

Business to Business Services

Synthesis of Money Monitor Articles

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1 Introduction

There are many highly valuable business services in Uganda offered by commercial private enterprises to their suppliers and customers, who are mostly smaller businesses and farmers in rural areas. Articles published earlier in the Money Monitor, also show that those enterprises providing these services are benefiting greatly themselves by attracting more clients and increased sales and by having better and more secure supplies.

This paper summarises the findings of these articles, looking at the range of businesses offering business services, the types of services and specific reasons given by the businesses for offering these services. Two enterprises were re-visited, following the publication of the articles, to look further at the specific reasons and motivation, and the involvement of other stakeholders in the supply chain. The articles and this paper do not endeavour to provide a comprehensive survey of business to business service provision in Uganda, but rather they give insights into some services provided by the private sector and some features of service provision.

BSMD Uganda (Business Services Market Development Project) in conjunction with the weekly Ugandan newspaper, the Money Monitor, published a series of 30 articles, between March 2003 and February 2004, identifying and publicising some private sector businesses that offer commercially viable business services, mostly to be found embedded within normal business transactions. The main

objective of these articles was to raise awareness, within the business sector as well as

Coopers Uganda have been supplying agricultural chemicals since 1967, and have been offering business services since regulations on the importation and distribution of drugs were relaxed, by the current government. The reason Coopers embarked on the provision of business services was to promote its drugs, often the most expensive ones on the market, but they believed were the most effective drugs. If they were able to convince the farmer of this they would increase sales. As government extension workers to assist livestock farmers were not widely available to offer advice, Coopers have developed programmes to teach farmers about indicators of disease and effective treatments, which they provide. In conjunction with community veterinary officers and local distributors they run awareness raising workshops for rural farmers they train these distributors to provide advice to farmers and offer free follow-up services to clients to ensure products are being correctly used. In conjunction with their suppliers, Coopers have developed simple check cards that are distributed free of charge. These are to facilitate easy disease diagnosis for farmers and vets which are treatable by their products. Video presentations to train farmers and vets have been developed, again with suppliers, and demonstration models and model farms are set up to show correct product use and to train other farmers.

Coopers Uganda is working with its suppliers, local distributors, district veterinary officers and the farmers in order to increase its market share. The cost to the company in 2003 was between 20 and 30 million Uganda Shillings. The benefits to the company cannot be directly correlated with the costs incurred, but indicators show that in areas where these business services are offered there is increased purchasing of

amongst development agencies, that providing business services both enhances business performance and creates new business opportunities. This was to enhance the perception that the provision of business services should be seen as a profitable investment.

The existence of these services is also of interest to donors, as assistance provided commercially is sustainable outside donor intervention and follows good business practices. While donor supported interventions will have their impact, it is felt that these existing business practices and the available capacities within the private sector are not fully recognised and appreciated.

2 Range of Businesses Offering Business Services

It is not fully researched how widespread the provision of business services is in other sectors, but it is clear that, within the agro-enterprise sector, such services are offered by many companies, irrespective of their size¹.

The businesses cited in the Money Monitor articles were: mushroom growers, dealers in agricultural produce, tea and coffee factories using out-growers, organic fruit and vegetable producers, agricultural chemical suppliers, agricultural equipment suppliers, bee-keepers, animal feed suppliers, seed and agricultural products suppliers, abattoirs, and grain and vanilla processors and exporters. These businesses were also of different sizes ranging from those with 50 or more employees, (Mukwano Tea). To those with less than five employees, such as S.K Farm Supply. Some of the businesses are based in Kampala, others in upcountry locations.

3 Types of Business Services Offered by Enterprises

The articles highlighted a wide range of business services that private enterprises offer to different businesses within the supply chain. The types of business services have been separated into: those offered to their customers, those offered to their suppliers, and finally those that agricultural produce buyers, processors and exporters offer to their out-growers (farmers). Out growers are in effect a supplier group, but examples of services being offered to them, indicated frequently that this group was looked at separately.

3.1 Business Services Offered to Business Customers

The range of services offered by companies to their customers that are businesses, whether these businesses were the final end users of the product or reseller businesses, included training, demonstrations, technical advice, delivery and installation of equipment, discount and credit. The text box below provides some examples that were highlighted in the articles.

¹ The objective of BSMD is to assist the poor, who are predominantly in the rural areas. Much of the commerce in these areas is based around agriculture; therefore most of the BSMD's work is within the agro-sector. The focus of the articles written by the Money Monitor was to provide information on business services available within this same sector.

