LINK METHODOLOGY
A Participatory Guide to Business Models that Link Smallholders to Markets

CIAT
International Center for Tropical Agriculture
Since 1967 / Science to cultivate change

CGIAR
RESEARCH PROGRAM ON
Policies, Institutions, and Markets
Led by IFPRI
A toolkit to build inclusive commercial relationships which link rural producers with modern markets.

**What’s in it?**

Each of the proposed tools focuses on improving the inclusion of small-scale farmers. In order to get the most out of the toolkit, “users” should select, utilise and combine these tools in accordance with their own context, needs, budget, and variable starting points in the process.

1. **The value chain map**
2. **The business model canvas**
3. **The New Business Model principles**
4. **The prototype cycle**
Origins

• Link’s heart “the new business model principles” initially arose from expert discussions between CIAT, IIED and the Sustainable Foodlab and were tested in a 24-case study carried out in Latin America, Asia and Africa and thereupon distilled into the current six themes.

• The base on which these principles built up on are drawn from Alexander Osterwalder’s Business Model Generation which has been adapted to rural and agricultural purposes.

• LINK is a Prototype itself and currently in its third revision (since 2012), thus constantly evolving constructing upon new insights and lessons learnt.
What is LINK’s value proposition?

- Nailing down inclusive business: *Despite its increasing popularity there is a lack of practical and concrete approaches on how to operationalize and monitor inclusive business.* The diversity of conceptual frameworks further complicates this issue.

- Provide a methodology attractive to both producer organizations and private sector partners by simple and accessible language and novel business tools.

- Offer concrete entry points for private sector actors to make supplier relationships more inclusive.

- Facilitate exchange and mutual understanding between business partners.

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**Inclusive business:**
Commercial relationship between a private company and a group (formal or informal) of producers whereby both the buyer and seller generate social, economic and environmental value in order to sustain long-term profitable interdependence.
LINK's (simplified) Theory of Change

Output

Outcome(s)

Uptake by NGOs, public sector actors and companies.

Intended Impacts

Trading relationships with:
- Increased stability
- Mutual satisfaction
- Durability
- Resilience
- Frequent and effective communication
- Transparent governance
- Joint innovation
- Stable and profitable returns

Increased mutual understanding
(PO: business orientation, Buyer: Smallholder farmer context)
Introduction

Key features

• LINK is not carved into stone but “users” should select, utilise and combine the tools in accordance with their own context, needs, budget, and variable starting points in the process.

• A good portion of common sense is advised.

• The information provided is addressed at facilitators.

• LINK is a combination between comprehensible theoretical background information and detailed exercises including tips and tricks for facilitators.

• LINK does not intend to replace other tools or to double workload, therefore the complementary use to other methodologies and of already existing information is recommended.

• Inclusion is not the end but a mean to achieve increased performance:
Tool 1: The value chain map

DIRECT ACTORS
Who are they?
What roles do they play?

INDIRECT ACTORS
Who are they?
How do they support (or not support) direct actors?

EXTERNAL INFLUENCES
Within what context does the value chain operate?
Value chain mapping is a way of looking at a system from a global perspective.

Zooming in on one link of the chain unveils the actors distinct **business models**. The business model canvas allows us to zoom in on a specific link in the chain, using a $360^\circ$ perspective.
Tool 2: The business model canvas

Key tool #2
The Business Model Canvas

Adapted from: Osterwalder, A., Pigneur, Y., 2010, Business Model Generation
Connecting business models

Key tool #2
The Business Model Canvas

Business model A

Business model B

Business model C
The double-facing value proposition

Key tool #2
The Business Model Canvas
**Example: Customer facing Business Model of Agroaguadas (Blackberries) in Colombia**

