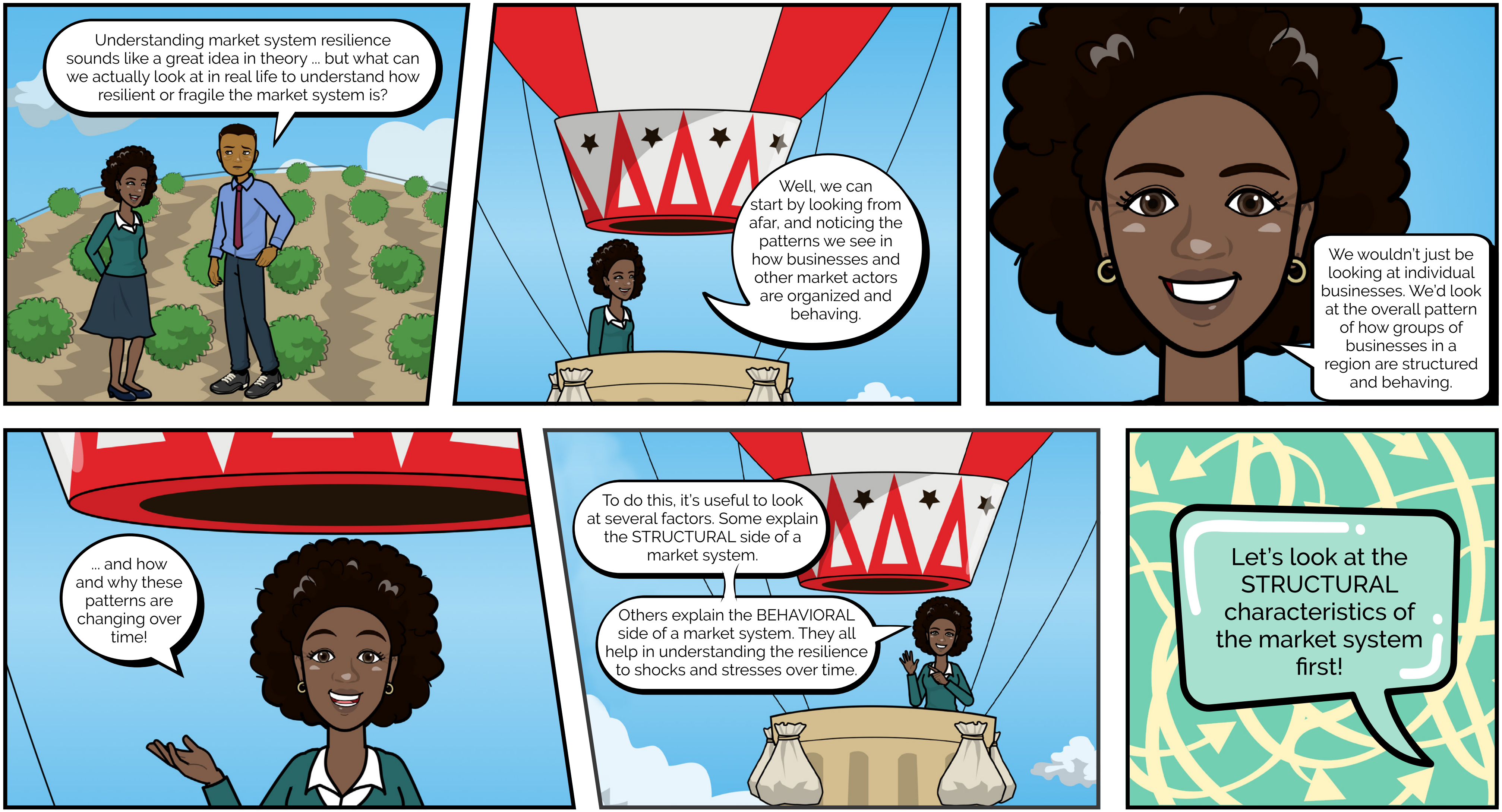
Cartoon #2 in the Market Systems Resilience Learning Series

