

# Connectors and Conduits:

Reaching Competitive Markets  
from the Ground Up

The Access to Markets  
Demonstration Final Report

Karen Doyle Grossman

with Amy Kays Blair and Tamra Thetford  
The Aspen Institute

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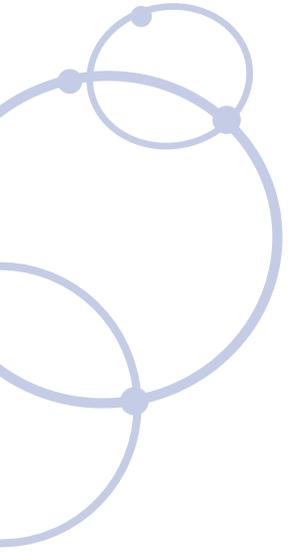
The Access to Markets Demonstration  
Final Report

July 2002

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with Amy Kays Blair and Tamra Thetford

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Learning and Dissemination)  
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Nearly 200 microentrepreneurs took time out of their busy schedules to share their fascinating stories with Aspen Institute researchers. By allowing us to document and publish their experiences, these business owners have helped hundreds of community-based organizations around the country.

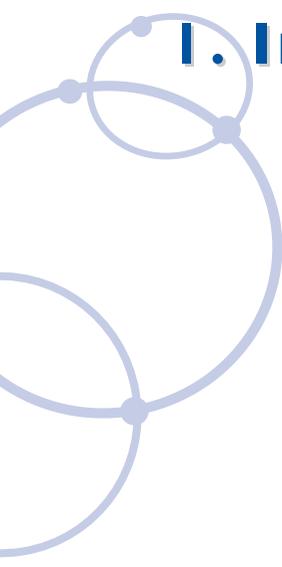
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# I. INTRODUCTION

**W**alk through the aisles of a mega bookstore, surf the World Wide Web, or haunt the halls of your local government offices. You need not go far to find resources for starting a business. Barnes and Noble's database lists more than 20,000 small business titles available for purchase. A search on Google.com elicits nearly 5 million matches for "small business." Indeed, at your fingertips is evidence of the vast market comprised of the current and hopeful small business entrepreneur.

Most of us can understand the magnetic pull of entrepreneurship, whether or not we consider this option for ourselves. Even the process of investigating a business launch can bring more fulfillment, creativity, variety and self-determination to one's life. A successful business launch, whether it supplements wage employment or is a full-time occupation, may represent the best chance for a meaningful increase in family income and/or assets. Moreover, businesses that get underway and thrive in today's extraordinarily competitive global economy have the potential to create significant employment, community wealth and additional business development.

The country's public officials have affirmed the importance of supporting and nurturing the small business sector time and again, emphasizing the obvious benefits for neighborhoods, cities, regions and, particularly, the country overall. As Senator Christopher Bond from Missouri recently stated, *"Today small businesses employ 58 percent of the U.S. workforce and create 75 percent of the net new jobs. Clearly, we cannot afford to ignore America's small businesses."* Across the aisle, his colleague, Senator John Kerry from Massachusetts, echoed a similar sentiment: *"Small businesses represent 99 percent of all employers and 75 percent of net new jobs and contribute significantly to our economy. It is not big business that pulls this country out of difficult economic times; it is small business."*

Both Senators were advocating for an influx of financing and technical assistance resources for millions of businesses harmed as a result of the September 11 attacks. But even in normal times, the need to support the development of America's emerging businesses is crucial.

It is not easy – hence, the bookstore shelves lined with reference and resource books. Preparing America's entrepreneurs to conquer the multiple barriers to business success in today's economy is an incredible challenge. Even developing the knowledge and instincts for knowing how, where, when and which resources to employ in the pursuit of competitiveness is a triumph. The reality of the 21st century economy, in addition to the fact that entrepreneurship is, for the most part, an arduous, risky, isolating and anxiety-provoking endeavor, renders the creation of a vibrant small business a formidable task.

Small businesses typically begin as microbusinesses, which are generally defined as having fewer than five employees and able to use a capital infusion of under \$25,000. In disadvantaged communities – where larger employers are often absent – small and micro businesses

are a primary engine for sustaining the local economy. In these low-wealth areas, it is ever important that fledgling microbusinesses are able to survive and eventually create jobs. Unfortunately, microbusiness owners, or “microentrepreneurs,” repeatedly report the difficulty they have sustaining or expanding a business in the absence of specialized marketing and market access assistance.<sup>1</sup>

The Charles Stewart Mott Foundation has long recognized the potential and importance of harnessing entrepreneurial energy in low-wealth areas, and has supported microenterprise development in the United States since 1985. In 1997, the Foundation issued a challenge to not-for-profit institutions, requesting proposals for innovative strategies that would result in increased access to more lucrative markets for microbusinesses. After a competitive selection process, nine organizations from around the country were chosen to participate in the Access to Markets (ATM) Demonstration and Learning Assessment, the subject of this report.

## Microentrepreneurship: First Stop on the Small Business Journey

The ATM demonstration evolved in the context of the U.S. microenterprise development field. The microenterprise field is a distinct segment of the business development landscape. Comprised of more than 500 organizations that offer training, one-on-one consulting, financing or other services to low-income business people, this field assists more than 100,000 low- and moderate-income people to implement and sustain their dreams of business ownership.

One of the major factors driving the need for the Access to Markets learning cluster was the perplexing problem of microbusiness growth. In 1998, when the ATM cluster was first convened, microenterprise development programs were generally well-equipped to shepherd low-income entrepreneurs through the business assessment, planning and launch processes. At that time, nearly 200,000 individuals had been served by U.S. microenterprise programs. Yet, the consistent feedback from microenterprise clients was that while these programs helped them to start their businesses, they tended to be too hands-off when it came to providing follow-up assistance for stabilizing and expanding their businesses.<sup>2</sup> Moreover, microentrepreneurs often found their businesses isolated from the truly lucrative markets, too small to influence a potential market and lacking access to industry-specific knowledge, connections and key players. As a first step in bringing their businesses out of isolation, low-income entrepreneurs needed to acquire greater sophistication in product design, marketing, production capability or service delivery and distribution.

Based on a growing recognition of microentrepreneurs’ need to connect to higher-value markets if their businesses were to operate

<sup>1</sup>Peggy Clark, Amy Kays et al, *Microenterprise and the Poor, Findings from the Self-Employment Learning Project Five Year Survey of Microentrepreneurs* (Washington DC: The Aspen Institute, 1999), 70.

<sup>2</sup>This concern was consistently voiced by many of the hundreds of microentrepreneurs who have participated in evaluations of microenterprise development strategies conducted by the Aspen Institute’s Economic Opportunities Program, including the Self-Employment Learning Project.





beyond a marginal level, the Mott Foundation launched the ATM demonstration. The demonstration called on the country's microenterprise development organizations to propose pioneering interventions that would help existing business owners overcome the significant challenges they faced in trying to grow their businesses.

As described in the following pages, the task was neither simple nor straightforward. Merely connecting a microentrepreneur to a new, more lucrative market is a substantial contribution, but it presupposes that the product or service being offered is ready for "prime time." It also assumes that the entrepreneur has efficient capacity for production, delivery and follow-up. One of the first major lessons of the ATM learning assessment was that most microentrepreneurs need help not only accessing new markets, but also preparing for them.

## The Microenterprise as an Engine for Community Economic Development

Microenterprise programs are founded, in part, on the premise that helping low-income people become producers, service providers, owners and employers achieves powerful effects beyond the individual directly assisted. The theory assumes that the potential business development, job creation and asset accumulation effects will aid other low-income individuals living in the business owner's house, neighborhood, community and region. While there is a growing body of evidence pointing to the catalytic potential of microbusinesses for households and neighborhoods, much less has been documented at the community and regional levels.

An exciting realization emerging from the ATM experiment is that local intermediaries (in this case, nonprofit microenterprise programs) can indeed offer the right mix of ingredients to enable low-income microentrepreneurs to generate positive community outcomes. The essential element, of course, is the business owner whose outlook and personal situation can accommodate rapid business growth. But, the mix seems to also include industry-based (or sector-specific) services, individualized technical assistance services, a deeper level of engagement in the microbusiness by the intermediary and access to flexible financing. The example of Ellen Barnes illustrates this point.<sup>3</sup>

In 1985, Ellen launched her dream of operating a bustling restaurant and meeting place in her rural hometown. Over the past 17 years, she has worked countless hours to grow and diversify her business. Ellen's business received intensive help from the Appalachian Center for Economic Networks (ACEnet), one of the nine nonprofit organizations involved in the ATM assessment. With ACEnet's encouragement, she added a manufacturing division in 1998, developing a line of pasta sauces and related products for sale in the restaurant. ACEnet helped Ellen produce and package the salsas safely and legally, provided opportunities for market research and opened the doors of national

<sup>3</sup>All entrepreneurs' names and some details have been changed to protect the confidentiality of individuals interviewed and surveyed for the ATM assessment.

and regional grocers. With annual revenues in 2000 totaling over \$1 million and 45 percent of her customers located more than an hour's drive away, Ellen's business brings much needed money and employment to her town. The restaurant and manufacturing division together employ 28 full-time workers and 19 part-time workers.

How did Ellen grow her dream into a business when so many others fail? How was she able to utilize the countless resources available for potential and existing entrepreneurs to her benefit? Some of the answer lies in her relationship with the ACEnet and its Food Ventures program in Athens, Ohio. In addition to obtaining in-depth assistance and information on safe and legal production, labeling and market trends from ACEnet staffers, who were in the process of becoming semi-experts in the natural and specialty foods industries, Ellen used ACEnet's kitchen incubator and connected with other ACEnet client businesses to share procurement and co-packing resources.

As one of the leading innovators in the area of market access strategies for small and micro businesses, ACEnet continues to pursue and share effective ways to help entrepreneurs like Ellen grow their businesses and create community wealth. This report discusses highlights from ACEnet's and eight other organizations' bumpy, fascinating journeys toward successful ATM innovations.



## II. BACKGROUND: THE ACCESS TO MARKETS DEMONSTRATION AND LEARNING ASSESSMENT

The ATM initiatives were to focus on very low-income people and have the possibility to create permanent access for larger numbers of microentrepreneurs in more sustainable ways than had been previously tried.

The Access to Markets (ATM) demonstration was conceived and funded by the Charles Stewart Mott Foundation, a long-time leader in exploring and documenting the potential of self-employment and business development as key components of anti-poverty strategies. The Foundation resolved to actively support innovative strategies with the potential both to grow markets for program clients and to offer models for adaptation and replication. While previous Mott grantees had identified potential linkages between micro-producers and larger-demand markets, the ATM demonstration was created to foster new and breakthrough initiatives. These initiatives were to focus on very low-income people and have the possibility to create permanent access for larger numbers of microentrepreneurs in more sustainable ways than had been previously tried.