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Proposition</th>
<th>Customer Relationship</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blackberry producers</td>
<td>- Trainings in Good Agricultural Practices (BPA, in Spanish)</td>
<td>- Blackberries with 5 or 6 degrees Brix</td>
<td>Alpina: Trustworthy, stable, consistent, benefits both parties</td>
<td>High quality market: Alpina</td>
</tr>
<tr>
<td></td>
<td>- Crop census to determine potential production</td>
<td>- No contaminants</td>
<td>Other clients: Unreliable, unpredictable, weak, intermittent</td>
<td>Commercialized since 2000</td>
</tr>
<tr>
<td></td>
<td>- Participation in tools and crop management trainings with Alpina and SENA.</td>
<td>- No residual chemicals</td>
<td></td>
<td>Commercialization agreement</td>
</tr>
<tr>
<td></td>
<td>- Leaf removal</td>
<td>- Consistent quality</td>
<td></td>
<td>Provides technical assistance and training</td>
</tr>
<tr>
<td>Other providers</td>
<td><strong>Indirect partners:</strong></td>
<td>- Consistent quantity</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- AGROAGUADAS producer organization distribution center</td>
<td>- Certified by Good Agricultural Practices (BPA, in Spanish)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>- OGR</td>
<td>- Leaf-free blackberries (despitonada)</td>
<td></td>
<td></td>
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<td></td>
<td>- Aguadas City Hall</td>
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<td></td>
<td>- Caldas local government</td>
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<td></td>
<td>- SENA</td>
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<td></td>
<td>- ICA</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td><strong>Other providers (for payments and blackberry shipment container):</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>- AGROAGUADAS producer organization distribution center</td>
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<td></td>
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<td></td>
<td>- ICA</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Key Resources</td>
<td>- Refrigerated transport</td>
<td></td>
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<tr>
<td></td>
<td>- Permanent agronomist</td>
<td></td>
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<tr>
<td></td>
<td>- Constant accompaniment in crop management</td>
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<tr>
<td></td>
<td>- Blackberry transport containers</td>
<td></td>
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<tr>
<td>Cost structure</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Blackberry purchases</td>
<td>- Purchase price: COP$ 1200/kg</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>- Purchases (2013): COP$ 466152000</td>
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<td></td>
<td>- Purchases (2013): 388kg</td>
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<td></td>
<td>- Transfer payments to beneficiary’s personal accounts after delivery.</td>
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<td>Other costs:</td>
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<tr>
<td></td>
<td>- Cost of leaf removal by personnel: COP$ 500/kg</td>
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<td></td>
<td>- Collection center energy and maintenance costs: COP$800,000/week</td>
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<td></td>
<td>- Transport: COP$ 400,000/week</td>
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<tr>
<td>Revenue Stream</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>- Type of price: Fixed 1600/kg</td>
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<td></td>
<td>- Tons sold: (2013): 379 tons</td>
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<tr>
<td></td>
<td>- Sales(2013): COP$ 606531200</td>
<td></td>
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<tr>
<td></td>
<td>- Consignment payment between 15 – 30 days after delivery.</td>
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</tbody>
</table>

**Profit margin:** COP$400/kg
**Example: Producer facing Business Model of Agroaguadas (Blackberries) in Colombia**

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<tr>
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<th>Key Activities</th>
<th>Value Proposition</th>
<th>Customer Relationship</th>
<th>Customer Segments</th>
</tr>
</thead>
</table>
| **Blackberry producers** | • Meetings with associates  
• Meetings with financial entities  
• Meetings with SENA, City Hall and local government of Caldas  
• Working capital  
| • Insured commercialization  
• Technology transfers  
• Social events  
• Credit loans  
• Technical training services  
• Agropecuario services  
• Market information  
| Daily personal mobile phone communication.  
| Daily personal mobile phone communication.  
| **Mercado de Alta Calidad: Alpina**  
| • Business partners since 2000  
| • Constant  
| • Stable  
| • Technical support and training provided  
| • Strong  
| • Beneficial for both parties  
| **Secondary quality market Casa Luker**  
| • Commercialization since 2010  
| • Juice producers  
| • Manizales  
| • Commercialization since 2010  
| • Tuluá  
| **Other providers (for payments and blackberry shipment container):**  
| • AGROAGUADAS producer organization warehouse  
| | **Indirect partners:**  
| • OGR  
| • Aguadas City Hall  
| • Caldas local government  
| • SENA  
| • ICA  
| • Rotating fund valued at COP$ 210.000.000 as of December 2013  
| • Local meetings  
| • Workshops in distribution center  
| | **Channels**  
| | **Cost structure**  
| • Displacement COP$ 2.000.000  
| • De-leafing tours COP $1.400.000 (18 women)  
| • Distribution center training (COP$ 100.000)  
| • Technical assistance (COP$ 1.000.000 por finca/ medio tiempo)  
| • Social events (COP$ 5.000.000 120 personas/ al año)  
| • Personnel costs (COP$ 1.848.000 mensuales para tres operarios)  
| • Distribution center management (COP$ 800.000/mes)  
| • Executive Expenses, OP (COP$ 3.000.000/mes)  
| • Monthly membership fee of COP$ 3.000  
| • Affiliation fee of COP$ 5.000  
| • Single donation from Caldas government (cold storage room) COP$ 40.000.000  
| • Single donation from ICA (BPA ceritification) COP$ 50.000.000  