Market Systems Resilience

Analyzing Markets

FEED THE FUTURE
The U.S. Government's Global Hunger & Food Security Initiative



USAID
FROM THE AMERICAN PEOPLE

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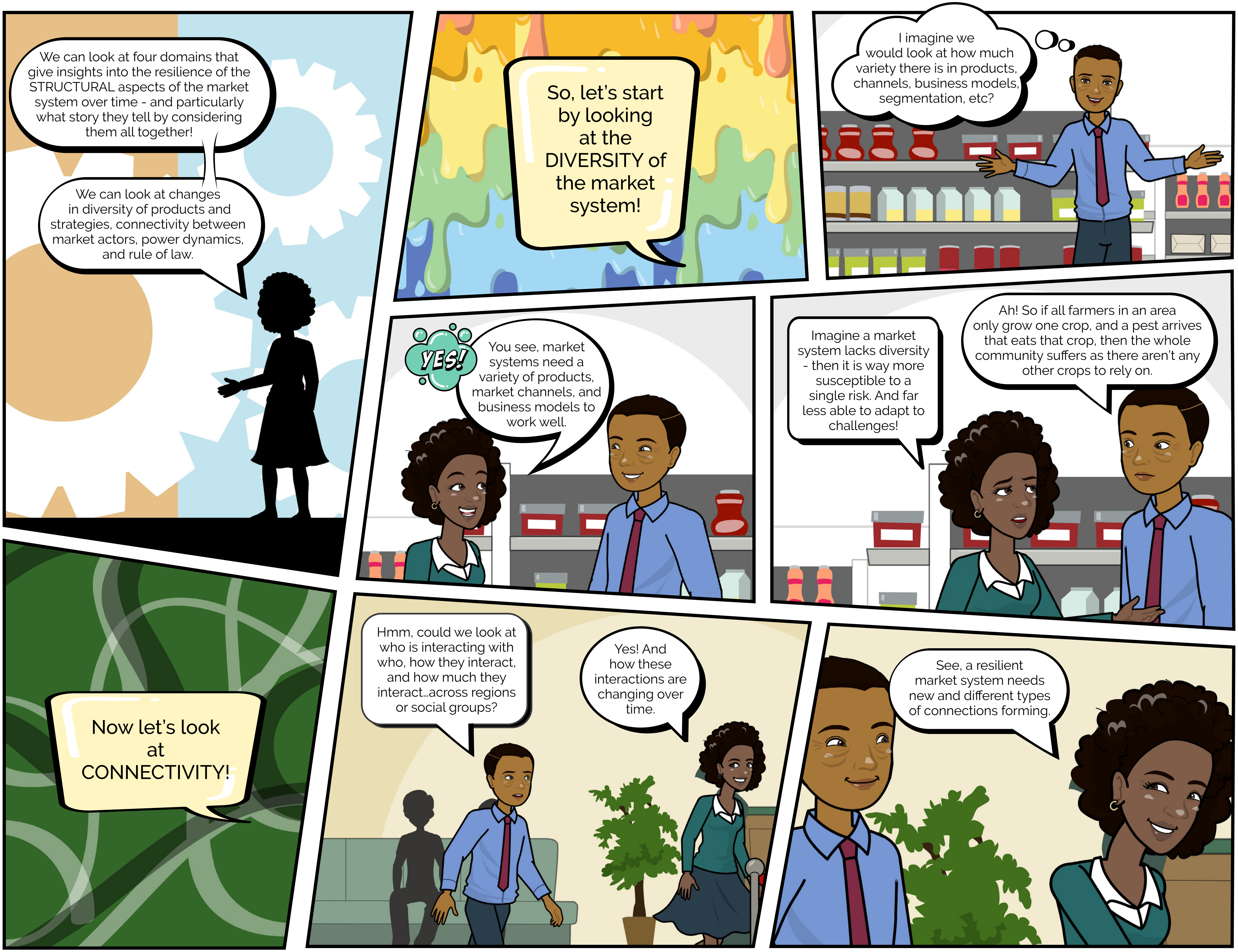
