

**Thematic session IV :**  
**“Enhancing small-scale fisheries value chains in the Mediterranean and Black Sea”**

**Background paper (Part 1): Value Chain analysis**

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# INTRODUCTION

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- Every enterprise is positioned in a value chain (VC)
- As passing through the chain, the product gains some value
- The chain of activities as a whole gives the product more added value than the sum of independent activities

# INTRODUCTION

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- How chain activities are performed ?
- How value is created and shared among chain participants ?
- How to create and distribute gains from economic activities better ?
- How enterprises or regions from developing countries gain access to dynamic markets and to a higher share of value.

### *What does value chain analysis mean ?*

- Value addition at each stage # Traditional focus on production
- The competitiveness of firms depends the entire chain
- Enterprises are no more treated as a single entity
- VC offers insights that would not surface in studies focused on individual economic agents or particular policy frameworks.

## INTRODUCTION

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*Is the value chain and supply chain (SC) different ?*

- VC in one particular form of the supply chain
  - SC refers to the entire vertical chain of activities
  - SC is meant to bring materials and finished products smoothly and economically
  - VC and SC are physically the same, ... they cover the same things
  - Often, SC and VC are used interchangeably
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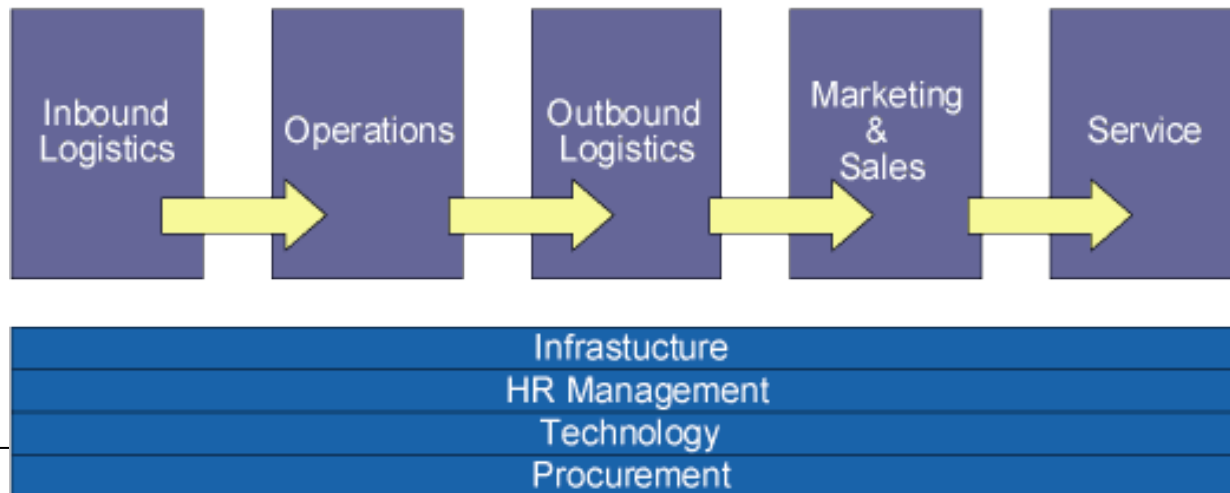


# DEFINITIONS AND CONCEPTS

## *Definition of Value Chain*

*The full range of activities which are required to bring a product or service from conception, through the different phases of production, transformation and delivery to final consumers*

### Porter's Generic Value Chain





### *Narrow sense Vs Broad approach*

***Narrow sense:*** refers to all activities performed within a firm.

Activities within a firm are categorized into: primary and supporting activities

***Broad approach:*** pays attention to the participation of various actors in the chain

### *Definition of Global Value Chain (GVC)*

- A novel methodological tool for understanding the dynamics of economic globalization and international trade.
- Much GVC discussion has revolved around analytical issues:
  - how GVC are governed (in the context of a larger institutional framework);
  - and how upgrading or downgrading takes place along GVCs?
  - How power and rewards are embodied and distributed along GVCs?
  - What entry barriers characterise GVCs?

## *Other related concepts*

All of them deal with:

- the flow of products and services along the chain
- relationships between firms
- and coordination of production chains.