**Key Resources**  

- Working capital  
- Institutional support  
- Distribution center located in Aguadas  
- Rotating fund valued at COP$ 210.000.000 as of December 2013  

**Key Activities**  

- Meetings with associates  
- Meetings with financial entities  
- Meetings with SENA, City Hall and local government of Caldas  
- Working capital  

**Value Proposition**  

- Insured commercialization  
- Technology transfers  
- Social events  
- Credit loans  
- Technical training services  
- Agropecuario services  
- Market information  
- Support in applying for and receiving bank credits with rural capitalization incentives  

**Customer Relationship**  

- Relationship attributes:  
  - Constant  
  - Stable  
  - Strong  
  - Beneficial for both parties  

**Customer Segments**  

- **Mercado de Alta Calidad: Alpina**  
  - Business partners since 2000  
  - Constant  
  - Strong  
  - Beneficial for both parties  
- **Secondary quality market Casa Luker**  
  - Commercialization since 2010  
  - Juice producers  
  - Manizales  
  - Commercialization since 2010  
  - Tuluá  

**Indirect partners:**  

- OGR  
- Aguadas City Hall  
- Caldas local government  
- SENA  
- ICA

**Daily personal mobile phone communication.**  

- Relationship attributes:  
  - Constant  
  - Stable  
  - Strong  
  - Beneficial for both parties  

**Channels**  

- Local meetings  
- Workshops in distribution center  

**Cost structure**  

- Displacement COP$ 2.000.000  
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**Revenue Stream**  

- Monthly membership fee of COP$ 3.000  
- Affiliation fee of COP$ 5.000  
- Single donation from Caldas government (cold storage room) COP$ 40.000.000  
- Single donation from ICA (BPA certification) COP$ 50.000.000
## Key questions

### 1. Chain-wide collaboration
- Do actors share the same goals?
- Do actors exchange information regularly?
- Are there structures in place to motivate collaboration or shared problem solving?
- Is there one or more “champions” who will lead the process of co-innovation?
- Do all actors understand and acknowledge the interdependence of the trading relationship?

### 2. Effective market linkages
- Are trading relations stable?
- Are trading relations profitable?
- Do actors take advantage of market opportunities?
- Do actors respond quickly enough to the changing needs of clients?

### 3. Fair and transparent governance
- Are sale/purchase volumes and prices communicated clearly?
- Are quality standards clear and consistent across the chain?
- Are risks understood and shared proportionately along the chain?
- Are trading relationships based on formal contracts or clear informal agreements?

### 4. Equitable access to services
- Do producers have access to technical support services provided by the buyer or an indirect actor?
- Do producers have timely access to market information provided by the buyer or an indirect actor?
- Do producers have access to financial services provided by the buyer or an indirect actor?

### 5. Inclusive innovation
- Are innovation processes carried out collaboratively?
- Who participates and why?
- If innovation is evident, who gains from the results?
- Are there profit-sharing mechanisms in place?
- Are small-scale producers encouraged to participate in inclusive innovation?

### 6. Measurement of outcomes
- Have indicators been established that will measure the success of the business relationship?
- Are the results of the business relationship measured frequently?
- Are there feedback loops in place to guarantee effective chain-wide management and decision-making?
## Principle 1: Chain-wide collaboration

