Wealth Creation

TIP SHEET:

HOW TO MAP A WEALTH CREATION VALUE CHAIN

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NADO Research Foundation

EDD CoP
Economic Development District Community of Practice

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HOW TO MAP A WEALTH CREATION VALUE CHAIN

Many rural regions are interested in supporting regional economic sectors that may offer workforce opportunities as well as potential economic prosperity. The wealth creation approach has a wide variety of uses, one of which is building demand-driven value chains in specific sectors, subsectors and/or market opportunities. Value chain mapping offers a way to:

1. Map out what functions are critical to moving products/services from supply to demand.
2. Create a visual baseline of what partners and relationships already exist.
3. Identify gaps, bottlenecks and underutilized resources that can be brought into productive use through value chain development.

This tip sheet may be valuable to:

- Regional organizations that are interested in the wealth creation approach.
- Regional organizations that have interesting market opportunities to pursue.
- Regional organizations that are interested in convening partners around economic sectors, subsectors, and/or market opportunities.

> ***A wealth creation value chain is a network of people, businesses, organizations and agencies addressing a market opportunity to meet demand for specific products or services—advancing self-interest while building rooted local and regional wealth.***

How do you map a value chain you may be interested in?

1. Choose a sector and/or subsector. You may already have a sector in mind. If not, this may come from undertaking a SWOT (Strengths, Weaknesses, Opportunities, Threats) Analysis, choosing an existing or emerging sector that builds on strengths and offers opportunities. A sector is a large category of economic activity in which businesses share the same or a related product or service. A subsector refers to a set of related activities within a sector.

SECTOR	SUBSECTOR	MARKET OPPORTUNITY
Agriculture	Dairy	Fortified milk powder
Energy	Solar energy	Household solar panels in remote areas
Health care	Maternal health care	Prenatal care

Figure 1: Examples of Sectors, Subsectors, and Market Opportunities

2. Identify a market opportunity. A market opportunity is a documented demand for a set of products or services that a region could provide and that has the potential to generate wealth-building results.

a. **Understand demand.** Get to know the "demanders," those who are buying the goods/services you're thinking about through some preliminary demand research. Understand buyers' changing needs and preferences. Demand can include local or regional demand.

b. **Match demand with your region.** What does your region offer that matches what you're learning about demand? Will it build the capitals in your region, keep wealth local and build lasting livelihoods?

c. **Choose between market opportunities.** A variety of criteria exist to make this choice:
   i. Relevance to the target market – Can it engage local people?
   ii. Wealth building potential – Will it build multiple forms of wealth, keep that wealth local and help to build livelihoods?
   iii. Feasibility – Have demand partners been identified? Could it attract investment?

3. Demand Research - Talk with businesses within that sector and market opportunity to understand how things are working. Research other sources of demand (scale, buyer types, added value, import replacement, etc.) Talk with current and potential buyers (demand partners). Typically, you would want to talk with intermediaries or aggregators, those who are supplying the end consumers.

4. Identify and Map Functions – What needs to happen ideally to get supply to demand? What are the functions that need to happen along the way?
For example, *in the tomato soup value chain*, these functions would include supply, production, aggregation, processing, distributing, etc.

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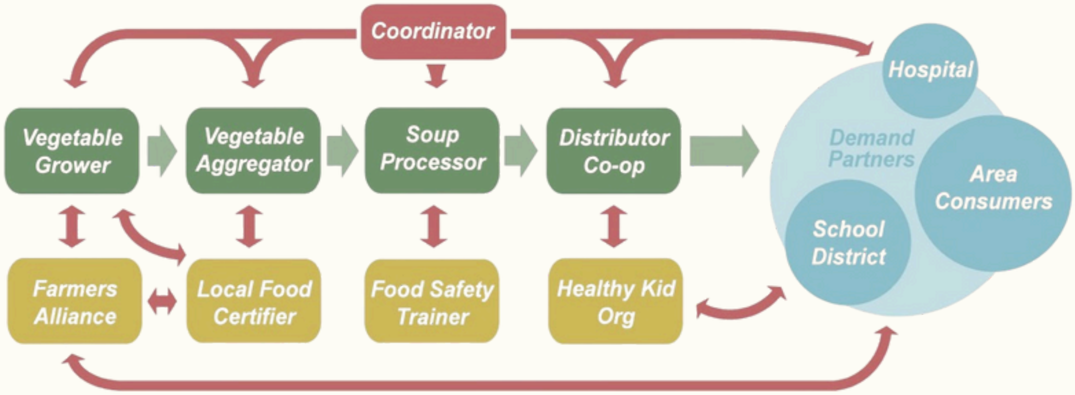

Transactional partners are the businesses, organizations and people that play a direct role in sourcing, producing and distributing the actual product or service you are delivering to the demand partners. Who becomes a transactional partner depends on what must happen to turn local resources into the product or service the buyers want—and then get it to the buyers. Transactional partners typically include businesses or others that:

- Supply materials
- Produce basic goods or services from the materials
- Process those goods or services into different products or package them
- Aggregate a batch of the products for sale—or bundle demand from a set of buyers
- Distribute goods and services to buyers.

Support partners—people, businesses and organizations that directly assist transactional partners with fulfilling their roles, or that help utilize all the benefits and waste that flow from the transactions to leverage more wealth building in the region.

Coordinator - The coordinator serves as the backbone of a WealthWorks value chain, weaving together the efforts of everyone involved.

Investor – An investor may play any of the other roles noted but may see an added benefit in investing in the value chain.

5. Identify Existing Partners that fit the functions you've identified – This can happen in a variety of ways, for example, a series of conversations, a large-group work session, or by the coordinator.

a. Talk to local businesses and stakeholders
b. Understand challenges and opportunities.
c. Snowball sampling - Who else should you talk to?
d. Take inventory of market players – start with demand (Customers), then Transactional Partners, then Support Partners.

6. Identify Gaps and Bottlenecks - Gaps represent opportunities for local businesses to expand or new businesses to fill a function. A gap is a missing process or function that is essential to produce the goods or services at the core of your value chain. A bottleneck is something that prevents or restricts the value chain from operating smoothly or achieving scale, such as regulatory problems, missing skills, or inadequate financing.

a. What gaps/bottlenecks, if addressed, will have the most impact?
b. Which challenges if addressed will have the greatest ripple through the chain?
c. Which gaps/opportunities are feasible to address?
d. Where is the energy/excitement?

Value chain gaps and bottlenecks are opportunities to make the value chain more effective. This can involve engaging entrepreneurs or encouraging existing businesses to engage in different ways. In some cases, the gaps/bottlenecks can be something around which a working group can strategize solutions.

Economic Development Districts and regional development organizations have a part to play in mapping value chains and supporting value chain strategies, through convening, facilitation, coalition building, and finding investors and other funding.



This tip sheet was written by NADO Research Foundation Wealth Creation Specialist Melissa Levy. You can reach Melissa at mlevy@nado.org.

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