There is a considerable overlap between concepts

### *The 'Filière' concept*

- A static model describing the linear flow of physical input and services in the production of a final product
- In general, has been applied to the domestic value chain

### *Global commodity chain*

- Its focus on the power relations which are imbedded in value chain analysis
- Explicitly focusing on the coordination of globally dispersed, but linked, production systems

### *World Economic Triangle*

- A concept pointing out that the combination of strong local linkages within global chains might bring upgrading prospects for regions in developing countries.
- Is an approach for showing the importance of linking vertical (chains) and horizontal (clusters) integration.

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# VALUE CHAIN APPROACH

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- A method for accounting and presenting the value that is created in a product or service
- There is no mechanistic way of applying value chain methodology
- There are many mostly similar but different methodologies/steps offered by authors throughout the globe



## *A systemic view of value chains*

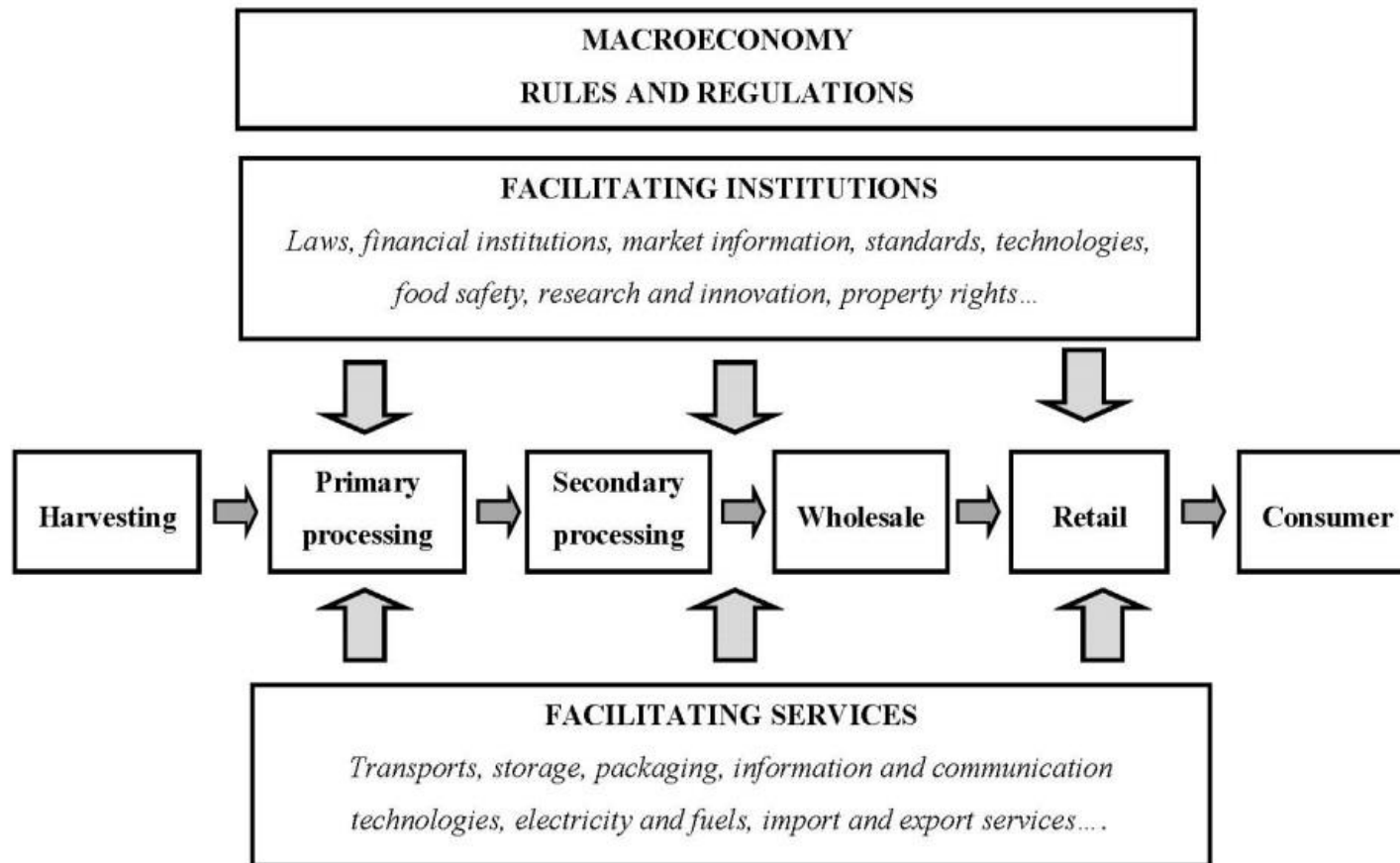
Three important levels:

- Value chain **actors**: who directly deal with the products
- Value chain **supporters**: The services provided by various actors who never directly deal with the product, However, public and private roles must be clearly defined.
- Value chain **influencers**: The regulatory framework, policies, infrastructures, etc. (at the local, national and international level) (The environment for value chain).

