

Guide to Market Assessment for BDS Program Design

A FIT Manual

By Alexandra Overy Miehlsbradt

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Acronyms

BDS	Business Development Services
FGD	Focus Group Discussion
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation)
ICT	Information and Communication Technology
ILO	International Labour Organization
MSE	Micro and Small Enterprise
PCO	Public Calling Office
SE	Small Enterprise
UAI	Usage, Attitude, Image (Market Study)
USAID	United States Agency for International Development

Definitions

These terms are defined as used in this guide. As different terms are still being used in the BDS field, these definitions may or may not reflect how the terms are used in other BDS publications.

Benefits (of a service): What a consumer gets out of a service, for example assistance in making transactions faster, a way to save time, contacts with new customers, prestige or a feeling of competence.

Business Development Services: Any service used by an enterprise to assist in business functioning or growth.

Consumer: A potential or actual user of a service. In many cases in the guide, this refers to the population of SEs or some segment thereof.

Consumer Research: Tools designed to get information about a market directly from consumers. There are both quantitative and qualitative consumer research tools.

Customer: An entrepreneur or enterprise that has either purchased a service or acquired it through another type of commercial transaction.

Demand: The extent to which consumers want to purchase a service.

Embedded Services: Services that are acquired as part of another commercial transaction, for example when a technology supplier provides training to his/her customers as part of the purchase of the technology.

Facilitator: An international or local institution which has as its primary aim to promote the development of local BDS markets. Currently, most BDS facilitators are public institutions, NGOs or project offices of donors, usually funded by governments or donors.*

Features (of a service): The attributes or characteristics of a service that ensure a consumer get benefits from a service and that create customer satisfaction, for example the length of a training course, the friendliness of attendants at a telecommunications center or the speed in responding to a request for consulting services.

Manager: The person within a donor or facilitator who will make the design decisions for a BDS market development program.

Market: The interaction of demand and supply for a particular business development service. A market includes consumers, suppliers, transactions and factors that affect these.

Market Opportunity: A situation in a market that shows potential for increasing the number of transactions in the market, for example unmet demand for services from a particular consumer segment.

Market Weakness or Problem: A situation in a market that is suppressing the number of transactions in the market, for example a lack of products with the benefits and features that consumers want.

* From the Committee of Donor Agencies for Small Enterprise Development, "Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention" 2001 Edition.

Marketing Research Firm: A company that conducts research on markets in order to help their customers understand various markets, expand their sales or – typically in this guide – design a BDS market development program.

Multi Service Study: A market assessment focused on a variety of business development services.

Researcher: The person within a donor, facilitator or supplier who is managing a market assessment study.

Single Service Study: A market assessment focused on a single business development service or a small set of related services.

Small Enterprises (SEs): Micro, small and medium scale enterprises. These size categories are usually defined by the number of employees or by assets but these definitions vary by country, institution and objective. No precise definition is adopted here.

Supplier: Any firm, institution or individual that provides business services directly to SEs. In this guide, the term includes private sector firms, public or donor funded institutions, business associations, government agencies, etc. In other BDS publications, the term, “provider,” is sometimes used.

Supply: The availability of services in a market.

Transaction: The exchange between a customer and a supplier of a service.

I. Introduction to the Guide

Over the last several years, the business development services (BDS) field has experienced a major shift in strategy. There is now a great deal of support for the idea that developing markets for business services is the best way to enable a large proportion of small enterprises (SEs) to obtain the business services they need and want.¹

Evidence to date shows that private sector markets already exist for a variety of business services in many of the areas where BDS programs work². There is also a wide variety of donor and government supported programs which provide services to SEs. There was broad consensus at the last Committee of Donor Agencies for Small Enterprise Development conference, in Hanoi (April, 2000), that donors and facilitators should conduct a market assessment before designing a BDS market development program or when redesigning an old program. The thinking is that it is critical to understand the existing market before intervening. Firstly, an understanding will help donors avoid distorting existing markets and possibly lessening outreach to SEs. Secondly, it will help programs to take advantage of market opportunities to extend outreach and improve the quality of services for SEs.