Nine organizations participated in the ATM demonstration and accompanying learning assessment. Each organization was selected through a competitive process that emphasized how its innovation would contribute to the overall body of learning about market access strategies for microentrepreneurs. The organizations agreed to experiment with and report on new ways to support very low-income people's participation in higher value markets through entrepreneurship and self-generated employment activities. The innovation cluster of grants represented a rare opportunity for local programs to engage in an informed and flexible process of research and development, in other words, "market-testing" strategies with the potential to propel low-income families out of poverty. Through a peer learning process guided by the Aspen Institute's Economic Opportunities Program, the participating ATM organizations were encouraged to take risks in order to test, assess, refine and – when appropriate – discard fresh approaches to connecting low-income individuals to more lucrative markets.

The organizations selected for inclusion proposed to achieve similar outcomes through very different methods. The anticipated outcomes of the ATM innovations ranged from the short-term (one to four years), to the medium-term (three to six years), to the longer-term (eight to 20 years). In the short term, the outcomes intended included increased business revenues and access to new markets. In the medium term, strengthening and expanding businesses' capacity to respond to changing market demands was the primary outcome, while desired outcomes over the long term related to the goal of creating permanent access on the demand side so that increasing numbers of microentrepreneurs could reach and compete in the mainstream marketplace. This long term goal is one that must be achieved incrementally and collectively by the range of institutions engaged in market access approaches

for small and micro businesses, including the businesses themselves, community-based assistance providers, industry experts and the consumer markets.

As mentioned above, the Access to Markets demonstration was documented through a peer learning assessment. The nine ATM organizations met annually for three years, participated in semi-annual telephone interviews and provided quantitative data on their programs and client businesses. In addition, three organizations partnered with the Aspen Institute to complete in-depth case studies of their ATM projects.<sup>4</sup> The ATM learning assessment focused on the following key learning questions:

- What do marketing interventions for low-income microentrepreneurs look like? How can we describe this intervention/approach?
- Which are the most innovative/promising models developed by the grantees?
- What happens over time to the sales of businesses assisted through these interventions?
- Are grantees able to generate revenues through the marketing program that cover some or all of their costs of operating the program?

The assessment was designed to disseminate the lessons and best practices of the ATM innovations, which indeed serve as rich and inventive experiments from which to learn and upon which to build. The brief descriptions below introduce these experiments, including the initial innovations documented through the learning assessment.

### **Programs Participating in the ATM Demonstration**

*ACCION Texas and Mexican American Unity Council, Inc. (MAUC)  
San Antonio, Texas*

This project, a collaboration between MAUC and led by ACCION Texas, offered individualized marketing assistance and marketing loans on demand. The project served mostly Latino entrepreneurs operating existing microbusinesses and seeking ways to expand. The innovation embedded in this project centered on the potential scale of a statewide microfinance program (ACCION Texas) offering non-financial, business development services directly to its clients.

*Appalachian Center for Economic Networks (ACEnet)  
Athens, Ohio*

ACEnet's Food Ventures program assisted microentrepreneurs to compete in the rapidly growing specialty and natural food sectors through a range of industry-specific services, including individualized and in-depth product development and market promotion services. The innovation of the ACEnet project was the organization's intensive focus on one industry and its related ability to provide value-added market

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<sup>4</sup>The ATM case study series, featuring ACEnet, Appalmade and the Neighborhood Development Center, is available at: [www.fieldus.org](http://www.fieldus.org).





knowledge and expansion opportunities. The potential for entrepreneurs, subsequently, to become more sophisticated in their interactions with and gains from the market was explored.

***Mountain Microenterprise Fund (MMF)***  
***Asheville, North Carolina***

This project looked at how to offer individual microentrepreneurs, primarily fine artisans, the specialized training and marketing support needed to develop larger and more sophisticated marketing capacity over time. A regional “Buy Local” campaign was created and a retail outlet was planned. The innovation with the MMF project was in its focus on the fine arts and crafts industry and in its plan to test multiple methods, including using sales representatives, trade shows, a Web mall, a retail outlet, a training program and a “Buy Local” campaign.

***Neighborhood Development Center, Inc. (NDC)***  
***St. Paul, Minnesota***

This project piloted multiple strategies for marketing goods and services in units as a way to link them to a broader customer base or a specialized “niche market.” Cluster marketing (the promotion of businesses targeting a similar customer base through direct mail, telemarketing, sales calls and referrals) arranged service-based microbusinesses into units according to the types of services being offered. The Mercado Marketing strategy was based on the clustering of NDC entrepreneurs in a physical destination for tourists and the Latino community in Minneapolis-St. Paul.

***Appalmade, a project of People, Incorporated of Southwest Virginia***  
***Abingdon, Virginia***

This project was based on the prior development of a marketing initiative called “Appalmade,” which designed, coordinated and promoted a product line of handmade gifts and accessories produced by low-income Appalachian crafters. Appalmade’s ATM innovation was to expand its marketing strategy by utilizing a network marketing/fundraising scheme in partnership with faith-based organizations, such as churches and religious youth organizations.

***Philadelphia Development Partnership (PDP)***  
***Philadelphia, Pennsylvania***

This project, based on Michael Porter’s theories of inner-city competitiveness, was designed to test the feasibility of positioning microentrepreneurs as business-to-business suppliers to the midsize corporate market. Ultimately, PDP focused on negotiating subcontracts for and offering intensive technical assistance and training to microentrepreneurs who would serve the small and medium business market.

***RainKist, a project of Shorebank Enterprise Pacific***  
***Willapa Bay, Washington***

RainKist was the brand name and company created by Shorebank

Enterprise Pacific. RainKist bought specialty timber forest products from microentrepreneurs who had been trained by Shorebank Enterprise Pacific to use sustainable harvesting practices. RainKist sold these high-end gift products to individuals in the green consumer market. The innovation represented by the RainKist project was in its vision to develop a supply chain that would hold special appeal for the high-end green consumer market.

***Women's Economic Self-Sufficiency Team Corp. (WESST Corp.)  
Taos, New Mexico***

This project offered rural entrepreneurs opportunities to increase sales by providing access to the retail, public and wholesale sectors in New Mexico. Screening, intensive training and access to market services, such as product assessments, product promotion and e-commerce were offered to WESST's mostly artisan entrepreneurs. The WESST innovation was in the combination of its client screening process, its "Fear of Success" sales and marketing training program and its concrete door-opening strategies that allowed microentrepreneurs access to a range of not-for-profit and for-profit retail outlets.

***Women's Self-Employment Project (WSEP)  
Chicago, Illinois***

This project was designed to cluster entrepreneurs by industry to increase peer support and collective problem-solving for businesses experiencing industry-related barriers to entry. The program developed a focus on specialty food products and on the apparel industry. The innovation was the combination of using industry experts, industry-specific workshops, relationship building and a planned e-commerce strategy to increase microentrepreneurs' access to distribution channels.

## **Innovation in the ATM Demonstration**

The ATM assessment followed a particular learning model – one similarly followed by research and development facilities in the private sector. The ATM cluster organizations were permitted to explore and broadly adapt approaches that were deemed likely to lead to interesting and valuable learning. As such, they were not tied to their original approaches, but were encouraged through peer-learning meetings, on-going tracking of data and flexible donor guidelines to modify strategies according to results and entrepreneur (client) feedback.

As with private firms, it was soon apparent that the established and experienced ATM innovators (such as ACEnet, People Inc.'s Appalmade and Shorebank Enterprise Pacific's RainKist, which had already been implementing their ATM innovations for two or more years when the ATM Learning Assessment began) enjoyed an "incumbency advantage" in testing and perfecting this type of social innovation. This advantage was generally seen in the reduced learning curve of





staff and quicker and deeper relationship development within the key industries, as well as in the overall organizations' smoother integration of results from the R&D process back into program implementation.

The table below provides a basic picture of the relevant experience that organizations possessed when the ATM cluster launched in the spring of 1998. The shaded boxes suggest areas where programs commanded an innovation advantage.

#### Incumbency Advantages related to ATM Innovations Launch

	Prior Experience with Microenterprise Development	Prior Experience with Market Access Strategies	Prior Experience in Target Industry Sector	Did ATM strategy include a change in type of client served?
ACEnet	Substantial	Yes	5 years	Yes – added focus on high-growth businesses
Appalmade	Substantial	Yes	3 years	Yes (from entrepreneurs to home-bound caregivers)
RainKist	Limited	Yes	2 years	Yes (from entrepreneurs to migrant harvesters)
MMF	Substantial	No	0 years	No
PDP	Limited to none	No	0 years	Yes (from small to micro businesses)
NDC	Substantial	No	1 year	No
WESST	Substantial	No	1 year	Yes – invited members of larger community
ACCION / MAUC	Substantial – ACCION; none – MAUC	No	N/A	No
WSEP	Substantial	No	1 year	No

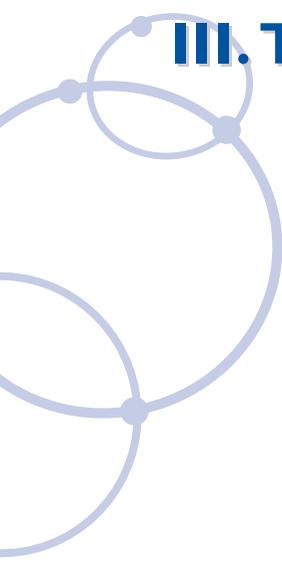
Throughout the three-year learning assessment, it became evident that the organizations with prior experience in the microenterprise development field, those with marketing strategies and particularly those within the target industry should be differentiated from the newer innovators. The former, organizations that will be called “Second Stage Innovators,” were refining and adding to existing ATM strategies, rather than implementing entirely new ones. The organizations that were testing the first iteration of their ATM innovation will be considered “First Stage Innovators.” The Second Stage Innovators had prior opportunities to learn from mistakes and, thus, exhibited resilience when faced with unexpected market shifts. The First Stage Innovators were still testing their initial hypotheses during the ATM cluster period and, therefore, experienced greater disruptions in their proposed strategies. If the First

Stage, more nascent, organizations are able to retain and build upon the substantial learning acquired through their participation in the ATM cluster, they will emerge as experienced leaders in creating sustainable and effective ATM programs.

Despite the apparent benefits of incumbency advantages, there is a danger in progressing too quickly through the innovation process. For example, during the course of the ATM cluster, RainKist accelerated the pace of its innovation, partly driven by the exceptional market demand for its product line, but also by a dearth of ongoing funding to implement a more gradual approach. Within three years, RainKist was sold to a private sector individual who was given the task of converting the product line into a for-profit business. However, this pace of innovation proved too rapid and the RainKist concept was returned to its original nonprofit owner, Shorebank Enterprise Pacific. Nonetheless, the RainKist staff carefully documented and reflected on the evolution of its strategies and is poised to use its original ATM experiment as a basis for evolving its future market access programming.

As discussed later in this report, executing a market access strategy is difficult and complex, requiring a long-term, consistent and sustained organizational commitment. The three-year demonstration provided the opportunity to examine a point-in-time snapshot of a longer-term innovation. These strategies involve building the capacity of microentrepreneurs to meet the demands of competitive, mainstream markets and, therefore, require maintaining a delicate balance between and constant knowledge of suppliers' capacities and consumers' preferences.