# VALUE CHAIN APPROACH

## *A systemic view of value chains*

### The value chain analysis model



## *Three categories of components*

### ***End-markets:***

- Value chains are driven by end markets
- From the end markets, we learn about what it takes to compete in the chain from the perspective of quality, size, design information product standards, frequency and speed of delivery and possibly market trends.
- Market channel can have various destinations: international, national and local buyers,

## *Three categories of components*

### ***Supporting markets:***

- Supporting markets include finance, business services, and input markets that support the core product market.
- They are commercial and provided by the private sector
- Hence, supporting markets does not include government services, donor agencies and donor funded projects

## *Three categories of components*

### ***The business enabling environment:***

- Institutional elements may fall into laws, finance, technologies, human development, standards, property rights, research and development...
- Such elements influence the performance of the value chain

## *Vertical and horizontal linkages*

### ***Inter-firm relationships :***

- How firms interact with each other and how power, learning and benefits are distributed in value chain.
- Crucial to understanding how entry barriers are created, and how gain and risks are distributed
- To understand and measure relationships we look at how power, learning and benefits are distributed?

## *Vertical and horizontal linkages*

### ***Vertical Linkages :***

- looks at the degree of cooperative relationships that exist among vertically linked firms up and down the value chain
- These relationships can be analyzed in terms of the degree of knowledge sharing, skill transfer and trust foster or hinder growth and expansion of the value chain.

## *Vertical and horizontal linkages*

### ***Horizontal Linkages :***

- Horizontal linkages among producers are needed to reduce the transaction costs of working with many small suppliers
- For small fishers, they can generate external economies and improve bargaining power



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**MAIN STEPS IN VALUE CHAIN ANALYSIS**



# VALUE CHAIN ANALYSIS

## *Main steps in value chain analysis*

1. The point of entry for value chain analysis
2. Data collection
3. Mapping value chains
4. Product segments and Critical Success Factor's in final markets
5. How producers access final markets
6. Benchmarking production efficiency
7. Governance of value chains
8. Upgrading in value chains
9. Distributional issues

# VALUE CHAIN ANALYSIS

## *1. The point of entry for value chain analysis*

- Which chains are the subject of enquiry depends on the point of entry for the research inquiry.
- The point of entry will define which links and which activities in the chain are the subject of special enquiry.
- For example, one key entry point is:
  - the impact of the small-scale fisheries value chain on food security and poverty
  - the impact of climate change on revenues.
  - ...

## *2. Data collection*

Gathering information from chain participants (firms, individual, stakeholders):

- functions
- quality of their relations
- factors that affect the activities' performance
- presence or lack of investments to upgrading the value chain's product or service.

## *3. Mapping value chains*

- Systematically maps the economic agents participating in the production, distribution, marketing and sales of a particular product (or products).
- Assesses the characteristics of economic agents, profit and cost structures, flows of goods throughout the chain, employment characteristics and the destination and volumes of domestic and foreign sales.
- Creates a visual representation of the connections between businesses in value chains as well as other market players.

## *4. Product segments and critical success factor's in final markets*

- Decompose the final market in the value chain into different market segments
- These market characteristics are referred to as Critical Success Factors (CSFs)

## *5. How producers access final markets*

From the perspective of value chain analysis, the key issues to analyse are:

- The identification of the key buyers in a particular chain
- The dynamics of the buying function
- The strategic judgements buyers will often have about specific sources of supply