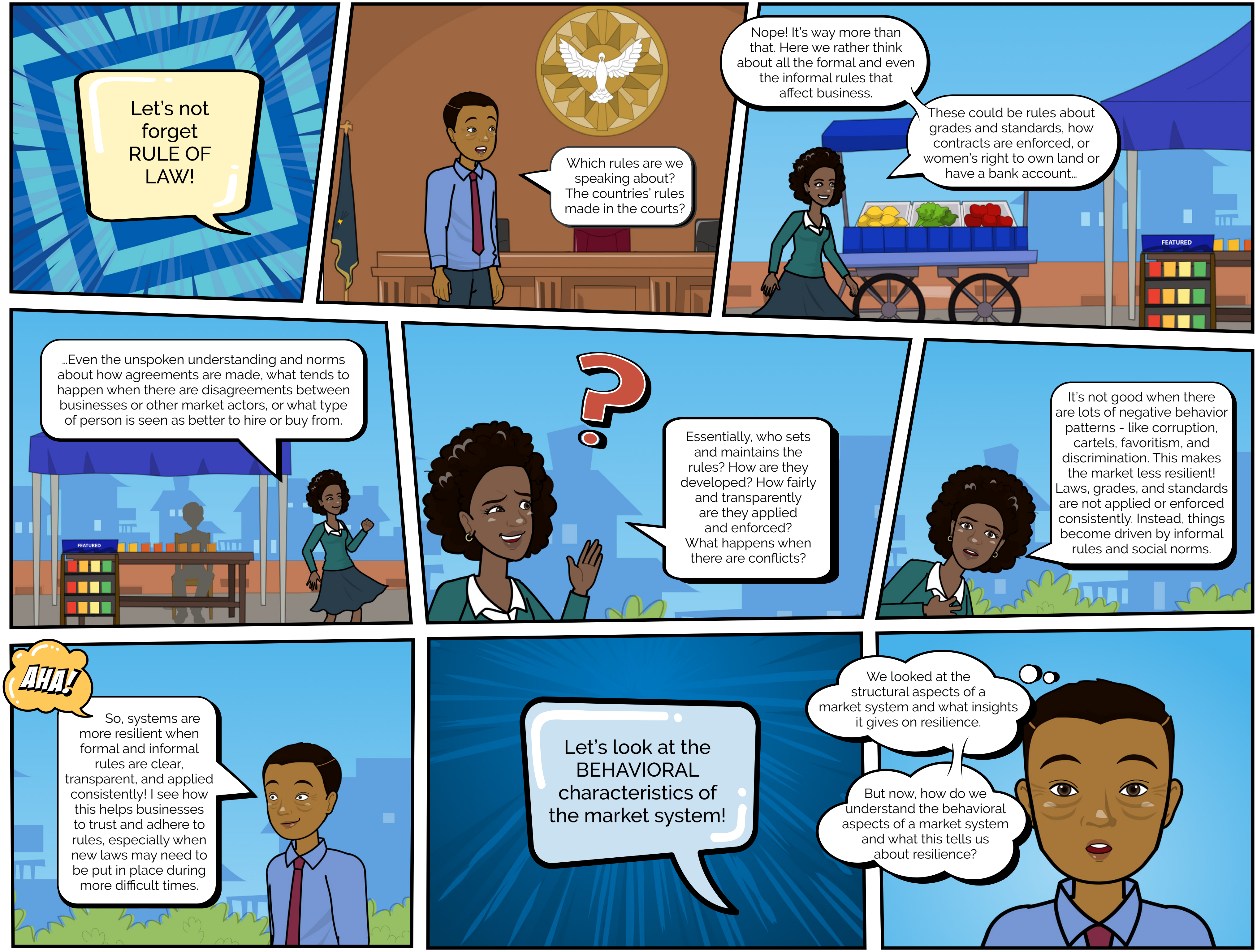
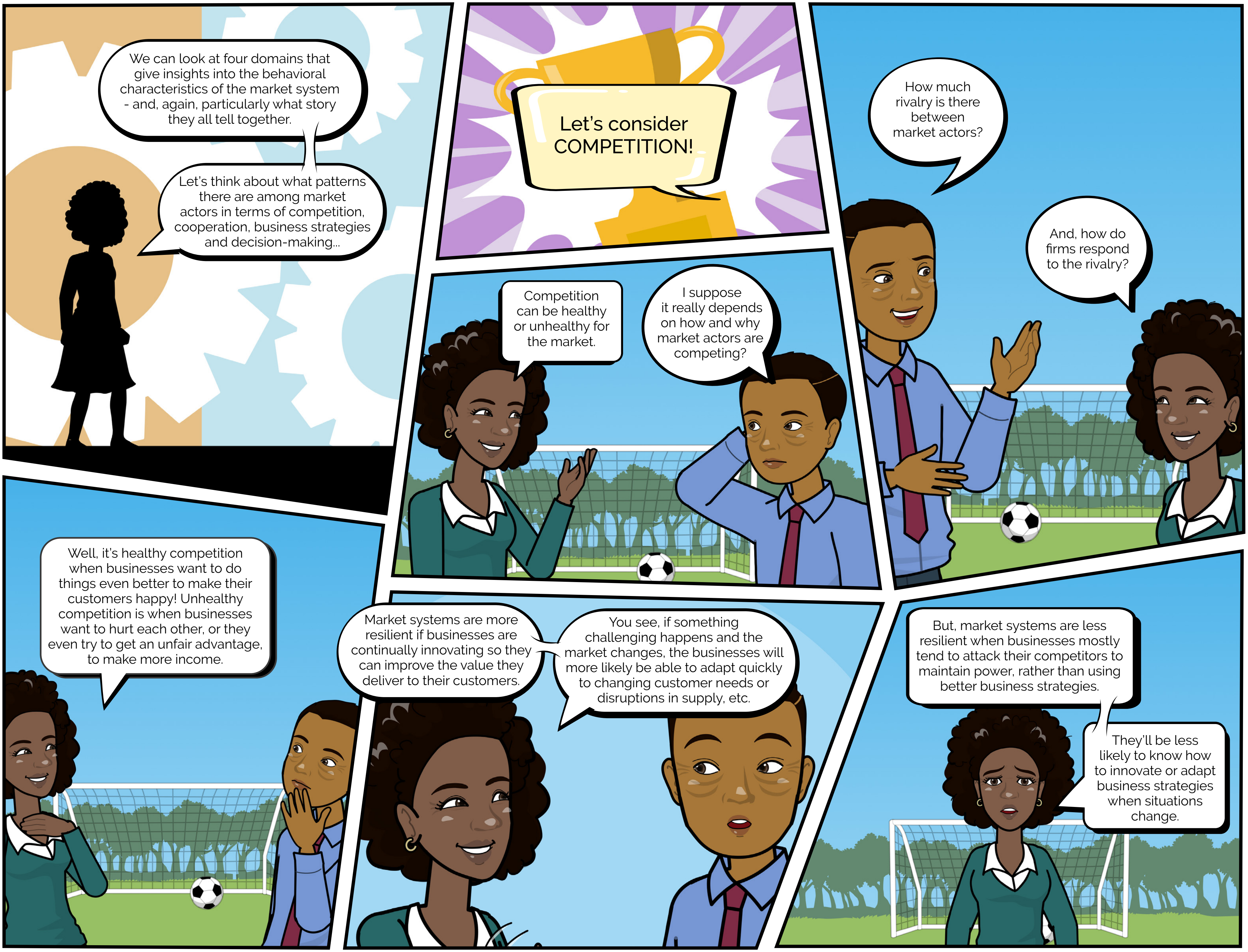
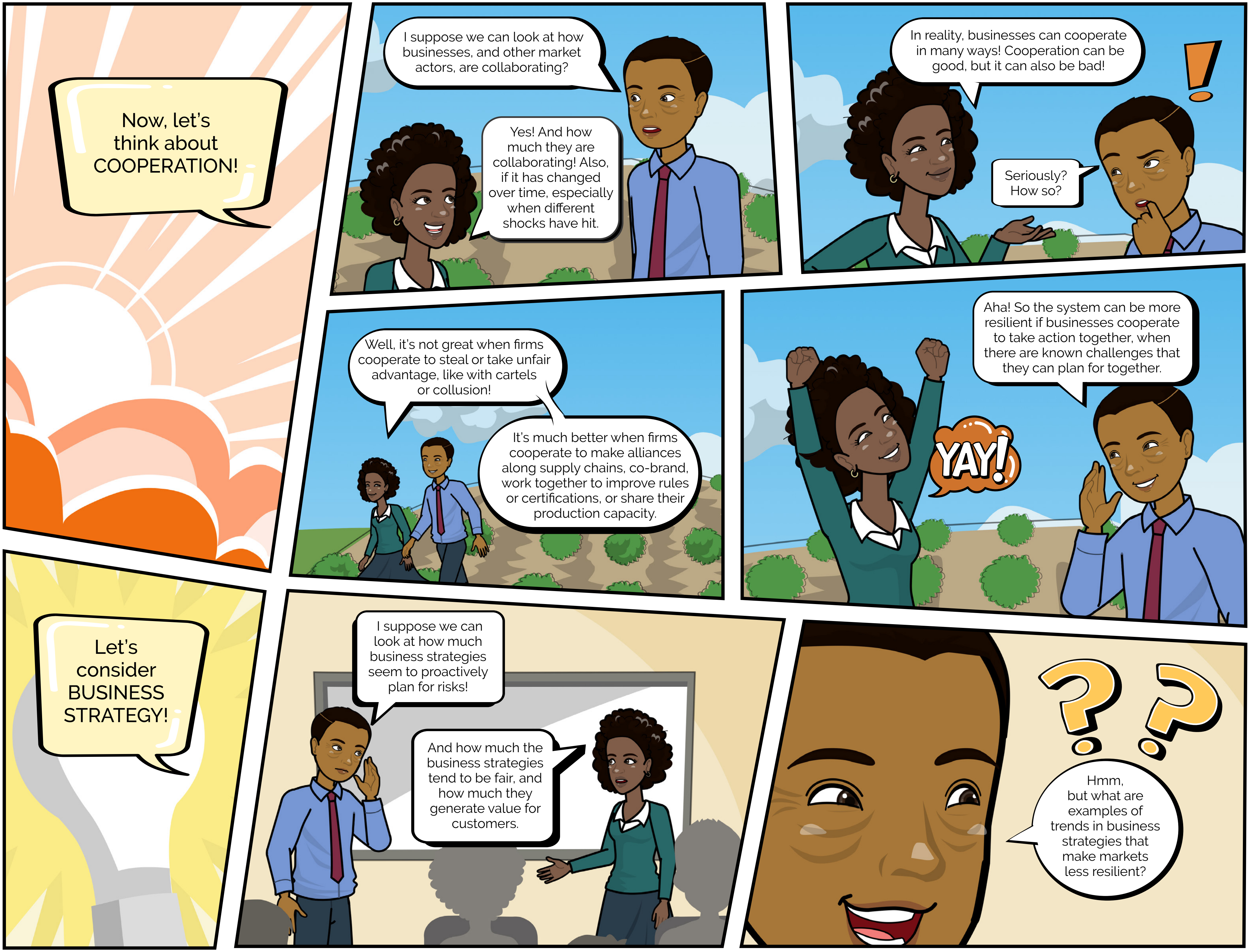