The remainder of this report presents a typology of the ATM strategies employed and the best practices affiliated with those strategies. It then turns to the challenges inherent in applying new and untried innovations and the specific ideas that were tested and discarded by ATM programs. The report ends with an overview of the apparent benefits, costs, major accomplishments and lessons emerging from the ATM demonstration.



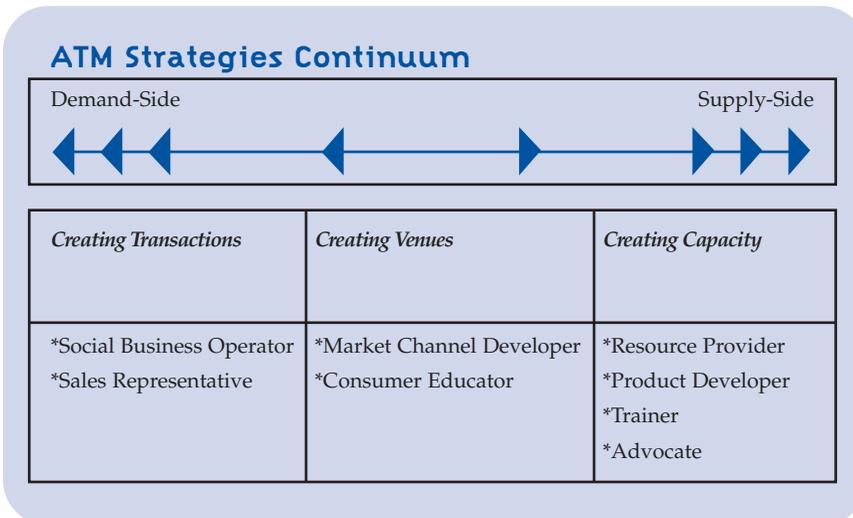
### III. TYPOLOGY OF ATM STRATEGIES

There is a range of possibilities available to community-based organizations in the process of developing or operating market-access interventions. For an organization that does not have the mission, goal or resources to craft a permanent and comprehensive ATM program, there are, nevertheless, critical market access services that will add value to a traditional microenterprise strategy. For an organization that is willing and ready to sustain the substantial changes in staffing, operations, culture and philosophical relationships with clients that accompany an in-depth ATM program, there are several models from the learning assessment to use as a starting point for program design. The typology described below provides a framework for documenting the rich lessons of the ATM demonstration. It also serves as a menu of options and point of comparison for other microenterprise development organizations that are establishing or expanding their market-access programs.

The ATM strategies fall into overlapping, often complementary, categories. These categories appear at different places on a demand-side/supply-side continuum, with the demand-side representing a greater emphasis on the market, interactions with buyers and filling orders. The supply-side of the continuum reflects the allocation of many more resources to the needs and capacities of producers, i.e., the ATM program clients, with less emphasis on the intricacies of the market. The typology includes the following specific strategies or roles that an ATM program can play:

- Trainer – provides group training and technical assistance related to increasing market access.
- Advocate – assists microentrepreneurs to overcome supply-side barriers that inhibit their ability to create or supply their product or service.
- Resource Provider – provides concrete, value-added services and inputs that increase the microentrepreneurs' capacity to produce and/or deliver their product/service.
- Product Developer – assists entrepreneurs to improve their original product or service, or designs new products or product lines in collaboration with ATM clients.
- Market Channel Developer – provides new or increased opportunities for ATM clients to promote and/or sell their products or services.
- Consumer Educator – assists microentrepreneurs through strategies intended to positively influence the preferences of the market towards purchasing microentrepreneurs' goods.
- Sales Representative – promotes, negotiates and/or generates actual sales of microentrepreneur goods and services.

- Social Business Operator – runs an independent business and brand in order to design, promote and sell goods or services produced by ATM clients.



The eight ATM strategies are also divided into three functional categories as depicted in the matrix above. At the foundation of any ATM program targeting microentrepreneurs is the “*Creating Capacity*” function. This refers to the supply-side capacity that microenterprises need to have before successfully competing in the marketplace. In creating capacity within the microenterprise, there are typically multiple hurdles the entrepreneur needs to overcome. Such hurdles, or supply-side barriers, include: a) the microentrepreneurs’ internal fears, gaps in knowledge and/or skill; b) a lack of money, materials or space for efficient production; c) a product or service that is uncompetitive; and d) regulatory barriers that prevent microentrepreneurs from producing their product or service. Creating capacity is the broadest function in terms of the breadth of roles the ATM program may play. As we will discuss in the Challenges section of this report, it is vital to anticipate the range of barriers with which microentrepreneurs contend when fulfilling the other, more advanced ATM functions. Indeed, the most sophisticated and experienced innovators designed, over a period of several years, a set of strategies that balanced the tensions between the market demands and producer desires and capacities.

“*Creating Venues*” is the second major function performed by an ATM program. This refers to the provision of increased market access by developing or arranging specific selling vehicles, including e-commerce sites and links, trade show booths and retail incubators. It also refers to attempts to make demand-side conditions more favorable for microenterprise sales.



*“Creating Transactions”* is the ATM function that requires the deepest level of engagement by the community-based organization (in the industry sector and with the microenterprises or producers). This refers to the strategies in which the nonprofit community-based organization takes on some or all of the responsibility of generating and, in some cases, consummating sales. Creating Transactions includes operating a social business designed to sell products or services under a shared brand name produced by program clients, acting as a marketing or sales representative for independent microentrepreneurs and operating a retail business where microenterprise goods are sold.

In the following pages, we provide a definition of the various strategies implemented as part of the ATM programming and provide examples emerging from the ATM cluster. Subsequent sections will identify and discuss early lessons learned about best practices as well as some of the challenges confronted in employing these strategies.

## Creating Capacity

### 1. Trainer

Several of the ATM innovators offered training programs in order to help their clients overcome internal barriers preventing them from reaching and/or competing in higher-value markets.

- WESST designed an 18-week modular training program in consultation with each group of trainees. One of the cornerstones of WESST’s training program is its “Fear of Success” module in which participants’ personal, cultural and family beliefs about success are examined as potential impediments to progress. This, as well as a two-week series on women’s health and several sessions with a bioenergetics therapist, was included to complement hard skills learned during sessions on sales training, graphic design, media strategies and Internet advertising.
- PDP developed a “Power Marketing” training to assist microentrepreneurs with business and product strategy, market research, pricing, negotiation, closing and Internet marketing. Similar to WESST’s program, the PDP training focused on overcoming internal fears around sales, marketing and negotiation. It is not surprising that microentrepreneurs need training and motivational support in these skills. Corporations invest substantially in developing these skills in their sales forces; there are many workshops, books and consultants that focus on these issues for business owners, recognizing them as a key set of skills that successful marketers need to have.
- Appalmade and RainKist provided to their producers regular product development training specific to the requirements of their product lines. For example, RainKist’s training was designed to teach environmentally sustainable harvesting practices to the suppliers who gathered raw materials from the bottom of the forest. The Appalmade product designer taught its ATM crafters both generic

craft skills and how to fashion specific products assigned by Appalmade.

## 2. Advocate

In many sectors, microentrepreneurs face regulatory or policy barriers that prevent them from being able to create or supply their product or service. Two ATM programs identified policies that discriminated against microentrepreneurs and attempted to influence them through local informal advocacy efforts.

- MAUC worked with 14 independent taxi drivers to convince the City of San Antonio to forgo giving an exclusive license to a corporate taxi and dispatch service. MAUC worked closely with each taxi driver to prepare a competitive application for licensing and most were successful.
- NDC's office-service businesses were shut out from most large contracts with corporations because they were not certified by the Minnesota Minority Supplier Development Council. NDC staff has campaigned (unsuccessfully, thus far) for the Minority Supplier council to make the certification process more accessible and streamlined for smaller businesses.
- RainKist staff negotiated with land-lease holders to allow its harvesters to safely and legally gather non-timber forest materials on their land. Previously, harvesters who were caught trespassing on private land could be prosecuted or, in a few cases, fell prey to violence at the hands of angry lease-holders.

## 3. Resource Provider

The Resource Provider coordinates, arranges for and delivers supply-side inputs to microentrepreneurs typically, as part of a larger ATM strategy. The Resource Provider is distinguished from the strategies described under "Creating Venues" in that the Resource Provider assists with inputs for production or supplying a service rather than inputs related to the sales and marketing of the product or service. These supply-side resources include:

- Financing;
- Raw materials or production equipment;
- Incubators/production space;
- Storage space.
- ACEnet and ACCION Texas developed new financing products specifically tailored to achieve market-access goals. ACEnet created a source for product development awards, the ACEnet Ventures Fund, which offers a wide range of payment options and interest rates. ACCION Texas created a marketing loan that was automatically available to any microentrepreneur wishing to use ACCION Texas's marketing advisory services. These services represented another type of resource available through ACCION, which provid-





ed the design and production of business cards, letterhead and brochures for \$500. More advanced market-access services from ACCION's staff were available for \$50 per hour.

- Appalmade bought raw materials in bulk which were furnished to many of its producers up-front as no-interest, in-kind loans. This prevented the remote Appalmade crafters from having to buy supplies at the expensive craft supplies stores near their homes.
- Perhaps the most complicated and difficult supply-side resources to furnish to ATM businesses were production incubators, especially licensed commercial kitchen incubators for specialty foods businesses. Without access to such licensed facilities, microbusinesses producing a food product or service remain very limited in the markets that can be accessed. ACEnet operated its own kitchen incubator, renting space in the 8,000-square-foot facility to businesses and community members with an array of food production, testing and packaging needs. NDC had an agreement with the Wilder Foundation to allow up to 10 NDC clients access to the Foundation's kitchen incubator.

#### **4. Product Developer**

Product development assistance is a catch-all – an almost ubiquitous strategy among organizations that set out to help microentrepreneurs increase their market access. The Product Developer helps ATM clients to improve products for marketing or helps design products and product lines for entrepreneurs. The Product Developer functions may include market research, labeling, assistance with UPC codes, coordinating customer feedback or expert design feedback, etc. Many microentrepreneurs have not received intensive, external feedback and assistance on their products and require this before investing their limited time and money trying to reach a mainstream market. Even highly skilled fine artisans may benefit from product development advice on market research, packaging or expanding one product to the oft-more marketable product line.

- ACEnet specializes in providing product development assistance to clients. By focusing on the specialty foods industry, ACEnet staff accumulated substantial experience in designing, producing, packaging and merchandising products that attract the retailers in this sector. In its role as a partner in product development, ACEnet: subscribes to more than 80 monthly publications related to the specialty foods industry; operates a fee-based clipping service for clients; partners with Ohio State University and the Center for Innovative Food Technologies to help clients think through and solve any food-processing problems; assists the microbusiness owner to adhere to legal requirements; and consults with the owner to create a marketable image for the product.
- Appalmade and RainKist staff spent a significant portion of time on product development activities, keeping abreast of consumer trade

within their respective industries so that the product lines they developed for their brands would be in demand. One difference between the kind of product development assistance offered to Appalmade and RainKist producers was that, as owners accountable for the sales of their product lines, Appalmade and RainKist have an increased responsibility to ensure the overall quality and logic of the brand. Staff worked intensively with producers to ensure the integrity and consistency of their brands.