Despite the consensus that market assessment is important, many donors and facilitators admit that they are not sure how to conduct an assessment and how to use the results for program design. This guide aims to fill that gap. The guide will help donors,

facilitators and, to a lesser extent, suppliers conduct practical and valid market assessments that will be useful to them in designing BDS market development programs.

There is still relatively little experience on market assessment for BDS program design. However, the guide aims to bring together the BDS field's best knowledge, experience and recommendations in market assessment to date. It is meant to give donors and facilitators who now want to pursue BDS market development programs practical advice on how to conduct a market assessment. The hope is that the guide will help donors and facilitators conduct useful market assessments leading to sound market development programs, both as an end in itself and to contribute to the knowledge of the BDS field in this area. The guide will be revised as more experience is gained in the field.

This guide is meant primarily for managers in donor agencies and facilitating organizations that are planning to design a BDS market development program. It will also be useful to organizations supplying BDS that are interested in using market assessment to increase their sales, expand their outreach and improve their services.

Three examples are used throughout the guide to illustrate the concepts and tools discussed: the International Labour Organization (ILO) assessments of BDS markets in Indonesia, Ghana, Cambodia and Thailand, the GTZ assessment of BDS markets in Nepal and USAID's study of information and

¹ For more on market development, see the papers from the Committee of Donor Agencies for Small Enterprise Development International Conference in Hanoi, April 2000. Website: www.ilo.org/employment/sedonors

² For example, see Gavin Anderson "The Hidden MSE Service Sector – Research Into Commercial BDS provision to Micro and Small Enterprises in Vietnam and Thailand" Donor Committee Conference in Hanoi, 2000. Website: www.ilo.org/employment/sedonors

communication services in the Philippines. These three examples are briefly described below to introduce the reader to the goals and context of the studies.

ILO BDS Market Assessments

Starting in October 2000, the International Labour Organization initiated assessments of the BDS markets in four countries: Indonesia, Ghana, Cambodia and Thailand. The objectives of the studies are:

- To identify opportunities for BDS development interventions.
- To establish a baseline for the BDS development activities.
- To test the methodology of utilizing market assessment as a first step in initiating BDS market development.

In each of these countries, the ILO plans to start a program to develop several BDS markets for SEs. Each of the studies started with a survey of SE consumers with sample sizes from 300 to 500. The surveys investigated SEs' awareness, understanding, usage and opinions about a wide range of business services, such as telecommunications, training, various types of marketing assistance, courier and transport, information in the media and financial management services. From the surveys, the ILO aims to get a basic understanding of the demand for SEs, a picture of supply from the consumer perspective and some indications about opportunities for market expansion. These studies are supplemented by interviews with BDS suppliers and informal research on BDS markets. At the time of writing, the surveys have been completed and data analysis is on going. This version of the guide uses available examples from these studies. A later version will fully incorporate the findings of the ILO market assessments and program designs.

GTZ Assessment of the BDS Market in Nepal

In 1999, GTZ conducted an assessment of BDS markets in Nepal in order to design a program to develop several BDS markets. The ultimate goal of the program is to stimulate the growth of the private sector in Nepal. The formal assessment started with a consumer survey of 504 enterprises in Nepal regarding their knowledge, use and perceptions of 13 types of business services. The background research for the survey came from talking with business associations, GTZ's extensive experience in enterprise development in Nepal and the pre-test of the survey itself. The survey was followed by 15 focus group discussions on the nine services in which GTZ was most interested after seeing the results of the survey. Finally, GTZ conducted supplier diagnostics by visiting and interviewing a range of BDS suppliers. The assessment did not focus only on SEs, but instead on all types of enterprises in Nepal. However, the vast majority of the enterprises included in the study were small as this is the nature of business in Nepal.³

