

4x4 Rural Pathways Model



This is a summary of **CASA 4x4 Boxset 3**, which was delivered in collaboration with Shell Foundation and co-driven by Dan Haglund (FCDO), Nidhi Pant (S4S Technologies) and Thomas Njeru (Pula). This 4x4 explores the implications of the Rural Pathways Model as a means of understanding the long-term trajectory of rural households.

The Rural Pathways framework offers common definitions of target clients and pathway transition. It also suggests how different actors fit into that journey and how stakeholders can collaborate, on the basis of aligned expectations. This allows more effective and transparent partnerships between providers working with rural customers.

Understanding the drivers and barriers can help service providers, funders, and policymakers to adopt a more sophisticated way of thinking about rural farming households to:

- **Design better customer research** that can provide tailored products and services that can help rural households become more resilient.
- **Develop stronger and more thorough impact and investment** with long-term horizons, helping funders to make a more accurate assessment of the impact-return trade-off.
- **Develop more effective partnerships with others** working in the rural livelihoods sector.

Understanding Rural Pathway Transitions

Dan Haglund, senior private sector adviser, FCDO:

Agriculture activities are highly context specific, dependent on many local factors such as soil quality, local weather patterns and access to markets.

This report provides empirical data from over 1,000 rural households in Kenya and suggests a different segmentation based on the diverse needs and aspirations of the people working in this area. This leads to different pathways that rural households aim to progress through.

Businesses trying to serve farmers often make basic and simplistic approaches to segmenting these customers. The report offers business a more sophisticated framework to help them tailor products and services to meet different customer needs.

The complexity of farmers' needs requires stakeholder collaboration. There is a necessity for partnerships across funders and businesses that can share data to get a more granular understanding of farmers' requirements.

Partnering and segmenting relationships

Thomas Njeru, co-founder, Pula:

Pula links up programmes supporting farmers, and the insurance market, to guarantee farmers an income based on the expected yield. For Pula, the beneficiary is not the same as the client and their business model requires partners to have an interest in building the resilience of the beneficiary farmers.

Pula highlights an extensive and untapped market in agricultural insurance, and work with insurance providers that can take a long-term perspective, as it takes time for the scheme to be profitable. They select insurance companies keen to work in partnership to develop their understanding of the market and impact on the yield level to build a sustainable business model.

By brokering supply and demand, and not being the insurance, Pula can exploit their knowledge and processes and develop a niche market. This allows Pula to concentrate on refining their data models and relationships.

Segmenting farmers to define the business model

Nidhi Pant, co-founder, Science for Society (S4S) Technologies:

The rural pathways approach helped S4S segment farmers and gain insight into their needs and expectations. Farmer segmentation is usually based on factors such as assets and income. The report suggests the importance of behavioural factors such as their work ethic and level of entrepreneurship.

The segmentation and research processes established that women were more diligent in the solar drying process. S4S identified a segment of landless small-scale women farmers that are dependent on rain-fed agriculture and want to earn an additional income, which have limited options outside of the home and are therefore loyal suppliers.

Maximizing benefits of the rural pathways model

Nidhi Pant, co-founder, Science for Society (S4S) Technologies:

Funders and investors should note that the customer segment in rural communities is important. Funders can refer to this when they are designing challenges and funding enterprises. It can help decide the appropriate investment needed for funding, the stage of funding, and what type of funding is required (debt, equity, non-dilutive). It is important to have a holistic approach that integrate various components such as asset finance /financing and market linkages.

When working with the most vulnerable groups in the population higher levels of capacity building and training are required.

Relevant links

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