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Epler Wood Report

Business Success and Biodiversity Conservation

In the 1990s, efforts to create more equitable and sustainable enterprise in high biodiversity areas were intensive, but success was elusive. Exciting rhetoric and excessive optimism took the place of common sense at times. Many a proposal discussed how sustainable enterprises might offer a solution for communities throughout the tropics living in biodiverse zones – providing alternative incomes and a solid reason for conservation. But few investigated the market for such enterprises, capital was not properly sourced, competition was not factored in, and very little discussion took place of how new products would be marketed. Ten years later, the overall effort should be given a “C” grade for success in real business terms. Nonetheless, there are a great many reasons to learn from the last decade of experiment, and retooling the sustainable enterprises of the next decade should be a high priority.

Lessons Learned

Edward Millard, Senior Enterprise Advisor, at Conservation International (CI), confirms that “not all the early hopes for conservation enterprise have been fulfilled.” Nonetheless, “the work done must be seen as a component of a larger strategy,” according to Millard. Indeed, the conservation of biological diversity has driven the decision making at Conservation International since it was founded, and conservation enterprise was always just one tool to that end. In the 90s, CI created a framework for conservation of biological diversity by identifying hotspots worldwide. The organization has led a highly visible drive to get more important endangered biodiversity hotspots under protection, and has successfully put a lot of new territory into conservation status. Much of this land was under threat from such damaging enterprises as slash and burn agriculture, poaching, gold mining, cattle farming and gem mining, to name a few.

Conservation enterprise was one of CI’s leading strategies in the 1990s to help arrest these problems. But conservation enterprise is not red hot as it once was at CI, nor has the idea of conservation enterprise become a professional field of endeavor. The term, coined by CI a decade ago, is still not widely recognized. In fact, it is now understood to be a donor-funded experiment, which was not picked up by the private sector – except for ecotourism, coffee and sustainable timber initiatives all-of-which pre-existed before the conservation enterprise was coined.



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Despite failures in creating whole new markets for sustainable products in the 1990s, there is still reason for optimism. Sustainable enterprises are not changing the face of environment or poverty on a grand scale, but they are growing at a good clip. They continue to evolve, be adopted by mainstream industry, and attract an increasingly sophisticated consumer. While these products may only constitute a maximum of 10% of the global export market for products like tourism or coffee, this is a significant market indeed, and there is no question that market performance can improve much more in the next decade. This will have a genuine benefit for millions of people in developing countries, and serve an increasingly important example.

More sustainable livelihoods will be achieved within new humanistic economies that stress health, community values, families and education. And value added approaches will give a higher return for regions suffering from the effects of market liberalization. Sustainable enterprises can soften the blow in developing countries of trade deregulation, and offset the losses from tumbling agricultural markets and serve up a greening influence on the rapidly growing market of tourism.

Mission for EplerWood Report

In the EplerWood Report, the market for sustainable development products will be investigated. For private business developers, the available data on markets for sustainable goods and local delivery mechanisms will be reviewed in-depth. For policy analysts, government representatives, NGOs, academics and others, the sustainable development economy's influences on corporate markets and government policy will be highlighted. For consumers interested in new trends, new sustainable products entering the marketplace will be listed with contact information.

While the sustainable products marketplace will never solve the larger issues of globalization and the excessive influence of global corporations on government policy worldwide, it does provide exciting entrepreneurial clues as to how new, innovative markets can influence the global marketplace, consumer demand, and government policy trends.

Consumers for sustainable goods can be educated, the market can grow, and it can help sustain small-scale producers worldwide. There are cross-sectoral benefits from combining sustainable markets — for example between organic agriculture, coffee and ecotourism. For this reason, as an expert in ecotourism; I will use this column to explore how ecotourism markets compare and contrast with other sustainable marketplaces and how these markets can be productively combined.



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The Market for Sustainable Products

Quantifying the size of the market for sustainable development products and valuing them according to the demand in the marketplace is a key component of sustainable enterprise development that was frequently lacking in the 1990s.