- WSEP partnered with Archeworks, an interior design firm, and with experts from the food industry to arrange feedback panels for WSEP clients' products. Six WSEP clients were chosen to work intensively with the expert advisors on product development.
- Through their one-on-one advising services to clients, NDC and MMF strategized with clients on ways to improve the marketability of their existing products through minor or wholesale changes. For example, NDC staff helped one of its restaurants develop a lunch clientele by suggesting a shift from table to buffet service.

## Creating Venues

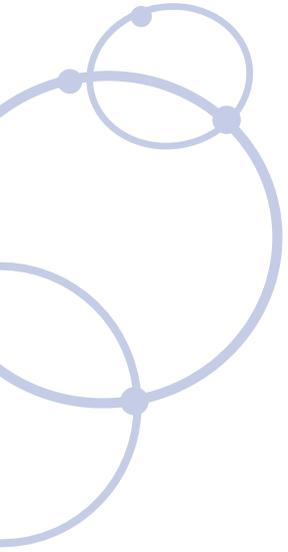
The next level of the ATM typology is called "Creating Venues." Moving further away from the supply-side of the ATM continuum and inching closer to demand-side concerns, the Creating Venues function includes two strategies or roles: Market Channel Developer and Consumer Educator. Once critical barriers of the microentrepreneur are considered – if not entirely overcome – the ATM innovator may advance to a strategy that explicitly assists microentrepreneurs to increase access to sales opportunities in target markets.

### 5. Market Access Provider

The Market Channel Developer is the flip-side of the supply-side Resource Provider, arranging, creating or assisting with opportunities to increase the promotion and/or sale of a product or service. However, the Market Channel Developer strategy may stop short of taking responsibility for the financial transaction of a sale, leaving the microentrepreneur to follow up on sales leads. Examples of services that a Market Channel Developer furnishes include: coordinating or paying for a booth or booths at a trade show, arranging for ATM products to be placed on an Internet product/service promotions site, creating a Web mall, operating a retail incubator and developing a retail cooperative.

- The creation of Web malls was a popular ATM strategy, based on the logic that the Internet could provide direct access to consumers and wholesale buyers and play leap-frog over more expensive or complicated marketing channels. MMF, WESST and ACEnet experimented with Web malls. WESST created [www.wesstartisans.com](http://www.wesstartisans.com), an e-commerce site from which consumers can order and pay for products





that are delivered by the artisans. MMF initially linked a few clients to the Blue Ridge Web market but shifted to encouraging MMF entrepreneurs to work toward a placement on global Web markets (such as Amazon's Z-Shops) with much higher marketing budgets and hit rates. MMF, along with PDP, also featured information about client businesses on their organizational Web sites.

- Trade show participation was also a common market-access strategy. Most of the organizations in the ATM innovations cluster facilitated microentrepreneurs' registration and on-site participation in a major industry trade show. WESST paid for a shared booth for its clients first trade show; the clients divided the costs of three subsequent trade shows among themselves. Soon after beginning to work with ATM clients, WSEP and MMF arranged for groups of microbusiness owners to participate in industry trade shows. ACEnet, Appalmade and RainKist also considered trade shows integral to their overall market-access programs.
- One of the ATM innovators, NDC, partnered with four other community-based organizations to develop a major retail incubator for Latino businesses. This Mercado Central, which houses approximately 44 storefront operations, is a clear example of an ATM program creating a venue that resulted in increased sales opportunities.

## 6. Consumer Educator

The Consumer Educator pursues a strategy to educate buyers about the benefits and opportunities associated with the ATM businesses. If successful in this advocacy, the sales venue created would be the individual buyers who would not have otherwise considered or been aware of the ATM business. "Buy Local" promotions are the best example of the consumer education strategy. These are public educational campaigns that encourage communities to support locally owned small businesses.

- Both ACEnet and MMF developed extensive "Buy Local" campaigns, partnering with a range of local public- and private-sector institutions to increase the stature of local products. For example, MMF recruited 25 organizations and 60 businesses to display promotional materials, run public service announcements or hold "Buy Local" events. MMF also produced content for a six-week radio call-in show about the importance of small businesses in rural communities.
- NDC engaged in a targeted campaign to educate a different group, corporate procurement officers, on the availability and advantages of purchasing the products and services of NDC businesses. Staff wrote letters, made presentations and personally visited corporate representatives as part of the campaign.

## Creating Transactions

The final level of ATM interventions and the one most oriented toward demand-side objectives is the "Creating Transactions" level. As

previously stated, an ATM organization takes on the responsibility of generating sales transactions for its ATM clients. There is a good deal of overlap between this category and the previously described Creating Venues and Creating Capacity categories. The latter are often the foundations or prerequisites of a transactions-focused program. For example, RainKist was a social business that used trade shows, training, product development, resource provision and supply-side advocacy tactics to increase the competitiveness and effectiveness of the RainKist social business, which was ultimately charged with originating all sales of RainKist products.

## 7. Sales Representative

The Sales Representative has an existing or planned financial relationship with the entrepreneur, but does not operate a business that competes in the marketplace. Instead, the Sales Representative promotes, negotiates and/or generates the sale of entrepreneur products to end-consumers or other buyers. The Sales Representative typically plans to earn fees for its representation of clients to potential or confirmed customers.

- PDP positioned itself as a sub-contracting service for microbusinesses indicating the potential to contract with small and mid-sized corporations. PDP's brokering service called for PDP to collect a fee of 5 percent of the total value of each contract secured. PDP required that the businesses it took on as clients have a business license, be free of any tax liability, have fewer than 10 employees, have annual revenues less than \$250,000 and already be engaged in the business-to-business market. Two staff worked on the program.
- NDC marketed clusters of businesses as a unit through direct mail and telemarketing follow-up and then referred leads to the appropriate business owner. NDC also made sales calls in the form of personal visits to prospective organizational buyers. To illustrate, the office-services cluster (a group of caterers, graphic designers, landscapers, office cleaners, etc.) was marketed as the "Urban Business Partners." When an organization responded with an inquiry about catering services, NDC staff would contact one of its caterers to follow up on the specific sales opportunity. For its services as a marketing representative, NDC charged a \$50 cluster membership fee and a 5 percent commission on resulting sales. NDC created an office-services cluster, a wedding-services cluster and a gift and crafts cluster.
- ACEnet and WESST acted as sales representatives, opening the doors of numerous retail outlets to their ATM entrepreneurs. WESST facilitated the placement of its ATM client products on the shelves of nearly 70 retail stores in New Mexico, assessing a 10 percent commission on sales. More than 75 grocery stores and restaurants, including Wild Oats and Kroger, were stocking ACEnet client products by the end of the ATM demonstration. ACEnet not only market-



ed its clients' food products, but also sold them through its Marketplace Store and through community fairs. ACEnet purchased products from its clients and marked them up 30 percent as a cost-recovery mechanism.

## 8. Social Business Operator

The most intensive strategy, the Social Business Operator, runs a distinct business that sells products on behalf of the low-income entrepreneur or subcontractor and that is subject to the vagaries of the market. The Social Business Operator may run retail shops and/or wholesale businesses in which many product lines are represented, as well as businesses in which one or more product lines are sold under a single brand name. The Social Business Operator typically collects commissions or earns a product mark-up for its services.

- Appalmade is the brand name of several product lines produced by primarily women crafters in Appalachia. The Appalmade program conducts all marketing and product development activities and assumes all financial risk. Appalmade markets three product lines, using trade shows and sale representatives, a Web site ([www.appalmade.bigstep.com](http://www.appalmade.bigstep.com)), network fundraisers with church partners and its own retail shop. It provides training and in-kind loans and educates buyers about the advantages of Appalachian-made crafts. In fact, Appalmade employs nearly all of the eight strategies in the ATM typology in its efforts to operate a successful, mission-based venture.
- RainKist was a social business that sought to develop a new market niche within the specialty timber forest-products industry by designing products attractive to the environmentally conscious consumer. RainKist employed multiple strategies in its attempts to assist its harvesters to overcome supply-side barriers. It excelled at marketing the RainKist philosophy and creating demand-side venues for its products, even achieving the conversion, albeit short-lived, of RainKist from a social, nonprofit enterprise to a for-profit venture.

## IV. BEST PRACTICES OF ATM STRATEGIES

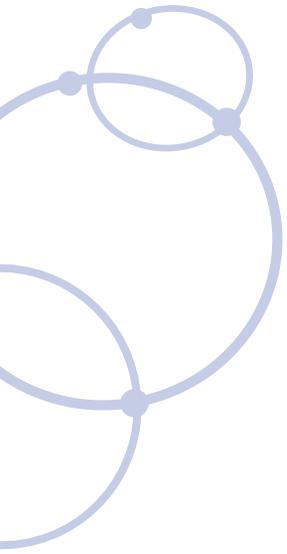
While the learning about market-access strategies is an on-going and continuing phenomenon, there are a number of important best practices that emerged from the ATM demonstration. Some of these are relevant to all or most of the strategies described in the previous chapter, and some are unique to a specific strategy. The following are the overall best practices that arose across the experiences of the ATM innovators. These are concepts on which any ATM intermediary should focus. This is particularly true for organizations considering launching a comprehensive market-access program, rather than simply an add-on service.

### Global ATM Best Practices

An industry or target-customer focus increases the odds that assistance is value-added and results in greater impact. Programs that shied away from incorporating a specific industry or target-market focus, e.g., offered generic marketing services so that clients from all industries could be served, had a difficult time attracting clients and/or were highly limited in the ability to develop new markets for microbusinesses. Appalmade and ACEnet, which both established their organizations and their clients as contributors and participants in one industry, witnessed more significant transformation among clients than organizations that attempted to enter several industries.

#### Selecting and Researching a Target Industry: Best Practices

1. Know the skills, capacities, barriers and interests of the ATM client base.
  2. Research any existing market-access programs relevant to your geographic or demographic context.
  3. Identify potential industry sectors that may hold niche opportunities for the ATM client base.
  4. Review requirements for and barriers to participating in the industry's niche markets and determine the level of risk that ATM program clients would bear.
  5. Choose the one or two industries that represent the greatest chance for success given local assets, client capacities and client preferences. Research these industries further.
  6. Map the industry's major supply and distribution channels and its key players.
  7. Research the market trends and regulations affecting the industry.
  8. Identify the market channels that hold the most promise and least risk for microentrepreneurs.
  9. Develop relationships with industry experts who can provide inside information about an industry and potential alliances.
- Maintaining a singular focus on one industry or customer group at a time allows programs to climb more quickly and efficiently up the industry learning curve. For instance, RainKist was able to create a highly marketable product line and generate key sales within a year of launching its initiative, in large part, because its staff was intense-



ly aware of the nuances of a specific segment of the non-timber forest-products industry. The several ATM innovators that attempted to work with businesses in multiple industry sectors at once found this an unrealistic and ineffective approach.