<table>
<thead>
<tr>
<th></th>
<th>Statement</th>
<th>Strongly agree</th>
<th>Strongly disagree</th>
<th>N/A</th>
<th>Why?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>We frequently <em>exchange information formally</em> with our customer.</td>
<td>5 4 3 2 1 0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>We frequently <em>exchange information informally</em> with our customer.</td>
<td>5 4 3 2 1 0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>We are aware of the effects our decisions have on our customer.</td>
<td>5 4 3 2 1 0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Our <em>commercial goals</em> are aligned with those of our customer.</td>
<td>5 4 3 2 1 0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Our <em>social goals</em> are aligned with those of our customer.</td>
<td>5 4 3 2 1 0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Our environmental goals are aligned with those of our customer.</td>
<td>5 4 3 2 1 0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>We work closely with our customer to resolve problems.</td>
<td>5 4 3 2 1 0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>We are able to respond quickly to problems that may occur to do with customer relations.</td>
<td>5 4 3 2 1 0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>We recognise and value the <em>interdependence</em> between ourselves and our customer.</td>
<td>5 4 3 2 1 0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Our activities and roles complement those of our customer.</td>
<td>5 4 3 2 1 0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td><em>Incentives</em> (financial and non-financial) exist to enhance collaborative behaviour with our customer.</td>
<td>5 4 3 2 1 0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Champions have been identified to lead the collaboration process with our customer.</td>
<td>5 4 3 2 1 0 0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>We use <em>information and communication technology (ICT)</em> to enhance collaboration with our customer.</td>
<td>5 4 3 2 1 0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Calculations

- **Total points** = 
- **Average score** = \( \frac{\text{Total points}}{13 - \text{Number of criteria marked N/A}} \)
## Principle 1: Chain-wide collaboration

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Strongly agree</th>
<th>Strongly disagree</th>
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<th>Why?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>We frequently exchange information formally* with our provider.</td>
<td>⑤④③②①①</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2</td>
<td>We frequently exchange information informally* with our provider.</td>
<td>⑤④③②①①</td>
<td></td>
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<td></td>
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<tr>
<td>3</td>
<td>We are aware of the effects our decisions have on our provider.</td>
<td>⑤④③②①①</td>
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<tr>
<td>4</td>
<td>Our commercial goals* are aligned with those of our provider.</td>
<td>⑤④③②①①</td>
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<tr>
<td>5</td>
<td>Our social goals* are aligned with those of our provider.</td>
<td>⑤④③②①①</td>
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</tr>
<tr>
<td>6</td>
<td>Our environmental goals are aligned with those of our provider.</td>
<td>⑤④③②①①</td>
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<td>Our activities and roles complement well those of our provider.</td>
<td>⑤④③②①①</td>
<td></td>
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<td>⑤④③②①①</td>
<td></td>
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</tr>
</tbody>
</table>

**Total points =**

**Average score =** \( \frac{\text{Total points}}{(13 - \text{Number of criteria marked N/A})} \)
Case example: REOPA and Colryt, Peru

Colruyt, a Belgian supermarket chain, purchases asparagus from REOPA, a Peruvian smallholder farmer organization. REOPA receives support from the Belgian NGO Veco Andino, which also facilitated the application of LINK Methodology with other supply chain actors Gandules (canned asparagus) and Scano Noliko (imports asparagus to Belgium).

**Principle # 1: Chain-wide collaboration**

**Currently established:**
- NOLIKO heads up collaboration
- Clear roles among actors
- Common objective to add value to product
- Focus on problem-solving

**To improve in the future:**
- Contribute to REOPA’s stable income
- Work to share social goals with Gandules
- Improve regularity of information flow

*Note: Veco Andino did not apply Principle 4: Equitable access to services*
What is the prototype cycle?

1. Design the interventions
2. Test/Implement
3. Measure results
4a. Adjust what doesn’t work
4b. Adopt what worked
How do I package the results of the previous exercises into a prototype cycle?
Lessons learnt

- Theory: Less is more
- Practice: More is more
- Positive uptake from NGOs (i.e. Veco, CRS, Swisscontact, CATIE, IICA, Practical Action, Prisma) and companies (i.e. Unilever, Walmart, Colruyt, )
- For communities, much confusion is generated by the multitude of different definitions and concept around inclusive business and the variety of approaches promoted by development actors. Needs streamlining.
- The LINK facilitator needs a certain level of expertise and experience in participatory facilitation and business approaches
- The management of the facilitating NGO needs to be ‘on board’

CIAT provides training/guidance to 14 case studies that are currently underway in Latin America

Partial implementation of selected tools of LINK Methodology in 13 cases in Colombia is completed

Other cases are/were being implemented in Indonesia (Veco), Ethiopia, Kenya and Uganda (Ford Foundation)
For more information...

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Download LINK Methodology
www.dapa.ciat.cgiar.org/methodologies-to-make-market-linkages-work/