Examples of business services offered to customers

- Establishing distributor shops and training staff. For example Coopers Uganda and Quality Chemicals have trained veterinary drug supply stores to give advice to customers.
- Companies setting up demonstration plots to train customers in good growing techniques. For example FICA and Victoria seed distributors have established plots to show to farmers of how to plant, space, fertilise and weed new crop varieties.
- Offering training and technical advice to clients. In one case, New SK Farm Supplies, the business owner attended training provided by her supplier in order to give farmers better advice.
- Offering a free delivery and installation service on purchased goods. For example Agricol Boutique sells, delivers and repairs agricultural engines and mills, and also trains operators how to use and repair the machinery.
- Training farmers in better farming techniques. For example Quality Chemicals and Kagodo Farmers who sell livestock products, train farmers by providing manuals and through workshops and the radio. Training covers topics such as; disease and pest control, nutrition, processing animal products, marketing, record keeping, basic management practices and investment.
- Developing, importing and selling unique varieties of seeds to enable customers to reach export markets, improve quality and increase product diversification.
- Suppliers offering bulk purchase discounts or goods on credit to regular customers. For example Nosaba Slaughter House gives butchers discounts for large meat purchases.

3.2 Business Services Offered to Suppliers

Many commercial enterprises have seen the commercial benefits of developing good, long-term relationships with their suppliers. Services that these companies offer included training, marketing, product development, technology transfer, transport and reliable payment facilities. The text box below contains some interesting examples.

Examples of business services offered to suppliers

- Training suppliers in new product development and offering access to markets. For example Mycolex, a mushroom export business, provides advice to mushroom growers, sells farmers spore and operates a buy back scheme, to increase the amount of mushrooms for export.
- Training suppliers in new technology, scientific farming methods and providing product knowledge and business skills. For instance Alpha Dairy trains farmers to modernise their farming methods, and provides low cost vet services at local dairies so as to obtain increased milk supplies.
- Supplying farmers with improved seed varieties for purchase, establishing local distribution points for seeds, herbicides and fertilisers and setting up demonstration farms. For example Sukura Produce Dealers train farmers, facilitates access to improved seeds and fertilisers and has demo plots, so that farmers are able to increase crop production.
- Providing local markets. For example Alpha Dairy has set up dairies near milk suppliers and developed new products, thereby providing farmers with an increased local market for milk.
- Providing suppliers with product feedback from the end users. For example feedback from farmers is given by FICA seeds to agricultural research institutes to assist with product development and provide information on farmers' needs.
- After purchasing goods, some enterprises, such as Britania Allied Industries, Alpha Dairies and Nosaba Abattoir, offer transport of goods to the factory.

3.3 Business Services Offered to Out-growers (Produce Suppliers)

Several of the articles about agricultural product processors and exporters used out-growers to increase their supply of goods. This group of produce suppliers differs from the group mentioned above as this category supplies the major product that processors and exporters require. There is thus a need for a stronger and more long-term relationship, since to a large extent, exporters and processors depend on these produce suppliers. Many buyers, representing enterprises of all sizes, recognised the importance of offering business services to their produce suppliers in order to ensure long term product supply and secure consistent product quality and quantity. Services offered to these out-growers included training and advisory services, supply of inputs, equipment and credit. Specific examples are stated in the text box below.

Examples of business services offered to out-growers

- Training in improved farming techniques such as the use of fertilisers, farm rehabilitation and better drying and storage techniques, through the use of demonstration plots and extension workers, e.g. Ibero coffee exporters.
- Provision of, or access to, high yield seeds, or improved clones, e.g. Roka Ale commodity dealers, and Mukwano Tea.
- Providing seeds on credit and product buy back schemes, as well as providing fertilisers. This is being offered again by Roka Ale and Mukwano Tea.
- Mukwano Tea arranges the transport of green leaves from the out-growers and has set up local processing factories.
- Tropical Farm Management links coffee farmers to the export market and in order to get good quality coffee they provide training to the farmers.
- Providing equipment, to improve the product quality. For example Ibero provides out-growers with tree drying trays to prevent product contamination.
- Farmer mobilization, training and consultancy services are provided through extension workers, manuals and radio, to raise awareness of new market opportunities and to teach methods of growing new crops, e.g. Taimex vanilla beans.

4 Reasons Given for Offering Business Services

The underlying reason for offering business services, given by the commercial enterprises interviewed was to increase their share of the market. The businesses therefore, on the one hand see the provision of services as a marketing strategy to enhance their business relationship with existing clients so that they keep coming back and to attract new customers. On the other hand, by securing the quality and quantity of the needed supply, processing and trading businesses are able to offer more reliable services to their customers. This enhances trustworthiness which opens new business opportunities for them. The specific reasons mentioned in the articles are developing export markets, improve quality and quantity and to attract new customers, among others. The text box contains more examples.