- Build in sufficient time and provide intensive, individualized services that will allow microentrepreneurs to create *market-ready* products at a volume sufficient to what the mainstream market demands. While many microentrepreneurs are selling products in their local markets, mainstream markets demand greater levels of quantity, consistency, packaging and timeliness. Therefore, *market-ready* products are ones that can compete successfully in the mainstream marketplace. The majority of microentrepreneurs who enter an ATM program need to tweak, even overhaul, their existing products before investing significant resources in attempts to reach a particular market. ACEnet's initial orientation toward a new client was on his or her products, production processes and delivery systems. ACEnet staff provided individualized technical assistance to each of its clients in order to ensure the competitiveness and viability of their products.
- The cornerstone of any ATM program must be a recognition of the range of barriers confronting entrepreneurs who are trying to break into higher demand markets. In other words, strong ATM programs build their foundations based on strategies to help entrepreneurs overcome supply-side barriers. WESST developed an intensive training program tailored to address the very issues that block entrepreneurs from taking steps toward their business goals. In doing so, WESST prepared clients to follow up on and exploit the opportunities that arose from WESST's marketing representation services.
- ATM program funders and implementers know to invest in staff recruitment and especially retention. The continuity of professional and experienced staff is perhaps the most critical ingredient in a successful ATM initiative. Because building and sustaining both relationships and credibility – with industry players, ATM clients and partners – are key components of ATM programs, it is critical to ensure that the program has high quality staff and undergoes as little transition in staffing as possible. However, consistent documentation of the implementation processes, including the trial and error of each strategy employed, can ensure a smooth transfer of program intelligence in the event that staff transition does occur.
- Successful ATM programs offer ATM services beyond their current microenterprise client base; by making services available to the community at large, programs acknowledge that ATM services are appropriate for a unique set of individuals who should, depending on the type of ATM service, operate in the same industry. WESST recruited outside of its core client pool and was able to serve the most entrepreneurs of any ATM innovator, even while requiring

potential ATM trainees to go through a competitive screening process before participating.

- Plan to dedicate significant resources to staying abreast of rapidly changing market trends and preferences, whether marketing is ultimately the responsibility of the ATM program or the entrepreneur. The best ATM programs are able to allocate staff time and budget resources to market research. These programs consider the tracking of industry and consumer trends an integral part of program implementation. While this is certainly a best practice for the Creating Venues and Generating Transactions functions, it is also critical if the ATM program is assisting with product development, offering sector-based training, providing access to a production space or advocating for supply-side change. For instance, ACEnet's approach is founded on its staff providing the latest comprehensive market intelligence and NDC hired only marketing professionals accustomed to sourcing information about industries.
- Protect clients from the considerable risks that come with operating in higher value markets and in the unpredictable and competitive business environment, either by preparing them for these possibilities or by designing a program that will bear the burden of risks (rather than the individual entrepreneur). Appalmade designed its social business to bear all of the financial risk, as the loss of any personal investment on the part of crafters could represent a devastating financial event for their households. PDP managed risk for its clients by obliging them to perform on a smaller contract before agreeing to negotiate large contracts on their behalf.
- In keeping with their role as innovators, ATM programs know to expect failures. These innovators ensure that lessons from failures are documented and incorporated into new and improved strategies for assisting ATM clients.

## Best Practices of Specific ATM Strategies

Tips for excelling at a particular ATM strategy appear below. In reality, few organizations will offer just one of these strategies. Many will weave several strategies together, starting from an overall premise about the multiple, complementary services that the target client group needs most urgently if their businesses are to achieve entry into and success within a market niche. However, it is clear that each service needs to be as robust and effective as possible in order for the entire program to have deep impacts. Thus, it is beneficial to learn from the reflections of the ATM cluster practitioners about the tactics they consider most important for a particular strategy.

### Creating Capacity

#### Trainer

The most important practice for a training program is to perform thorough market research and to include clients in the designing of



the training program. Each class of WESST trainers customized their training, including length and topics. For example, WESST's trainers elected to lengthen the ATM training class from 18 to 20 weeks and word-of-mouth about the value of the classes resulted in a waiting list for WESST's program.

The use of flexible, modular training is another best practice of ATM trainers. Trainers develop a series of modules on market access topics and encourage each group of trainees to design its own class. PDP offers six modules to its trainees: 1) Strategy, 2) Research, 3) Pricing, 4) Negotiation, 5) Closing and 6) Internet marketing. Certain modules can be accented over others according to the specific needs of the business owners enrolled in each class. The WESST training program has more than a dozen modules that are introduced at the orientation session to each class of participants, who are invited to choose which modules they want included in their WESST experience. Interestingly, by providing this choice, WESST classes have a very low attrition rate, despite the fact that the training is one of the longest (18 to 20 weeks) in the microenterprise field.

Successful ATM training programs employ some of the following practices:

- ATM training programs incorporate some kind of sales training component even when the program takes on the responsibility for sales. This helps to instill sustainable business skills in clients.
- Obtaining accreditation for continuing education units for ATM training courses can make client recruitment easier. WESST was able to arrange for accreditation from the University of New Mexico and PDP obtained accreditation from a local community college.
- Training is not only about functional skills; there is value in having participants examine internal barriers to success in a structured way. Addressing internal barriers was key for low-income entrepreneurs assisted by PDP, RainKist and NDC.
- Involve trainers who are experienced in private-sector sales and marketing, as did WESST, PDP and Appalmade.
- Provide experiential training opportunities for hands-on learning. Trade shows can provide such opportunities as long as costs are anticipated and managed. Both WSEP and MMF used the first trade shows primarily for market research and product-development feedback rather than to source sales.

### **Advocate**

Supply side advocacy was found to be insufficient as a sole ATM strategy, but may be a critical complementary strategy depending on the sector barriers entrepreneurs are confronting. For example, MAUC's work with the city licensing agency for independent taxi drivers may have helped the taxi owners to gain access to the marketplace. However, only after receiving intensive assistance on developing and

marketing a niche service (such as historic tours for the city's convention arrivals) were the taxi owners able to distinguish themselves from the corporate taxi service moving into the city.

Advocate best practices include:

- Emphasize the value and distinctiveness that the microentrepreneurs will bring in providing their product or services and avoid pulling on “heart strings.” It was important for supply-side advocates to frame their arguments from the self-interest perspective of the entities targeted for influence.
- Get to know the people and systems behind the certification of minority- and women-owned businesses to increase chances that microentrepreneurs can gain access to special source contracts.
- Lastly, learn the barriers to entry in specific industries or for particular market niches and determine whether supply-side advocacy is a realistic strategy. For instance, nutritional labels and pH testing are barriers for many micro food producers, but these are universal regulations unlikely to be influenced.

### Product Developer

Product development assistance is a tricky but critical service to provide to ATM business owners. The ATM innovators learned to anticipate the sensitivity of entrepreneurs to their original product designs and prepare them to receive constructive feedback from experts and customers, as well as from staff. WSEP arranged for a group of designers and industry experts to provide feedback on entrepreneurs' products. Spreading the responsibility across a group, in this way, lessens the burden on staff to represent an entire market.

Best practices of Product Developers include:

- Train and coach microentrepreneurs to price their products to be competitive in the market. This means the price is neither too low nor too high, lest the price, itself, creates distrust among consumers. It also means that the price is appropriate to the market channel and adequately captures the labor and other costs of the producer/entrepreneur. Appalmade worked with each of its crafters to properly value her time and then considered whether the product was destined for its wholesale, retail or fundraising marketing channels, each of which were characterized by different price points.
- Where appropriate, encourage entrepreneurs to develop product lines, rather than a single product, in order to increase opportunities for sales. Some marketing channels have decided preferences for product lines over individual products.
- Build in on-going skills training and introduce entrepreneurs to the customary need to upgrade and adapt products as consumer preferences change.
- Focus on an industry and know it inside and out; providing product



development assistance is an enormous responsibility and must be grounded in reliable knowledge of sector trends.

- Product development almost always requires heavy investment in the individual entrepreneur unless a social business strategy is used. Plan how to dedicate sufficient resources to individual products in order to reach ATM goals and maximize program sustainability. For example, ACEnet concentrates on business owners with a vision of high growth and employment creation in order to maximize the potential community-level impacts of its work.
- Use industry experts and product design experts. ACEnet developed strong relationships with professionals from the organic and natural foods industry. These individuals informed ACEnet’s overall approach, as well as worked directly with clients.

### Resource Provider

This is a universal category; all ATM programs provide supply-side resources as components of their market-access strategies. Best practices vary according to the type of resource made available.

- In providing financing and access to appropriate capital, consider creating specialized financing products for market-access endeavors. For Appalmade, the most useful financing mechanism for its producers was an in-kind, no-interest loan in the form of raw materials. For high-growth entrepreneurs, like those helped by ACEnet, development awards and equity arrangements were helpful.
- Best practices emerging from ACEnet’s product development fund include: 1) Approach the loan fund like a venture capital fund, i.e., expect a mix of failures and higher returns; 2) If loyalty agreements are to be used, make sure they last five to seven years; 3) Develop easy, efficient tracking and collection systems up front; 4) Make loans convertible into equity in case of mismanagement or in case the business does extremely well; and 5) Provide the intensive technical-assistance characteristic of a venture-fund team.<sup>5</sup>
- The provision of production incubators can help many entrepreneurs involved in manufacturing overcome a major barrier. Artisans, for example, may be limited in the type and volume of products they can produce solely because of a lack of adequate space for equipment, production and inventory storage. RainKist provided storage and production space to its producers, while ACEnet and NDC offered a kitchen incubator to its food producers.
- Having learned how complicated and expensive it is to operate a successful kitchen incubator, ACEnet now provides a detailed orientation guide to all potential and current users. ACEnet also offers a range of corresponding services to users, including a specialty foods resource library, a conference room, office-related support services and technology services, all within the walls of its kitchen incubator.

<sup>5</sup>More lessons from ACEnet’s financing provision are found in: Mary McVay and Madi Hirschland, *Making the Connection: Appalachian Center for Economic Networks* (Washington DC: The Aspen Institute, 2000).

These additional services help ACEnet to increase fees and recoup a portion of its substantial upkeep and labor costs.

**Grains Bakery:** Grains Bakery was one of the original worker-owned businesses ACEnet assisted in 1986. When the incubator opened, Grains was operating in a building that was “falling down around us,” according to Adam, a worker-owner. The incubator provided more space for the same rent, reliable equipment, a walk-in freezer and access to comfortable office space and computers. Grains Bakery’s 1999 sales were \$190,000.

## Creating Venues

### Market Channel Developer

The best practices for a Market Channel Developer are specific to the individual sales venues created or coordinated by the ATM program. In the ATM cluster, these venues included Internet marketing sites, trade shows and storefronts.

