How to Map a Value Chain

1

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.

2

Demand Research

Talk with businesses within that sector and market opportunity to understand how it's going. 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.

3

Identify and Map Functions

What are the functions that need to happen ideally to get supply to demand?

4

Identify Existing Partners

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.

5

Identify Gaps and Bottlenecks

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.

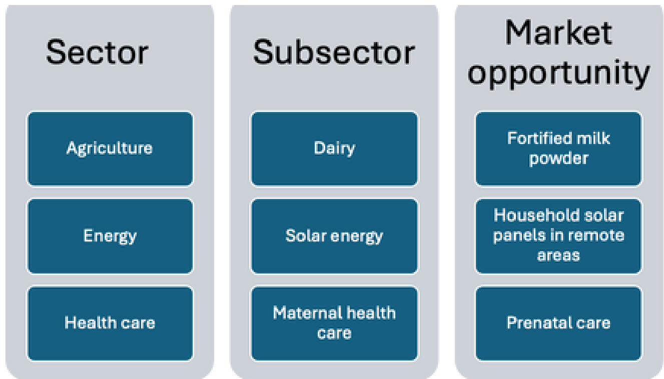
Economic Development Districts and regional development organizations have a part to play in mapping value chains and supporting value chain strategies, through convening, facilitation, coalition building, and finding investors and other funding.

How to Map a Value Chain

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 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.

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 can generate wealth-building results.

1. ***Understand demand.*** Get to know the "demanders," those who are buying the goods/services you're thinking about - through preliminary demand research. Understand buyers' changing needs and preferences. Demand can include local or regional demand.
2. ***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?
3. ***Choose between market opportunities.*** A variety of criteria exist to make this choice:
   a. Relevance to the target market – Can it engage local people?
   b. Wealth building potential – Will it build multiple forms of wealth, keep that wealth local, and help to build livelihoods?
   c. Feasibility – Have demand partners been identified? Could it attract investment?



Demand Research - Talk with businesses within that sector to understand how it's going. Research other sources of demand (scale, buyer types, added value, import replacement, etc.) Talk with current and potential buyers (demand partners). Talk with intermediaries or aggregators, those who are supplying the end consumers.

Identify and Map Functions – What are the functions that need to happen ideally to get supply to demand?

- ***Transactional partners*** are the businesses, organizations and people that play a direct role in sourcing, producing and distributing the actual product or service to the demand partners.
- ***Support partners*** are the people, businesses and organizations that directly assist transactional partners with fulfilling their roles or that help utilize the benefits and waste to leverage more wealth building in the region.
- ***Coordinator*** - The coordinator serves as the backbone of a wealth creation 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.

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.

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

Identify Gaps and Bottlenecks - 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.

- What gaps/bottlenecks, if addressed, will have the most impact?
- Which challenges if addressed will have the greatest ripple through the chain?
- Which gaps/opportunities are feasible to address?
- 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.