Reasons for offering business services

- To develop an export market for goods that can be grown locally, e.g. mushrooms.
- To improve the product quality and quantity.
- To encourage customers to buy their products, and therefore increase demand.
- To encourage product diversification and therefore develop a wider market for selling goods.
- To secure their customers, their suppliers and their market, and thereby sustain their business.
- To ensure long term supply of goods.
- To increase the price that can be obtained for the products.

5 Donor Interventions

In several of the articles published, donors were involved in the provision of the business services. These donor interventions often tend to focus on formal ways of providing support to small enterprises included training, extension services, credit and even grants. In the text box some examples are given.

Examples of donor interventions

- Loan and training provided to develop a mushroom training course within a mushroom growing and exporting company, in order to increase local mushroom production. The training is still provided in a rather formal manner and often with financial support from different donors.
- A bank set up by the government and donors, is training bee-keepers to whom they are leasing equipment, in order to secure repayment.
- A donor funded company promoting organic produce assists farmers to grow crops correctly so as to ensure the organic certification is attained. The company also engages in crop and market research, provides growers contacts with buyers and provides marketing and selling assistance.
- Donor assistance to a commercial enterprise buying pawpaws from farmers, to provided training in order to secure a new market for locally produced goods.
- Radio training, funded by donors, provides farmers with information and training in local languages, and provides feedback of new research to farmers in order to implement commercially focused projects for agricultural development.

6 Conclusion

These articles clearly show that business services are frequently provided, without donor assistance, by commercial businesses in order to secure markets, increase sales, improve profitability or secure supply. Beneficiaries of these services are often small enterprise owners or small holder farmers, who are predominantly in the agricultural sector, the majority of whom are the rural poor. The articles further show the importance of these services, the role they play in strengthening and encouraging enterprise, and the clear benefits for both formal and informal enterprises.

Development agencies are providing similar services. For example a highly donor supported bank leasing beehives and providing training to bee keepers

while a coffee exporter provides tree drying rack and training to coffee growers; a highly subsidised organisation assisting farmers to grow and market organic crops while export companies provide organic certification, training and extension services and

Agricol Boutique is a small, privately owned enterprise, which has been operating for 10 years. Agricol provides engines and mills for processing agricultural produce. Agricol supply stores have been opened in several other towns, within East Africa. As business turnover has increased, Agricol have offered more business services to their customers, as good service, customer care and long term customer relationships, are the reasons behind the business's growth. Machines are delivered and installed free to customers anywhere within Uganda, and servicing and basic training in operating and repairing the machines are also offered. The company trains its own staff engineers, to carry out repair work, to install machines and to train the machine operators. Good relations are maintained with these employees, despite many of them moving on to better paid jobs once they have been trained. Agricol is providing an opportunity for these employees to acquire skills, and when they, inevitably, move on to better paid jobs as trained machine engineers, they return to Agricol to buy machines and spares, thereby increasing sales.

Agricol is working as a supplier, offering business services to increase its market share. The costs incurred in the provision of the business services offered to its customers, free transport, servicing, and training in machine operating, and the costs of training their own engineers who usually leave after they are qualified, were minimal compared to the increased sales they generated.

markets to farmers; a 100% financed programme is providing training through radio while this is also being done by several commercial companies. This poses the question whether donor funded support activities are in competition with the private sector?

The donor community needs to recognise the extent to which business services are being initiated, financed and driven by the private sector, and design their interventions in a way that does not discourage or create unfair competition for those already offering the services. By subsidising business services, donors may easily discourage enterprises to invest in service provision. This will eventually result in less business being supported in sustainable manner. These articles therefore highlight the fact that without careful assessment before intervening in a weak but developing business services market, donor interventions can actually prolong the development of a business service market that fits within the capacity and conditions of the private sector in Uganda.

Thoughtful interventions need to answer some of the following questions: If there is capacity within the commercial sector to provide services what is the role of donors? If the private sector is already offering some of these services, how can donors encourage other companies to offer the services, rather than providing them themselves? How can these services be improved both in quality and outreach? How can other private sector companies be encouraged to see business service provision as an investment in customer or supplier loyalty, so as to encourage other businesses to support customers and clients? How can professional institutions e.g. training colleges, research institutes, and those in trade promotion support the development of commercially viable, private sector-driven business service markets?

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