In ecotourism during the 1990s, the statistics were highly optimistic and often based on extrapolations of travelers interested in visiting parks or generic nature travel experiences. Legitimate surveys concluded that 50% of the market was interested in nature travel, if this was defined as visiting a national park. But this very large market rarely translated into buyers for ecotours or ecolodges. While funds went towards a variety of new ventures in the 1990s, only a small percentage ever reached the marketplace. Millions of dollars were spent on enterprises that had not evaluated consumers' purchasing habits, only their interests. While ecotourism markets never grew at the rate of the "dot-com bubble", ecotourism had a "bubble burst" of its own; and a variety of false expectations are only now being put in perspective.

Market research is just part of the answer however, especially if the product is so incipient that consumers don't know quite how to imagine it. John Finisdore, a consultant in poverty and the environment, remarks that the potential demand cannot be prematurely measured. As he puts it, "once shade coffee is on the shelf, written about in the press, and discussed; coffee demand grows. The product itself is the best advertisement." But in the absence of established markets, the risk for many entrepreneurs can be daunting, and donors may become discouraged if market demand is not properly identified.

Statistics in ecotourism have been consistently downgraded over the last decade. At the same time, certain regions have undoubtedly shown dramatic growth, such as Costa Rica, Ecuador, Belize and South Africa. Specific niche markets are also showing consistent growth, such as bird watching.

Birdwatching is one example of a niche market that is growing very fast, with about 11% of the U.S. population presently bird watching. But the market for birding ecotourism remains elite. Lifelisters, or individuals who create a list of birds seen in their lives, will go to new ecotourism destinations as long as a new bird can be added to their life list. This kind of urgent demand for new "products" has helped to establish quite a few new ecotourism destinations — most recently Panama. But the number of birders of this caliber may be limited. The membership of the American Birding Association (ABA) is just 20,000 people. This serious group is clearly worth courting, as some 50% spend



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about \$3000 per year in travel. But this is hardly typical of avid birders. The U.S. Fish and Wildlife reports that the average American birder spends just \$500 on travel. Therefore, only a very small percentage of the US birding market is spending enough to take a birding tour at all — as the cost for most such tours, especially overseas, is well over \$1000.

Cross tabulations of existing market surveys is one way to get a better idea of the target market's size and spending patterns. In the 1990s, too many new venture ideas were priced too high, under the assumption that consumers are willing to pay more for programs that have a well established connection to green causes. More recent surveys have shown that the "eco" connection is not adequate to justify higher prices unless there are other significant factors to justify the price such as reliability and quality. And the product must have a unique appeal.

Edward Millard comments, "You can't sell a product just because it comes from the rain forest." In the world of sustainable product marketing, one green label looks just like the other. And one rain forest product can look just like the next. Millard states that CI has learned to focus on where there are genuine opportunities and up front private sector interest. He considers this to be a litmus test. But he also notes that the private sector does not necessarily have the capacity to work on the ground, and that's where NGO assistance comes in.

Dacey issues these. While high visibility companies such as Starbucks or the Body Shop may well have excellent corporate philosophies, the question of how they implement their ideas on the ground with local communities is sensitive. In countries throughout the world, legal protection for land, genetic resources, and intellectual property rights are only partially sorted out, if at all. A 2002 report on social, environmental and economic reforms in Bolivia by Forest Trends notes that "the absence of clear land ownership rights has proven to be the main obstacle to promoting sustainable forest management in Bolivia." They note that the actual legal establishment of use rights can be a key element of sustainable management of forest resources.

On my most recent assignment in Sri Lanka, I found documented stories of genetic resources that have been stolen and patented overseas. Well-prepared local research institutions are presently guiding the national government's policies on protecting plant genetic resources and intellectual property. But, while intentions are clear, there is still no national policy on this matter and no firm binding language that will protect these resources under law.



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A lack of clear policies or guidelines leads to risk for all parties. The country stands to risk losing genetic resources. Local people may unfairly lose land or resources that have been part of their traditional heritage for generations. Universities and NGOs may endanger their reputations by not adequately guarding the nation's resources. And international companies interested in trade may simply be scared away, or not able to attract capital to invest in sites or resources that have no clear legal title or guidelines for development.