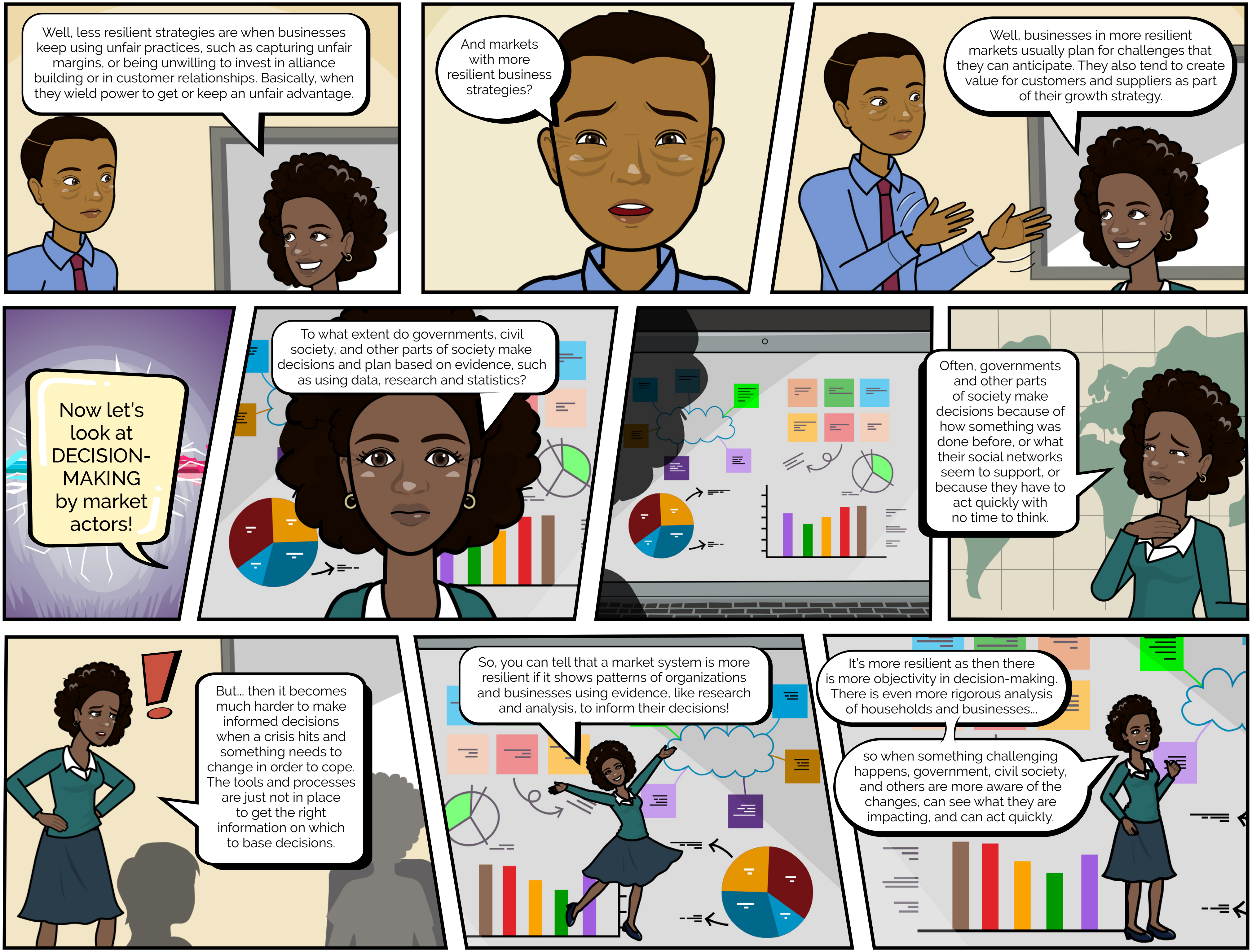
We can look at four domains that give insights into the resilience of the STRUCTURAL aspects of the market system over time - and particularly what story they tell by considering them all together!
We can look at changes in diversity of products and strategies, connectivity between market actors, power dynamics, and rule of law.
So, let's start by looking at the DIVERSITY of the market system!
I imagine we would look at how much variety there is in products, channels, business models, segmentation, etc?
YES!
You see, market systems need a variety of products, market channels, and business models to work well.
Imagine a market system lacks diversity - then it is way more susceptible to a single risk. And far less able to adapt to challenges!
Ah! So if all farmers in an area only grow one crop, and a pest arrives that eats that crop, then the whole community suffers as there aren't any other crops to rely on.
Now let's look at CONNECTIVITY!
Hmm, could we look at who is interacting with who, how they interact, and how much they interact...across regions or social groups?
Yes! And how these interactions are changing over time.
See, a resilient market system needs new and different types of connections forming.