USAID Study of Information and Communications Services in the Philippines

In 1998, USAID, under the Microenterprise Best Practices Project managed by Development Alternatives Inc., conducted a study of information and communication technology (ICT) services for micro and small enterprises (MSEs) in the Philippines. The aim of the study was to determine if ICT services were useful to a broad range of MSEs and how these services could be delivered on a wide scale. The study focused on the existing market for ICT services through three case studies: Bayantel Public Calling Offices (PCOs), the Laguna Small and Medium Enterprise Service Center and a regional study of cellphone use. A consumer survey was conducted for each of the case studies and a detailed diagnostic conducted on each supplier. While this study was not originally designed as a market assessment per

³ For more information on this study, see Jim Tomecko, "The Application of Market Led Tools in the Design of BDS Interventions" from the Committee of Donor Agencies for Small Enterprise Development International Conference in Hanoi, April 2000. Website: www.ilo.org/employment/sedonors or contact GTZ in Nepal.

se, the tools used yielded a good picture of the market, its problems and opportunities.⁴

Description of the Guide

The guide first addresses the reasons for market assessment, the information that an assessment can and cannot provide and the information an assessment aims to gather. The guide concentrates on the practicalities of conducting a market assessment and using the information for program design. Examples are included in each section to help the reader see how the concepts in each section have been applied. Each section of the guide is briefly described below.

Introduction to the Guide: This section briefly describes why the BDS field is now interested in market assessment and the aims of the guide. This section also includes brief descriptions of the studies that are used as examples throughout the guide.

Why Conduct a Market Assessment?: This section addresses why market assessment is important for BDS programs and outlines the goal of market assessment.

What Information Can a Market Assessment Provide?: This section provides an overview of how market assessment information can be used for program design. It discusses what information a market assessment can generate to help a program manager choose the service markets on which to focus and design market development interventions.

What are the Limitations of Market Assessment?: This section discusses what information a market assessment can not provide and the limitations of current market assessment methodologies. It provides some suggestions for ways to handle these limitations.

What Parts of a Market can be Assessed?: This section describes the components of a market. It details on which components market assessment focuses.

What Information is needed in a Market Assessment?: This section describes the information that a market assessment aims to gather. It details the key questions that a market assessment should answer about various components of the market.

How Can this Information be Gathered?: This section discusses the sources of information for a market assessment. It lists various tools for gathering market assessment information from these sources and describes on which tools the guide focuses.

Conducting Consumer Research: This section describes how to use two consumer research tools for market assessment: the Usage Attitude Image market study and Focus Group Discussions. It discusses the objectives and study design for each of these tools.

Conducting Supplier Diagnostics: This section describes what information is needed from suppliers in a market assessment and how that information can be gathered.

What are the Challenges in Information Gathering?: This section describes some of the difficulties in information gathering faced by organizations that have conducted market assessment to date. It discusses strategies for overcoming these difficulties.

How Can Market Research Data be Analyzed?: Market assessment data is not useful for program design until it is effectively analyzed. This section details tools for analyzing data from consumer research and supplier diagnostics for two purposes: understanding a single BDS market and comparing various BDS markets. It shows how to answer the key questions of market assessment using market research data.

How can Market Analysis be used for Program Design?: This section describes how to use the information from a market assessment to design a market development program. It shows how the key points from the market analysis can be used to help make two key program decisions: which service market(s) to focus on and what interventions to use to develop the chosen service market(s).

What are Ways to Keep Market Assessment Cost Effective?: This section describes the costs for market assessment with examples from USAID and the ILO. It discusses ways to keep the costs of market assessment to a minimum.

⁴ For more information on this study see Alexandra O. Miehlebradt and Ron Chua, "Series of Papers on Information and Communication Technology Services for Micro and Small Enterprises in the Philippines" Development Alternatives Inc., under the USAID Microenterprise Best Practices Project. Website: www.mip.org

II. Why Conduct a Market Assessment?

Understanding the BDS market in which a program operates is important for all programs for two key reasons (See Figure 1):

- BDS markets are the context for all BDS programs, because programs offer services to SEs which, most likely, other suppliers are also offering. In order to get the most out of programs, it is important to understand the BDS market context in which they operate.
- BDS programs affect the markets in which they operate because they are

acting as a competitor in the market place. It is important to understand the market to avoid harming those existing systems that benefit SEs.

