several functions (e.g. production only, or production plus processing, or processing and marketing).

The legal structure of interest groups can evolve as their activities mature. For example, a group of rattan producers could begin to operate in an informal way, learning the rules for running such a group. At a later stage, when production reaches a significant level, they may decide to register under a specific legal status. In another example, a small-scale processing unit may need to register early in order to be able to receive initial financial support from a bank, or simply in order to obtain permission to sell the goods.

Every situation will require a different procedure. The following is one possible procedure for the formation of interest groups.



How to form interest groups

The formation of interest groups should be initiated during the workshop held in Step 2 of this phase, after the selection of the products. The facilitator will:

- remind target group members of the benefits of organizing themselves into groups;
- ask participants to decide whether or not they want to create interest groups;
- write on a large sheet of paper the names of the participants who are interested in developing one or several products (the output will be a list of interest group initiators);
- discuss the role of the initiators in the creation of the interest groups per product (for instance, the facilitator could propose that initiators go back to their villages and meet with the men or women who are involved in activities similar to theirs, with the aim of motivating them to join interest groups);
- explain that, once interest groups are formed, the members should appoint one or two representatives to deal with outsiders (such as project, bank, buyers and other groups); and
- organize a workshop to prepare for the development of Phase 3.



EXAMPLE

Applying this procedure in the Quang Binh, Viet Nam, case study, producer groups were formed to finalize the planning and development of rural enterprises. Two main types of groups were formed: those which organized themselves around a product already recognized as promising (honey, rattan, silkworms and black pepper); and those which were working with more traditional products (palm leaves and grass flowers) but who had not yet realized that they could initiate other, more profitable activities. In addition to the groups that organized themselves around the most promising products (rattan, honey, black pepper, silkworms and grass flowers for broom making), several households realized through the workshop that palm leaf production was not so promising as other types of production, because of a lack of market and processing prospects, as well as severe resource management constraints. These households were encouraged to plan the diversification of their activities to one or more of the other promising products. As a result, six groups representing 19 households changed to other product groups. It should be noted that neither the facilitating team nor the field project staff influenced participants in decisions about the size and membership of the groups, nor about their location. The leader entrepreneurs got approval from local authorities to form these informal groups. The future entrepreneurs then organized themselves according to products, to affinities related to familial and friendship relations, and to geographical settings.

Identify the leader entrepreneurs

Throughout the process of developing interest groups, target group members should identify individuals who show strong motivation and the ability to become leader entrepreneurs.

Usually, three types of leader emerge:

- those with a strong business profile and with experience in investigating market potential and in managing a small enterprise;
- those with a good education (such as retired teachers and officers) and experience in management of village affairs (these people are usually respected community leaders); and
- those who are skilled in the production of specific products and therefore have technical knowledge and expertise.

It is also important that the leader entrepreneurs have the ability to motivate and lead others through demonstration and extension. The checklist in Box D.2 is designed to assist target group members in recognizing potential leader entrepreneurs.

BOX D.2

Qualities of a good entrepreneur

Takes initiative
Sees and acts on opportunities
Learns from past experience
Shows persistence
Seeks information
Is concerned about the quality of work
Respects clauses of work contracts
Is efficient
Is a systematic planner
Is a problem solver
Is self-confident
Is persuasive
Knows how to influence others

Successful entrepreneurs have a strong orientation towards achievement, problem solving, influence, and management/control.

(Adapted from T. Fricke, 1994.)

NOTES

The aim of Phase 2 is to select the most promising products and gather information for their further development, identifying potential markets and means of marketing. At the end of this phase, interest groups will be formed to further develop each of the selected products, and a team will be formed to undertake Phase 3.