## *6. Benchmarking production efficiency*

- To analyse the productive efficiency of different parties in the value chain
  - The key drivers which this chain faces are: cost competitiveness, quality, lead times to satisfy customer orders , the capacity to make changes, etc.
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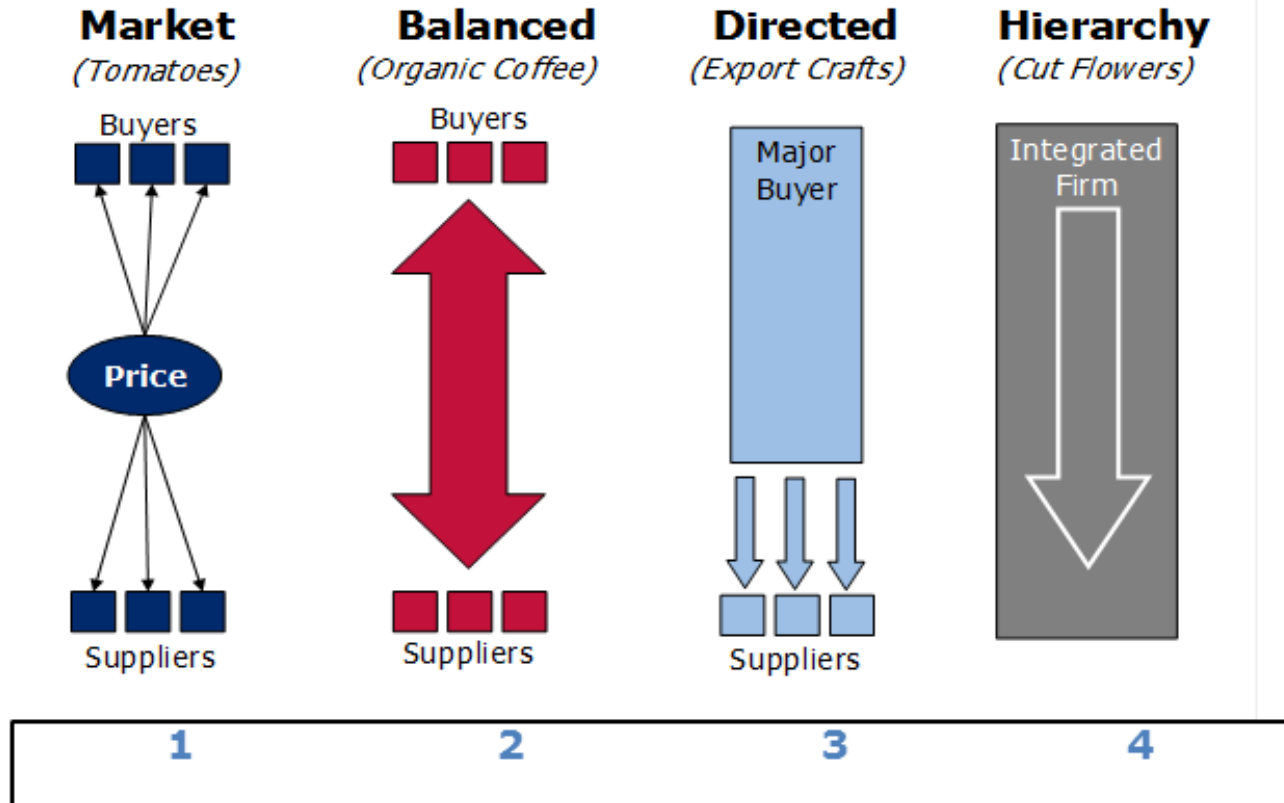


## *7. Governance of value chains*

- GVC research attempts to identify a group of 'lead firms' that are placed in one or more functional positions along a value chain which are able to 'drive' it in different ways and to a different degree.
- Buyer-driven chains refer to those activities in which large retailers, marketers, and branded manufacturers play the pivotal roles
- Producer-driven chains describes a world where key producers in the chain, generally commanding vital technologies, play the role of coordinating the various links

# VALUE CHAIN ANALYSIS

## 7. Governance of value chains



## *8. Upgrading in value chains*

<b>Process upgrading</b>	Achieving a more efficient transformation of inputs into outputs through the reorganisation of productive activities
<b>Product upgrading</b>	Introducing new products or improving old products faster than rivals
<b>Functional upgrading</b>	Increasing value added by changing the mix of activities conducted within the firm or moving the locus of activities to different links in the value chain
<b>inter-chain upgrading</b>	Applying competences acquired in one function of a chain and using them in a different sector/chain

## ***9. Distributional issues***

- Identifying the distribution of benefits of economic agents in the chain
- Distribution has both power and income components

*Merci de votre attention*

