Using Market Research Tools to Commercialise Business Services in Sri Lanka

Report on Activities
Carried out in Phase 1 of a Mission to Sri Lanka

Prepared for the Sri Lanka German CEFE Programme
PN: 93.2273.6-01.100

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July 2001
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1. Introduction

The Sri Lanka German CEFE Programme (SLGCP) has been implemented since 1995. The project, being implemented by Integration GmBH on behalf of GTZ, now has 13 public, private and semi-private Participating Organisations (POs) delivering various CEFE training products. The market for CEFE products, and other similar products, has been the institutional market. Various government departments, development authorities, donors/projects, financial institutions and non-governmental organisations have been the main clients of such programmes. Participant fees have usually made only a small contribution (5% to 15%) to the cost of programmes.

One of the main objectives of the project in Phase III of the project is “market and product development”. This means supporting POs in marketing and promoting CEFE to the individual market segment. This has also been mentioned in the Project Progress Review (PPR) of SLGCP carried out in April 2000.

“SLGCP should encourage POs, individually or jointly, to develop diversified marketing strategies for the institutional market (national institutions, other GTZ projects, other donors) as well as the new, largely untapped, private market, and provide assistance as and when required, e.g. through “best practice examples”, and very practical guidelines, checklist;”

As such the Project is now interested in the individual market for business services in general and the market for management training products in particular. To gain a preliminary understanding of the market for the services mentioned above, it is necessary to look at it in the context of the consumption of a whole range of business services by various consumer segments. For this purpose SLGCP is planning to conduct a Usage, Attitude and Image (UAI) Survey. This survey will allow the project:

1. To make a reasonable estimate of private sector consumption of BDS in general and specific business services in the past year.
2. To describe the current awareness, reach and retention levels of various business services
3. To describe the main customer segments for BDS in general and specific business services
4. To describe various customer segments’ use of BDS in the past year and consumers’ reasons for using or not using specific business services
5. To describe the basic trends in the consumption of BDS over the past 3 years as well as the expected direction of future consumption in the next year
6. To describe the main factors in the choice of supplier
7. To compare consumption patterns (mentioned in points 1 to 6 above) of the private sector in general with CEFE trainees

Similar surveys have been carried out in Nepal (1999) and (2001), Pakistan (2000) and Bangladesh (2000). The UAI survey results are then enhanced by findings of Focus Group Discussions (FGDs) that are conducted for selected services.
2. The Mission

The Project required technical advice on:
- Briefing the Project team on the market assessment process
- Designing the survey
- Finalising the questionnaire
- Analysing the results
- Making recommendations on the Focus Group Discussions and
- Formulating a project strategy and offer to tap the individual market

This consultant was contracted by SLGCP to provide the above services. During discussions between the project team and the consultant, it was agreed that the consultant would be required to be in Sri Lanka in two phases. The first phase would entail design related advice (Annex 1: Terms of Reference) and the second phase would include analysis of the data and formulating a strategy for the project (Annex 2: Terms of Reference). This report refers to phase 1 of this mission (Annex 3: Schedule of the mission) and (Annex 6: List of People Met).

3. Deliverables

Introductory meetings were held with the GTZ Advisor and the Project Team. It was decided that two sets of deliverables were expected from the consultant. The first included those related to the design of the survey. They included:
- Briefing the Project team on the process,
- Preparing the Terms of Reference for the research,
- Designing the questionnaire and
- Advising on the selection of the market research firm to carry out the survey.

The second set was related to interacting with the POs. In particular it included:
- Conducting a half day workshop on the BDS approach, the Nepal market survey and the strategy and offer of the Nepal project and
- Meeting various POs to assess their attitudes and capabilities to address the private sector market.

4. The Survey

The project team was fully conversant with the latest concepts and discussions in the field of BDS. It seems that the team had also managed to convince other projects and stakeholders of the importance of market research. One innovative aspect of the planned Sri Lanka study was that there was a lot of “buy-in” from related projects. Consequently, various actors also wanted to use the opportunity to get information useful for them, and also to contribute to the cost of the study.
The Enterprise Information Project (EIP) is interested to see if “business or market information/intelligence” is seen as a distinct product by the business sector, and if so, what does the market for that service look like.