Web sites:

- Invest in Internet and e-commerce strategies as one part of an overall ATM strategy, not as strategies unto themselves. Developing any kind of Web site will require significant investment in marketing (whether to consumers, buyers or just ATM clients) and, possibly, in developing links and search-engine placements.
- Learn from the experiences of other microenterprise and non-profit organizations that have developed Web sites for the purpose of selling products. Most of these Web sites result in few on-line sales, unless there is an extraordinary marketing effort by the entrepreneur or program. Conversely, it is increasingly evident that having a Web presence is a helpful complement to many business’ marketing strategies. For example, WESST’s e-commerce site ([www.wesstartisans.org](http://www.wesstartisans.org)) provides an easy way for its artisans to follow up with potential customers without having to invest in individual Web-site development.
- Whether developing a program Web site or assisting entrepreneurs to develop their own, it is important to keep the following in mind: the Web site must be outer-directed and developed from a user/customer perspective; many nonprofit organizations make the mistake of developing inner-directed or information-dense Web sites that fail to create a compelling case for a consumer purchase.<sup>6</sup> At the same time, is important to use the Web site to try to forge an ongoing bond with the Web visitor rather than to assume that every visitor is ready to buy at that moment. An effective ATM Web site includes both ways to capture the visitor’s e-mail address

<sup>6</sup>Roger C. Parker, *Relationship Marketing on the Internet* (Holbrook: Adams Media Corporation, 2000), Chapter 3.



and allow the visitor to communicate with the business owner. Therefore, it is important to ensure that there is a system for following up with visitors' inquiries, feedback and potential future interest in the product or service.

#### Trade shows:

- Determine your primary purpose for participating in the trade show. Is it market research? Is it to develop industry partnerships? Is it to get consumer feedback on products? Is it to connect with catalog or wholesale buyers or a sales representative? Each answer could mean investing in a different kind of trade show.
- ATM programs investigate what the volume of sales has been in years past for the shows they may attend. Between booth fees, transportation and lodging costs, equipment rental and time away from the business, the investment in a trade show is substantial.
- Programs that coordinated a single booth for different business owners were careful to create a unified look for the booth in order to attract buyers with a coherent message.
- Investigate creative options for financing entrepreneurs' participation in trade shows. MMF was able to secure scholarships for several of its top members to attend the Philadelphia Buyers Market of American Craft.

#### Storefronts/Retail Incubators:

- The provision of a physical retail venue can be extremely powerful, but expensive to develop and sustain. The NDC's Mercado Central is a prime example of an effective strategy to use community partnerships in creative marketing to establish a retail venue for a cluster of retail and service businesses. NDC recruited a mix of start-up and expansion businesses in order to diversify its risk. Businesses were screened before being accepted into the Mercado, and then were required to invest \$1,000 in the Mercado Cooperative. NDC also offered on-site technical assistance to individual businesses, which strengthened the Mercado as a whole.

#### Consumer Educator

Consumer Education campaigns seem to be a highly effective complement to an ATM program. MMF designed its campaign broadly and collaboratively, in partnership with community institutions throughout the region. This campaign resulted in more free, positive media, which can boost any ATM strategy.

- Use multiple media to get the "Buy Local" message across. MMF and ACENet used radio, fliers, window stickers, kiosks, Web sites, newspaper articles, newsletters and airport displays and participation in Chamber of Commerce events.
- It is important to focus on positive messages versus negative. For example, MMF emphasized the message "support local business"

versus a “boycott Wal-Mart” argument. Appalmade stressed the pride and tradition of Appalachia versus the poverty of the region when compelling far-off customers to take part in the Appalmade vision.

- Use public relations tactics to get free media and to build the general public’s awareness of the existence of entrepreneurs’ products. NDC leveraged \$64,750 worth of free media to the benefit of its Urban Business Partners and Mercado tenants.

### **Marketing Tactics: Media Coverage as Free Advertising**

Lionel Martin has worked as an oven operator at the Hearty Bread Company for 14 years. But from the time he was 9, Lionel has dreamed of owning his own business and now at 37, that dream is coming true with his first commercially produced batch of Martin’s Gourmet Barbecue Sauce, a product he developed in his kitchen at home. This product, Lionel claims, cannot fail because it is part of him. Well before receiving the first cases of sauce from his co-packer, Lionel wrote publicity material, including musical ditties, for sales presentations and radio advertisements. He made his costume for in-store demonstrations. When his product shipment finally arrived, he was eager to shop it around to specialty food stores and sought help from Dave Bonko at NDC. Together, they developed the product’s selling points, anticipated store managers’ objections to yet another homemade barbecue sauce competing for shelf space with many others, and carefully chose words for the sales pitch. Bonko suggested securing local media coverage as “free advertising,” capitalizing on Lionel’s exuberant personality, high energy and persistence. Between October 2000 and March 2001, Lionel secured 10 publicity opportunities in local newspaper, television and radio that would have cost more than \$26,000 in comparable advertising space or minutes. Sales reached \$12,000 in the first eight months of operation. Determined to succeed, Lionel’s goal is a future when Martin’s Gourmet Barbecue Sauce – all five varieties – would be written up in Ebony magazine, and he would be in a position to give back to his community by supporting youth programs.

## **Creating Transactions**

### **Sales Representative**

With this strategy, ATM organizations were prepared to focus on certain types of clients, realizing that it was impossible to serve all current clients with this ATM strategy. These clients displayed a potential for mainstream market readiness and a personal goal for business expansion, as well as a minimum level of business viability.

This strategy should be driven by the capacities of the entrepreneur. After learning much about the target industry sector, a program



new to the sales representative service may make the mistake of designing a purely buyer-driven strategy.

Sales representative service providers need to:

- Confirm that the entrepreneur is ready to fulfill, deliver and follow up on orders. The successful marketing representative anticipates uneven levels of entrepreneur capacity and commitment and finds ways to mitigate this.
- Contact potential customers through multiple (not just one) method, e.g., NDC used direct mail followed up by a phone call, followed up by a personal visit. Another example was WESST's use of trade shows, supported by its Web site and personal interaction with retail owners.
- Cluster clients together according to an overall comprehensive strategy and only in ways that make sense in terms of the services you will provide. For example, industry clusters increase the likelihood that the assistance provided is truly value-added. Geographic clusters, such as the Mercado and WESST's Internet cluster enabled the program staff to consolidate efforts by marketing the unit.
- Determine and be able to explain the "value proposition" to potential partners in order to establish realistic and viable partnerships.
- Help to prepare clients for prospective customer meetings. "Business-to-business" marketing and sales may not be intuitive to clients. Training should include accompanying clients on sales calls and using role-play or video.
- Develop a cost-efficient way to assess and collect fees from individual clients from the start. Tracking individual, fee-eligible sales from individual businesses is difficult; thus, a membership-based fee may be more appropriate and easier to administer. Having said this, recognize that there is a tension between the need to establish the precedent of charging fees and the need to allow for a flexible innovation period when programs are experimenting and developing services. During this time, program directors may deem it inappropriate to charge fees. If so, there should be a clear communication with clients about the intent to charge fees.

### **Social Business Operator**

As mentioned previously, the social business strategy is the market-access strategy that requires the greatest transformation on the part of the program. It often requires nearly, if not all, of the ATM strategies to be employed and, therefore, can take years of learning, trial-and-error and relationship-building to develop a social business.

Among the best practices that emerged from the ATM demonstration's Social Business Operators are:

- Inform board and all staff of the intention to create a for-profit subsidiary within the nonprofit structure. By anticipating the ways that

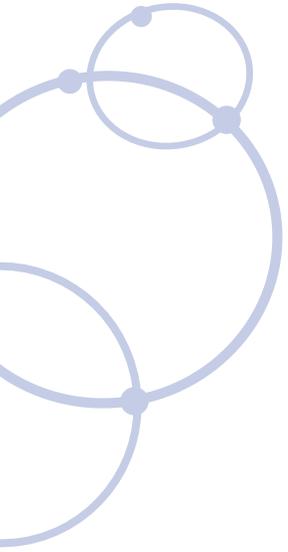
the for-profit will disrupt and conflict with the current organizational systems and procedures, the social business staff is more likely to receive support rather than roadblocks.

- Develop supplier/producer capacity up front, long before marketing the product(s).
- Include a low-risk entry point, such as a local trade show or retail venue for entrepreneurs who are not ready to be featured in the social business product line. Appalmade uses its retail store to test clients whose products may not fit in its own line. This can also serve as a “ladder to market readiness,” which can enable the social business to encourage new clients and keep community trust.
- Cultivating relationships and partnerships with experienced sales representatives can be an efficient way to avoid pitfalls. Sales representatives, for instance, are useful for reaching buyers and industry representatives, designing appropriate products, keeping up with market trends and learning the most effective sales strategies. A good relationship with a top sales representative can enable the social business staff to keep its fingers on the pulse of the market/sector while having enough time to work with clients.
- Understand and anticipate how business cycles of industry affect a social business and its producers. Markets will change rapidly because of industry or macroeconomic changes.
- Skills training in product development for the entrepreneur/producer is a crucial part of the social business strategy. Having a stringent quality control mechanism is equally critical.
- Experienced social businesses use a variety of marketing channels to increase the chances for steady and increased income for its producers.

### Lorraine

Lorraine lives in a small town in Tennessee with her husband, Howard, who is disabled because of a back injury he suffered while working as a machinist for a tubing company. Howard began receiving disability payments four years ago after waiting three years to get approved. Lorraine worked in a sewing factory for 20 years, making about \$6 to \$7 per hour when she left the job 12 years ago.

Because Lorraine could not work outside the home, she started to make and sell vests, jumpers and stuffed animals at craft shows to earn extra money. She also performed alterations for people in her town. She made a little extra money this way, but then a friend heard about Appalmade, which had set up an informational meeting in Lorraine’s town. Lorraine joined Appalmade and started making angel ornaments and gingerbread men for the Appalmade line. “I thought it would be just a little here and there. But it took off and



it hasn't stopped yet. ... It has been a miracle for us, especially because it took three years for my husband's disability to come through." Lorraine made \$9,984 through Appalmade in 1999. Since joining Appalmade in late 1996, Lorraine has earned \$25,379 by producing crafts for the program. The money goes toward clothes, groceries and medical bills.

Lorraine's products are mostly her own designs, including fabric nativity sets, fabric animals and other items sold through the Appalmade wholesale line and retail store. She also sells a few items through the church-based markets. She gets inspiration for new designs from magazines, or Beth Johns, the Appalmade designer, sketches a particular product she wants Lorraine to make. Lorraine's husband has become an integral part of her crafts operation. Lorraine puts out fabric and stuffing, and he wakes up early in the morning to start on products.

"Appalmade staff (members) are the greatest people in the world," said Lorraine. "They are so supportive ... they are right there for you. If you have the talent, you just need to work hard to make money. The harder you work, the more money you make."