Sustainable product development hangs on these policy issues, and these problems will keep the market for sustainable products in limbo. Without a long-term vision coming from donor institutions of how to secure investment in sustainable products, local and international NGOs often work on a short-leash. Yet, it is critical to "get it right" on the ground for the long-haul, before attracting larger corporate investment.

Generation Two of Sustainable Products

In Generation Two for sustainable products, it seems clear that risk factors will have to be more carefully pre-evaluated. Edward Millard comments that Conservation International has learned that "sustainable opportunities require business management, markets, capital and production capacity to be in place." This seems to be awfully reliant on large producers, and is disappointingly conservative in some ways. But John Finisdore comments that CI's "large on-the-ground extension, credit, marketing and cooperative capacity building program for shade coffee has been having a tremendous effect on small coffee producers."

Creating projects that deliver profits at the community level while attracting private investors is a major challenge. After years of experiments in ecotourism, the best examples are still quite reliant on a few pioneers and well-funded NGOs. Models that can function based on sound market approaches need to be built into systematic chains of market delivery that can benefit a broader number of local communities. But are large well-funded corporate alliances the only solution? Might not there still be hope for a diversity of locally owned market outlets, buyers, and entrepreneurs cooperating at the local or regional level to attract strategic alliances with medium sized enterprises overseas? Can't donors, NGOs, and academic institutions continue to invest in building a broader market for sustainable products and not just turn to large corporations like Starbucks for the solution?

More investment in e-commerce has to be one of the primary strategies. While the dot-com bubble may have burst, plenty of e-commerce solutions have continued to grow and prosper at a smaller scale. A recent UNCTAD report on E-Commerce and Development in 2002 shows significant



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increases in Internet commerce in developing countries. In Africa, handicrafts are one of the primary businesses to reach consumers via sales on the Internet. Women have also seen business success via the Internet, with “anecdotal evidence coming in from all developing country regions,” according to the UN report. “Women have used the Internet to expand their consumer base in foreign markets, while at the same time combining family responsibilities with lucrative work.” In general, e-services are identified by the report as a primary means of increasing market access for small-scale exporters from developing countries. And it is also stated that key donor investment in better Internet infrastructure will improve such results worldwide.

Generation Two of sustainable development products appear to be coming into a new world of market potential which will bring more small-scale businesses straight to the international marketplace than ever before. How will they survive in a sea of green products? Who will know which products to buy, and which are truly benefiting local people?

Clearly the foundation world is betting on certification as a way of legitimizing green products. Millions of dollars are being funneled to NGOs to accomplish this task. The question is — how much can certification benefit green producers? Is it a strategy that may only benefit the larger players? Will it undermine efforts to build the sustainable marketplace just as these incipient markets are growing, by creating extra overhead in already capital starved arenas?

These are knotty questions that remain unresolved. Meanwhile, local sustainable product producers need better infrastructure (such as good Internet service), policy reform that will protect land and genetic resources, and capacity building for communities that cannot participate in new economies without training. These needs are urgent, and sustainable enterprises are difficult to deliver with broad economic benefits without such reforms.

As Kofi Annan states in his foreword to the UNCTAD E-Commerce 2002 report, “despite commendable efforts and various initiatives, we are still very far from ensuring that the benefits of information and communications technologies are available to all.” Unless these and other urgent on-the-ground needs are addressed, communities and small entrepreneurs will continue to operate in an environment which is severely stacked against them.

As the underlying market for sustainable products is better and better understood, the appropriate investments for building sustainable markets should become increasingly clear and this report will continue to report on the latest results.



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Reports

E-Commerce Development Report 2002

United Nations Conference on Trade and Development
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http://r0.unctad.org/ecommerce/ecommerce_en/edr02_en.htm

Social, Environmental and Economic Dimensions of Forest Policy Reforms in Bolivia

Arnaldo Contreras-Hermosilla and Maria Teresa Vargas Rios

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www.forest-trends.org/whoweare/pdf/BoliviaEnglish.pdf

U.S. Fish and Wildlife National Survey of Fishing, Hunting, and Wildlife Recreation

<http://fa.r9.fws.gov/surveys/surveys.html>

The Growth of Birding and Economic Value of Birders

American Birding Association

<http://www.americanbirding.org/programs/consecondem.htm>