The Enterprise Service Systems Promotion (ESSP) Project is interested in having a picture of the BDS market for its area of operation - Kandy - only.

The Rural Banking Innovations Project (RBIP) is eager to use the substantial sample base of the survey (approximately 800 respondents) to ask 5 questions related to rural finance.

The SLGCP also had a secondary objective. It wants to use the questionnaire on a small sample (approximately 50) of their ex-trainees. The idea would then be to compare consumption patterns of ex-CEFE trainees and other businesses.

While the recent interest in market research is to be welcomed, considerable energy had to be spent to reconcile different information needs. At first there appeared to be an over estimation of what a UAI survey could deliver. However, upon explanation of the process and the limitations of the tools, all stakeholders understood the instrument and agreed to take part in the survey.

4.1 Briefing the Project Team on the approach

The mission started off by briefing the project team on the approach and process of market assessment. There was also a discussion on which tools to use, when and for which purpose. It was agreed that the overall UAI would be used first to get an overall impression, or snapshot, of the market for business services. Once this information is at hand a number of Focus Group Discussions (FGDs) would then be conducted for specific services. These would most probably be concentrated on, but not restricted to, the areas of training and consultancy. It is envisaged that the project will then work on market diversification strategies, either through product or market development, to promote CEFE products in Sri Lanka. The suppliers then could use tools like the Product Concept and Price Sensitivity Test to ensure the marketability of their services.

4.2 Preparing the TORs

The basis for discussion on the detailed TORs for the Sri Lanka study was a similar document prepared for the Nepal study. The discussions mainly centred on:

- **The services to be covered in the UAI survey**: Efforts were made to look at services and describe them from a customer or business point of view. The list of 18 services finalized included 6 training services, 6 consultancy services and 6 contracted out services.

- **The locations to be covered**: This also required a great deal of discussion. The key factors in deciding upon the locations were economic growth rates and prospects, past
project experience, the presence of POs and political reasons (including Tamil Trincomalee) among others. 10 districts were chosen for the UAI survey.

- The sectors to be covered: It was decided that the Manufacturing (including processing and mining), Trade, Services and Commercial agriculture would be the 4 sectors to be included in the survey.

- The scale of enterprises: The project team made efforts to use a criterion to define micro, small and medium that was widely accepted and used. However, there were no uniform definitions. The Sri Lanka Standards Institution (SLSI), the National Development Bank (NDB), the Industrial Development Board (IDB), the Ministry of Industry and the National Chamber of Industries all have differing definitions. In light of the above it was decided to use the employment criteria for scale. Therefore enterprises with up to 5 full or part-time employees including the owner were defined as “micro”, those with 6 to 20 employees as “small” and those with 21 to 100 employees as “medium”. It was decided to leave out large enterprises.

The intensive discussions resulted in a final TOR, which is in Annex 4.

4.3 Designing the Questionnaire

A questionnaire was designed based on the detailed TOR for the market research firm developed jointly with the project team (Annex 5). This instrument has the following sections:

- Awareness, knowledge and trial of services
- Usage and purchase of services
- Supplier information including satisfaction levels
- Expenditure on services
- Reasons for non-purchase
- Valuation of services
- Personal characteristics
- Use of financial services (separate)

4.4 Advise on selecting the Market Research Firm

The project had written to 6 market research firms on 13 June if they would be interested in carrying out such a survey. When the deadline expired on 22 June only 2 firms had expressed interest. They were Key Research & Information Limited (KRIL) and Market Behaviour Lanka (MBL). Both of these firms were invited to present their offers and also discuss issues relating to the survey methodology. They were also given copies of the TOR and questionnaire prepared by the project team. They were then required to fulfill the following tasks and present this in a revised proposal.