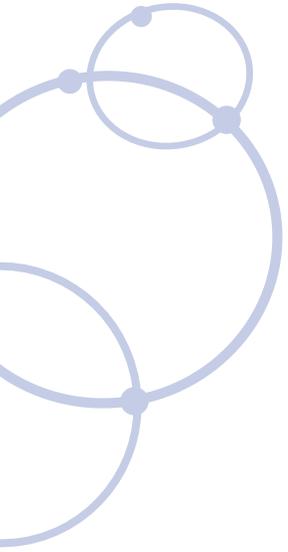
- Marketing a business is expensive, and it is important to include the costs of marketing materials in fundraising and pricing schemes.
- The ATM social businesses learned as much as possible from other social businesses and cooperatives before designing their ventures. Both RainKist and Appalmade consulted with the founders of Watermark, and Appalmade interviewed several craft cooperatives before launching its brand.

## V. CHALLENGES OF BEING AN INNOVATOR

The experimental, ambiguous nature of the ATM approaches is compounded by the fact that the ATM innovators must test their strategies on entrepreneurs who depend on the income they derive from their businesses. As a result, it is critical that ATM programs take care not to visit unrealistic expectations or unshared ambitions on their clients. This was a challenge for every ATM program during the launch phase. For example, the ambition of connecting microentrepreneurs to regional or national markets was premature, particularly before the entrepreneurs had successfully navigated local markets. It became clear that having flexible and patient funding for a developing ATM program is essential.

The lack of peers operating in a similar context means that ATM program managers often struggle alone with completely new and untested approaches. Therefore, being uninformed about realistic expectations and the resources, expertise and level of organizational commitment needed can be unavoidable liabilities for innovators new to market-access strategies. Specific challenges with which the ATM cluster struggled include:

- **Collecting commissions and generating program revenues.** It was unrealistic for all but the social businesses to collect a meaningful level of fees from clients while the innovation and adaptation processes were still underway. Moreover, no program except for the social businesses and ACEnet developed a systematic and fool-proof way of recovering commissions based on sales.
- **Changes in organizational framework,** as illustrated in the major organizational shifts that occurred with MAUC and RainKist. These organizational shifts created substantial disruptions in the innovation process.
- **Lack of control over market forces.** For example, Appalmade experienced a temporary setback when rapidly changing market trends in the gifts and crafts industry required a transformation of its product line. The pull of the tight labor market of 1999 and 2000 affected several programs that either lost key ATM staffers or were unable to recruit well-qualified or experienced candidates. One program tried to mitigate the difficulty of the tight labor market by using student interns, but these students did not possess the high level of skill and expertise that the ATM businesses require.
- **Clash of cultures.** The inherent tension of having a for-profit goal within a nonprofit organization was a challenge for all of the social businesses (i.e., culture, mission, staff and systems needed to support the ability of the social business to be competitive while paying a living wage to its producers). For example, Appalmade tried to ensure that clients earned at least \$6 per hour for all the products they produced for the program.
- **Corporate partnerships.** Several ATM innovators suffered after investing enormous amounts of time securing corporate partner-



ships, only to have them cancelled when a change in corporate leadership or structure occurred. WSEP built its initial program around a complex partnership with Monsanto, which fell through when the original supporter inside Monsanto moved on to other concerns. The original PDP innovation had to be reinvented after corporate mega-mergers eclipsed PDP's original time-consuming and methodical approach of building relationships with corporate procurement officers.

- **Reaching adequate numbers of clients.** Although some ATM approaches may seem promising from an individual business perspective, the approaches may be too labor-intensive to justify the investment. For a time, NDC and PDP acted as “mini-management consultant teams” to businesses. These services resulted in high impacts for a few businesses, e.g., 14 businesses were helped by NDC's individual technical-assistance approach in 1999 and just nine businesses were helped by PDP in 2000.
- **Internet marketing.** Interacting with the rapidly changing and unpredictable Internet industry was a major challenge for nonprofit programs that have scarce resources to lose in fly-by-night operations. At the same time, it is increasingly urgent to ensure that microenterprise owners are able to exploit the possibility that the Internet represents a level playing field in otherwise hard-to-reach markets.

## VI. CLIENT CHARACTERISTICS AND PROGRAM COSTS AND OUTCOMES

As described in previous sections, the ATM demonstration programs employed a broad range of strategies and were diverse in terms of age and, more importantly, maturity of experience in implementing the access-to-markets innovations. Although it was recognized that some variations would occur across programs, the original evaluation framework was designed to annually monitor the experiences of both programs and clients via two common sets of performance indicators. In addition to these two quantitative performance monitoring components, the evaluation included regular check-ins with program staff and in-depth case studies of three of the more mature demonstrations.

The evaluation methodology as implemented affords us a view of actual program strategy that is rich in substance and detail. The more qualitative aspects of data collection (interviews and case studies) are particularly well-suited for documenting change and evolution. However, the rapidly evolving demonstrations presented numerous challenges to the more quantitative and systematic components of the evaluation methodology that were designed to collect common data points across programs. While we do have some interesting data to report regarding the characteristics of entrepreneurs and their businesses, as well as some early lessons about ATM program costs and their potential for cost-recovery, the nascent nature and broad diversity of strategies implemented also present limitations to a common quantitative data collection methodology and reporting format.

An important question of this demonstration and evaluation was to what extent programs could begin to recover the costs of providing services to entrepreneurs. All of the programs experimented with various revenue-generating cost-recovery strategies, and many of these were described in previous sections of this report. Strategies ranged from charging fees directly to clients for services, to assessing commissions on customer referrals generated by programs, to earning profits on the activities and sales of social businesses.

As the demonstration proceeded, it became clear that the challenges of being an innovator extended to programs' abilities to charge these fees and recover the costs of providing services. And while generating revenues remains an important goal, expectations about the extent to which programs can cover their costs by charging clients must be adjusted in line with the relative maturity of the innovator.

### Characteristics of ATM Clients

Seven ATM programs reported program performance data that detailed the characteristics of their ATM clients and the costs and activities of the programs themselves. These seven programs include: WESST; People, Inc.'s Appalmade; NDC; ACEnet; MMF; and PDP. They range from the newest ATM programs (PDP and MMF) to the most mature (ACEnet and Appalmade). The following is a description of findings describing the characteristics of clients assisted by these seven programs over the three-year demonstration period.



- The seven programs served 337 clients via the various ATM strategies.
- Upon entry into the ATM programs, 27 percent of ATM clients' household incomes were below 150 percent of poverty guidelines determined by the U.S. Department of Health and Human Services.
- Fifty-eight percent of ATM clients' household incomes were below \$25,000 on an annual basis.
- Thirty-one percent of businesses were start-ups, and 66 percent were existing businesses upon their entry into the ATM programs. This is a higher proportion of existing businesses than is generally seen at most microenterprise programs in the U.S. where start-up and existing businesses each represent about half of all businesses.<sup>7</sup>
- Businesses participating in ATM programs are comparable to other microbusinesses in terms of revenues at intake. Thirty-six percent have revenues lower than \$12,000 per year; 26 percent have revenues between \$12,000 and \$24,000 per year.<sup>8</sup>
- Programs serve a variety of types of businesses as measured by broad industry sector.

#### Types of Businesses Served by ATM Programs

Retail	Service	Wholesale	Manufacturing	Multiple Sectors (e.g., manufacturing and retail)
21%	22%	14%	25%	18%

- Sixty-nine percent of ATM businesses' annual revenues increased between the first and second years of the demonstration.<sup>9</sup>

It is important to note that ATM programs target individuals at extreme ends of the continuum of microentrepreneurship. This matches by design with their very large differences in program strategy and affects our efforts to review findings across programs. For example, 26 percent of the businesses ACEnet assisted had annual gross revenues of more than \$120,000 per year. WESST, on the other hand, selected its participants through an application process designed to attract existing product-based business owners whose products had annual sales of less than \$10,000. And, over half (51 percent) of the producers working in People, Inc.'s Appalmade program had revenues of less than \$1,200 per year. While this important diversity across programs is unfortunately smoothed out when we aggregate findings, individual programs are generally small in scale and, thus, data reports for most by themselves are premature at this point in their development.

<sup>7</sup>Britton A. Walker and Amy Kays Blair, (Forthcoming) *2002 Directory of U.S. Microenterprise Programs* (Washington DC: The Aspen Institute, 2002).

<sup>8</sup>Amy J. Kays, Peggy Clark and Karen Doyle, *Enabling Entrepreneurship: Baseline Findings of the Self-Employment Learning Project* (Washington DC: The Aspen Institute, 1998).

<sup>9</sup>This is calculated as the percentage of ATM client businesses that increased annual gross revenues from before the business began receiving a substantial ATM service to one year after receiving the service(s).

## Preliminary Costs and Outcomes of ATM Programs

While it is clear that for very nascent and rapidly evolving programs it is difficult to collect and compare program and client data, the demonstration did include four relatively mature ATM programs. These programs are also still evolving but their methodologies are somewhat more set, and ongoing innovation occurs more around refining rather than inventing their strategies. The four programs for which we present preliminary costs and outcomes data are: NDC; WESST; ACEnet; and People, Inc.'s Appalmade.

It is not just ATM strategies that are new and innovative. Evaluation methodology, including appropriate indicators that measure relevant aspects of activity and performance are also still under development. A key question of this demonstration was to what extent microenterprise programs could design access to markets service delivery strategies that would both result in higher sales for entrepreneurs and begin to recover the costs of providing services via fees, commissions and other income-generating mechanisms.

The four most mature ATM programs reported data on a number of new indicators designed to attempt to measure these outcomes. Agencies reported the overall costs of the ATM program, the number of entrepreneurs they served who were beginning to sell to a new market, the amount collected from clients in fees or commissions and the gross revenues of client businesses over the three-year demonstration. The following chart details the continuing diversity in findings across programs. It is clear, for example, that the variety of program strategies affects the cost of providing services to clients. Appalmade, a social business comprised of very disadvantaged crafters, spent approximately \$2,029 per client, while Neighborhood Development Center, serving more established businesses with a less intensive intervention, spent \$830. All of the reporting programs indicated that they introduced most of their ATM clients to new markets. All of the programs also reported that clients' business revenues increased. Median first year change ranged from \$625 per client at Appalmade to \$14,081 per client at ACEnet. Again, this large difference reflects the fact that these two programs serve different clients with different barriers and very different strategies – both geared toward their own target groups.

Program	Cost per Client	Median Change in Revenues <sup>10</sup>	Businesses Introduced to New Markets
ACEnet	\$1,678	\$14,081	Did Not Report
WESST	\$2,857	\$5,382	50
Appalmade	\$2,029	\$625	41
NDC	\$830	\$8,200	30

<sup>10</sup>Refers to median change in business revenues from before the business began receiving substantial ATM service to one year later.