Aha, I can imagine how it would be hard for businesses to shift if a challenge happened if they were only connected to very few other businesses, or relied on only a very small geographic area.
It's much better for the market when we see patterns of more business having more connections that lead to things like positive alliances or co-investments between businesses, or connections that lead to value addition, or increased customer segmentation.
Let's consider POWER dynamics!
When we try to understand power dynamics, I imagine we'd look at where power is concentrated in the market and how it is put into practice...
Look, it's not good when power is used to purposely create a monopoly or unfair bargaining!
But, it is good when power is used to build alliances, incentivize uniform quality certifications, or to invest in adding value.
Ah, then risk gets more evenly spread across market actors as the risks are pooled across many actors.


Let's not forget RULE OF LAW!
Which rules are we speaking about? The countries' rules made in the courts?
Nope! It's way more than that. Here we rather think about all the formal and even the informal rules that affect business.
These could be rules about grades and standards, how contracts are enforced, or women's right to own land or have a bank account…
…Even the unspoken understanding and norms about how agreements are made, what tends to happen when there are disagreements between businesses or other market actors, or what type of person is seen as better to hire or buy from.
FEATURED
Essentially, who sets and maintains the rules? How are they developed? How fairly and transparently are they applied and enforced? What happens when there are conflicts?
It's not good when there are lots of negative behavior patterns - like corruption, cartels, favoritism, and discrimination. This makes the market less resilient! Laws, grades, and standards are not applied or enforced consistently. Instead, things become driven by informal rules and social norms.
AHA!
So, systems are more resilient when formal and informal rules are clear, transparent, and applied consistently! I see how this helps businesses to trust and adhere to rules, especially when new laws may need to be put in place during more difficult times.
Let's look at the BEHAVIORAL characteristics of the market system!
We looked at the structural aspects of a market system and what insights it gives on resilience.
But now, how do we understand the behavioral aspects of a market system and what this tells us about resilience?