- Provide suggestions/comment on the geographical areas selected
- Provide suggestions/comment on the business services selected
Sampling methodology and sample size for micro, small and medium enterprises in the selected locations
Extrapolation methodology and techniques
Sampling methodology, market segmentation and sample size for ex-trainees of CEFE programmes
Number of enumerators (their qualifications, language proficiency), supervisors and other professionals required
The firms presence outside the main cities (Colombo, Kandy)
Time required
Cost estimate for the survey

Based on the quality of the presentation by the market research firms, KRIL was chosen to conduct the survey.

5. Interaction with Participating Organisations

5.1 Presentation & Workshop

The project organized a one-day workshop on “Studying the Market for BDS – Market Development for BDS and CEFE-type training products” on 26 June 2001 (Annex 7). The participants in the workshop were a) Participating Organisations of the SLGCP, b) related GTZ and other projects and c) representatives of the market research firms bidding for the survey.

The consultant made two presentations in the morning session on:
- From service provision to building markets – An introduction to the BDS discussion
- Studying the market for BDS and product development strategies of PSP – the Nepal experience

The discussions were lively and informative. Dr. Chris Reichert and Mr. Gamini Herath conducted the sessions in the afternoon. The card and chart method was used to discuss the following issues:

- What does the BDS approach mean for Sri Lanka? a) What do you feel about it?; b) Is it applicable?; and c) is it relevant?

This was a plenary discussion where a majority of participants felt positive about it and thought that it is relevant for Sri Lanka. However, donor distortions and political considerations were identified as possible obstacles for the applicability of this approach. The next questions were:

- Please identify potential target market segments for CEFE type products in Sri Lanka?
Please identify potential CEFE type products to be sold to entrepreneurs?

These questions were discussed in 4 groups and the results were presented in the plenary. Although a broad range of potential target markets were identified, most of them remained in the sphere of institutional markets. For example CEFE products for the unemployed, for the war displaced, war injured and war widows. A large number of products were also identified but here also the legacy of traditional supply led products remained. The CEFE marketing and finance packages can be taken as an example.

The conclusion of the workshop was that the POs still had some way to go in terms of product and market development for the individual market.

5.2 Interaction with POs

A series of meetings with SLGCP POs was initially planned. It was later felt that the workshop provided enough time in the formal and informal sessions to get to know these organizations and their views on the BDS approach in general and the market survey in particular. Instead a list of potential suppliers in the project environment who would be interested in product development was drawn up. The organizations are:

- Sri Lanka Business Development Centre (SLBDC)
- National Institute for Business Management (NIBM)
- Management Consultancy Consortium (MCC)
- Ratnapura Chamber
- Kandy Chamber
- Industrial Service Bureau (ISB)
- SEEDS

These organizations will be contacted during Phase II of this mission in October 2001.

6. Conclusions & Recommendations

The basic groundwork for conducting the UAI Study in 10 districts of Sri Lanka has been completed. The Terms of Reference for the research firm and the questionnaire have been prepared and handed over to Key Research. The next step is a pre-test of the questionnaire. The following recommendations are made in connection with this step in the process:

- There may be a need to further reduce the number of services to be covered in the survey. Past experience suggests that 10-12 services are most appropriate otherwise the survey takes too long. A choice before the project team is to merge the sections on training and consultancy to end up with 12 services. It could also decide to reduce a few in each of the categories mentioned above.
Redundant questions should be minimised. Q22 and 23 could be in this category.

Tighter definitions/descriptions of services are required. It would make the administration of the questionnaire easier and provide better quality data. A sample definition for “Business and Market Information/Intelligence” is that it “includes business contacts, general business information, statistics, potential trends and business opportunities, business mapping and subscriptions to trade related journals/publications”

The sample size and methodology should be thoroughly reviewed. Especially keeping in mind to secondary objectives of the survey for the ESSP Project and ex-CEFE Trainees.

There is a need to define “Commercial Agriculture” more tightly.

After the pre-test the data could be run through SPSS to see if it fulfils the information needs of the project.

There is a need for the project team and the market research firm to work very closely, especially during the pre-test. The decision of the project to appoint Ms. Verni Vijayrajah as coordinator of the process is appropriate.
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