## Lessons Learned About Costs and Cost Recovery

The evaluation of this demonstration has yielded important lessons about the costs of implementing and operating an Access to Markets program and some of the challenges programs face in attempting to recover costs. While some of these lessons and challenges pertain only to specific strategies or roles that programs play, others are applicable across the range of ATM work seen to date. For example, it is too soon for even the more experienced ATM programs to have recovered their program costs via customer-generated revenue. Therefore, it is critical that we review the learning that has occurred, so that we can continue to attempt to build on these experiences.<sup>11</sup>

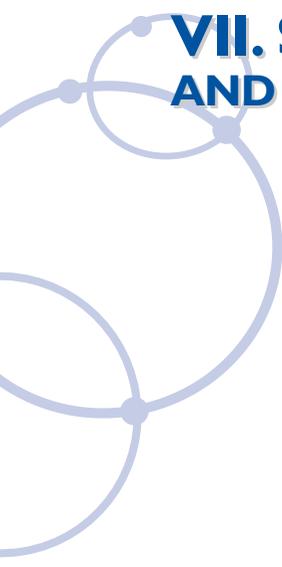
Appalmade, a Social Business Operator, is making rapid progress toward covering a significant portion of its costs. In 1999, sales from its wholesale and retail lines covered at least half of the costs of operation. ACEnet's kitchen incubator fees resulted in a cost recovery of 41 percent in 1999, and its retail venue recovered 34 percent of its costs. For programs still very much in the research and development stages of innovation development, these levels of cost recovery are impressive. However, the ATM programs that had just begun to offer services struggled with their conflicting needs to begin recovering some operating costs and to remain flexible while designing and delivering new services.

- Programs had difficulty pricing services that were still under development. In addition, some were reluctant to charge for services that they felt were still being innovated and had not yet been tested.
- There is an inherent conflict between providing low-income clients with affordable services and the need to generate revenue to increase program sustainability. Programs were reluctant to charge fees to entrepreneurs whose businesses were generating low-revenues, not yet generating revenues or providing very small supplements to household income.
- Despite a fair amount of experimentation, no program developed a viable mechanism for tracking client business sales that resulted from referrals or other business development services. As a result, commission-based cost-recovery strategies did not fulfill the promise they appeared to hold at the beginning of the demonstration.
- The investment in learning required to develop an appropriate level of expertise in a specific industry sector is expensive. Programs either have to pay for this development or hire expensive talent. No program has developed a mechanism or strategy for recovering these costs.
- Several programs that have developed industry-specific expertise and credibility with clients are beginning to achieve limited results

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<sup>11</sup>For more detailed information about strategies for cost recovery, see the series of case studies written on ACEnet, People, Inc.'s Appalmade and Neighborhood Development Center.

with fees for one-on-one consulting and short, focused seminars. They believe that these fees serve not only to generate program revenue, but also to help identify entrepreneurs who are committed to business growth.



## VII. SUMMARY ACCOMPLISHMENTS AND LESSONS

The ATM cluster produced a rich body of lessons and best practices for other organizations that may operate or are operating a market-access program. Yet, the innovations also produced an impressive array of accomplishments.

### Overall Accomplishments of the ATM Demonstration

- 1) Nine organizations gained experience in developing access-to-markets strategies and building a knowledge base for the field.
- 2) More than 300 clients were served across the ATM programs, many of whom achieved significant revenue gains.
- 3) The identification and dissemination of several successful models were accomplished, especially NDC's Mercado, WESST's MARKETLINK project, ACEnet's Food Ventures program and People, Inc.'s Appalmade lines.
- 4) The nurturing of innovation in others and the building of a base on which the field can craft additional success in this sphere.
- 5) Multiple examples of successful and fruitful partnerships with industry buyers, each of which will ease the way for future non-profit/private sector partnerships.
- 6) More than 200 retail outlets that now stock the products of the ATM entrepreneurs and producers.
- 7) Significantly increased learning about established nonprofit/private partnerships with industries that offer particular opportunities to microentrepreneurs: specialty foods, gifts and home accessories, and crafts.
- 8) The development of a framework that provides structure to the array of market-access services. The framework can be adapted and improved upon as the ATM field matures.

In addition to the above overall accomplishments, the following ongoing services and programs are now available to low-income individuals as a result of the ATM innovations cluster:

- The expansion of Appalmade's product marketing to communities of faith throughout the country.
- The sale of handmade Appalachian products in seven countries overseas, as a direct result of the Appalmade Web site developed and encouraged through the ATM peer learning process.
- The sale of ACEnet business products in more than 75 locations, including retail outlets in Europe.
- RainKist's marketing services to migrant entrepreneurs in the specialty timber industry of the southwest Washington region; a training program developed by RainKist that teaches these entrepreneurs

to use sustainable harvesting practices when collecting raw materials from the delicate forests.

- The availability of a marketing loan and a greater attention to the importance of marketing to all ACCION Texas clients.
- A growing body of knowledge and sophistication about the best trade shows in which to invest, particularly in the gifts, crafts and home accessories sectors.
- Two accredited training programs (one in Philadelphia and one in New Mexico) designed for microenterprise owners to improve their marketing efforts and to overcome internal barriers to business success.
- Three retail outlets established or planned in prime tourist destinations – historic Abingdon, Va., Asheville, N.C. and Minneapolis, Minn. – where low-income business owners can sell products directly to consumers.
- The brokerage services of WSEP Ventures, a separate organization created as a result of the ATM cluster.
- Extensive “Buy Local” educational campaigns in western North Carolina and southeast Ohio that continue to encourage the support of local enterprises.

## Overall Lessons of the ATM Demonstration

It is clear that there are many challenges to face in carrying out the hybrid ATM innovations, at once attempting both social and business results. However, by fostering an environment in which failure is acceptable as long as it is shared, the Mott Foundation’s ATM demonstration resulted in rich lessons. It permitted sufficient flexibility for managers to refine, and even reinvent, their projects.

The ATM demonstration also highlights the difficulty of interventions that depend so much on human capital investment. All players must stretch beyond their original competencies in order for the innovation to be successful.

The **entrepreneur** must stretch beyond his current capacities to produce a mainstream market-ready product, to gain access to industry information, to learn how to network and create networks for his business, to learn distribution channels and to learn about the ultimate consumer.

The **nonprofit ATM manager** must learn to identify an industry in which microentrepreneurs can overcome the tremendous competitive barriers that exist.

The **nonprofit board** and other leadership of the nonprofit organization operating the ATM project must understand how to operate, initiate or lead a business venture inside a larger nonprofit organization.





The **industry representatives**, such as buyers, distributors and trade association representatives may need to learn how to work with a nonprofit organization. This includes understanding the nuances of cause marketing, as well as having the flexibility and interest in accommodating a new set of individuals, pricing assumptions and partnership models.

Others who may need to expand their competencies for innovation to succeed might include **suppliers, industry technical assistance providers, wholesaler buyers, sales representatives, brokers, retailers, merchandisers**, etc.

All the while, unpredictable market forces are in effect and impacting the individuals involved in the program.

While each of these projects occurred within different institutions, communities and policy environments, and focused on different industry sectors, there were some broad, general lessons that emerged from the ATM cluster.

- “Market readiness” is an important and enormous hurdle for microbusinesses – one that all of the ATM programs have needed to address in one form or another. *Therefore, ATM projects should include a strong product/service development component, as well as a mechanism for facilitating entrepreneurs’ connections to potential consumers in order to facilitate market readiness.*
- Successful ATM projects use multiple strategies that represent a broker or “door-opener” for microbusinesses in order to connect them to new markets. *In other words, one of the ways that ATM projects typically differ from general microenterprise assistance programs is that they have crafted an intentional strategy for connecting microbusinesses to potential buyers, either by serving as a broker or as a “door-opener.”*
- *ATM projects should start by choosing to assist businesses within the same or similar industry sectors, rather than attempting to assist businesses that are operating in a range of industry sectors.* Picking an industry and sticking with it seems to be the most effective course of action.
- *Individualized one-on-one technical assistance is an essential component of an effective ATM project.* In particular, industry-specific technical assistance is in demand.
- ATM projects need to be anchored by the strong support of the entire nonprofit organization, including the leadership at the board level. *While staff turnover represents an inevitable challenge to every nonprofit institution, it creates a formidable barrier to the success of ATM strategies, because so much of the market connection is based on the relationships that staff makes with industry players.* Because zero turnover is rarely the reality for these nonprofit projects, it is important that special attention is paid to developing institutional capacity, rather than depending on one or two individuals.

## Conclusion

Because of the complex and long-term nature of market access interventions, success is more likely if the implementing organization has consciously examined and affirmatively responded to key decisions before it launches an ATM program. **First**, will the ATM intervention be an add-on to a traditional microenterprise program or a comprehensive market-access program and a departure from current operations? **Second**, do the entire organization's staff and board understand the purposes of the ATM program, its definite need for substantial resources and its potential need to be a competitive player in the marketplace? **Third**, if specific partnerships are deemed critical to the project's success, has the organization worked with these partners in the past? **Fourth**, is there a documentation and feed-back mechanism to ensure the ongoing advancement and sophistication of the program? **Fifth**, has the cost-recovery scheme been thought through completely, including collections and tracking? **Sixth**, what is the rationale for the selection of strategies and industries and is this based on research about the target group's capabilities and constraints, as well as learning about other ATM initiatives? **Seventh** and, most importantly, what priority is the ATM initiative among all of the current and planned organizational priorities?

The answers to these queries inform whether an ATM program should be undertaken and how ambitious, comprehensive and market-oriented it should be. If the responses direct the organization toward a market-access innovation, the ATM demonstration cluster affirms that the experience will be a rich journey of growth and deepening, both for the target businesses and the implementing organization. While sometimes rocky and often unpredictable, the Access to Markets innovation process has proven invaluable to micro and small business-development organizations and the businesses they serve. Regardless of the particular strategies employed or the industry sectors singled out, the ATM innovations universally provide a new and profound understanding of the challenges and possibilities of business growth.



# APPENDIX

# V III. APPENDIX

## ATM Participating Projects Contact Information

### **ACCION Texas**

2014 South Hackberry  
San Antonio, TX 78210  
Phone: (210) 226-3664  
Fax: (210) 533-2940

### **Appalachian Center for Economic Networks (ACenet)**

94 North Columbus Rd.  
Athens, OH 45701  
Phone: (740) 592-3854  
Fax: (740) 593-5451

### **Mountain Microenterprise Fund**

29½ Page Ave.  
Asheville, NC 28801  
Phone: (828) 253-2834  
Fax : (828) 255-7953

### **Neighborhood Development Center, Inc.**

651½ University Ave.  
St. Paul, MN 55104  
Phone: (651) 291-2480  
Fax: (651) 291-2597

### **People, Incorporated of Southwest Virginia**

1173 West Main St.  
Abingdon, VA 24210  
Phone: (540) 623-9000  
Fax: (540) 628-2931

### **Philadelphia Development Partnership**

1334 Walnut Street, 7th Floor  
Philadelphia, PA 19107  
Phone: (215) 545-3100  
Fax: (215) 546-8055

### **Shorebank Enterprise Pacific**

203 Howerton Way, S.E.  
Ilwaco, WA 98624  
Phone: (360) 642-4265  
Fax: (360) 642-4078

### **Women's Economic Self- Sufficiency Team (WESST Corp.)**

414 Silver, S.W.  
Albuquerque, NM 87102  
Phone: (505) 241-4753  
Fax : (505) 241-4766

### **Women's Self-Employment Project (WSEP)**

11 South LaSalle St., Suite 1850  
Chicago, IL 60603  
Phone: (312) 606-8255  
Fax: (312) 606-9215

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