We can look at four domains that give insights into the behavioral characteristics of the market system - and, again, particularly what story they all tell together.
Let's think about what patterns there are among market actors in terms of competition, cooperation, business strategies and decision-making...
Let's consider COMPETITION!
How much rivalry is there between market actors?
And, how do firms respond to the rivalry?
Competition can be healthy or unhealthy for the market.
I suppose it really depends on how and why market actors are competing?
Well, it's healthy competition when businesses want to do things even better to make their customers happy! Unhealthy competition is when businesses want to hurt each other, or they even try to get an unfair advantage, to make more income.
Market systems are more resilient if businesses are continually innovating so they can improve the value they deliver to their customers.
You see, if something challenging happens and the market changes, the businesses will more likely be able to adapt quickly to changing customer needs or disruptions in supply, etc.
But, market systems are less resilient when businesses mostly tend to attack their competitors to maintain power, rather than using better business strategies.
They'll be less likely to know how to innovate or adapt business strategies when situations change.


Now, let's think about COOPERATION!
I suppose we can look at how businesses, and other market actors, are collaborating?
Yes! And how much they are collaborating! Also, if it has changed over time, especially when different shocks have hit.
In reality, businesses can cooperate in many ways! Cooperation can be good, but it can also be bad!
Seriously? How so?
Well, it's not great when firms cooperate to steal or take unfair advantage, like with cartels or collusion!
It's much better when firms cooperate to make alliances along supply chains, co-brand, work together to improve rules or certifications, or share their production capacity.
Aha! So the system can be more resilient if businesses cooperate to take action together, when there are known challenges that they can plan for together.
YAY!
Let's consider BUSINESS STRATEGY!
I suppose we can look at how much business strategies seem to proactively plan for risks!
And how much the business strategies tend to be fair, and how much they generate value for customers.
Hmm, but what are examples of trends in business strategies that make markets less resilient?



Well, less resilient strategies are when businesses keep using unfair practices, such as capturing unfair margins, or being unwilling to invest in alliance building or in customer relationships. Basically, when they wield power to get or keep an unfair advantage.
And markets with more resilient business strategies?
Well, businesses in more resilient markets usually plan for challenges that they can anticipate. They also tend to create value for customers and suppliers as part of their growth strategy.
Now let's look at DECISION-MAKING by market actors!
To what extent do governments, civil society, and other parts of society make decisions and plan based on evidence, such as using data, research and statistics?
Often, governments and other parts of society make decisions because of how something was done before, or what their social networks seem to support, or because they have to act quickly with no time to think.
But... then it becomes much harder to make informed decisions when a crisis hits and something needs to change in order to cope. The tools and processes are just not in place to get the right information on which to base decisions.
So, you can tell that a market system is more resilient if it shows patterns of organizations and businesses using evidence, like research and analysis, to inform their decisions!
It's more resilient as then there is more objectivity in decision-making. There is even more rigorous analysis of households and businesses...
so when something challenging happens, government, civil society, and others are more aware of the changes, can see what they are impacting, and can act quickly.

RESOURCES:

This cartoon is part of a series of MSR resources and learning tools, accessible at https://www.marketlinks.org/resources/market-systems-resilience-learning-resources-series.

It forms part of the larger USAID cartoon learning series developed by the Vikāra Institute, accessible at: https://www.marketlinks.org/resources/cartoon-learning-series.

OTHER CARTOONS IN THE SERIES:

Next, read the third cartoon in this learning series on "Market System Resilience Programming" for practical examples of how programs can support increased resilience of market systems.

HOW TO USE:

The cartoon learning series can be used in individual or group settings as a learning and training tool for market development practitioners or donors. The cartoons can be given to new team members to review or be used to stimulate group discussion in training settings.

For example, in a training setting, you may choose to:

- Split up portions of the cartoon and use them iteratively in a slide deck to illustrate points, one-by-one.
- Ask participants to take on the role of the woman and the man and read the speech bubbles out loud. This could be done in plenary or in small groups.
- Ask probing questions to help the participants make this personal. For example: Let's discuss one of the market systems that we are or could work in. What factors are contributing to the extent of resilience of market actors, and the market system overall, in the community in which you are working? Which of the various structural and behavioral domains stand out to you as being a big source of vulnerability given the risks in the market system? What might need to change to make the system better able to handle some of the big challenges facing this market system?