So, even if the explicit goal of a program is not to develop BDS markets, it is helpful to gain a basic understanding of the BDS market through a market assessment.

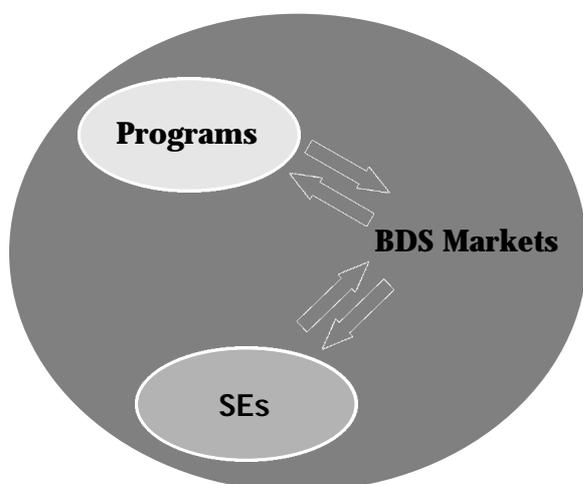
This understanding is even more critical when the aim of the program is to develop the BDS market. Most BDS market development programs aim to do one or both of the following:

- address problems in the market which are limiting SEs' acquisition of the BDS they want.
- exploit market opportunities for improving SEs access and use of the BDS they want.

An understanding of the market enables a BDS program manager to pinpoint market problems and opportunities.

The goal of a BDS market assessment conducted for the purpose of program design is to identify problems and opportunities in the market which could be addressed by the program for the benefit of SEs.

Figure 1: Markets are the context for all BDS Programs and all SEs



Example from GTZ of Market Assessment Objectives

Program Design Decisions

- What service markets should GTZ focus on?
- What consumer segments should GTZ target?
- Who should GTZ work with?
- What interventions should GTZ use to stimulate BDS markets?

Information Needed

- What services do enterprises demand?
- What types of enterprises demand which services?
- Where is there unmet demand for services?
- What is the capacity of suppliers?
- What problems are constraining various BDS markets that GTZ could address?

III. What information can a market assessment provide?

The goal of BDS market development program design is to identify interventions or strategies by which the program can address priority market problems and opportunities. A BDS market assessment can provide information on

- what problems exist in a market, who do they affect and how severe are they, and
- what are possible opportunities in a market for serving SEs.

For example, some of the market problems that an assessment can identify are as follows:

- consumers are not aware of or do not understand services,
- consumers do not value the benefits of the service,
- consumers are risk averse and so do not want to try a new service,
- free services are suppressing consumers willingness to pay for services,
- there are no appropriate services for some consumer segments,
- some consumer segments, such as women or microenterprises, do not have access to services,
- services are poor quality,
- services do not have the features that consumers want,
- suppliers lack the skills they need to offer quality services,
- suppliers are not good at marketing their services,
- suppliers are not skilled in managing their businesses,
- suppliers do not see the value in serving some consumer segments,
- suppliers are reluctant to compete with subsidized services,
- suppliers do not have appropriate payment or financing mechanisms,

- suppliers are not able to innovate new products that consumers demand.

Many of these problems point to an opportunity. For example, if services do not have the features that consumers want, improving service features will attract more customers. If suppliers are not able to innovate new products that consumers demand, there is an opportunity for new product development. A market assessment can also identify other market opportunities, for example a benefit that consumers are getting from services but suppliers are not using in their marketing. This presents an opportunity to attract more SEs to the service by advertising the benefit. There may be a market segment that suppliers are not serving but that has considerable potential demand for services.

Once these problems and opportunities are identified, a program manager can then decide which of them is a priority for the program based on:

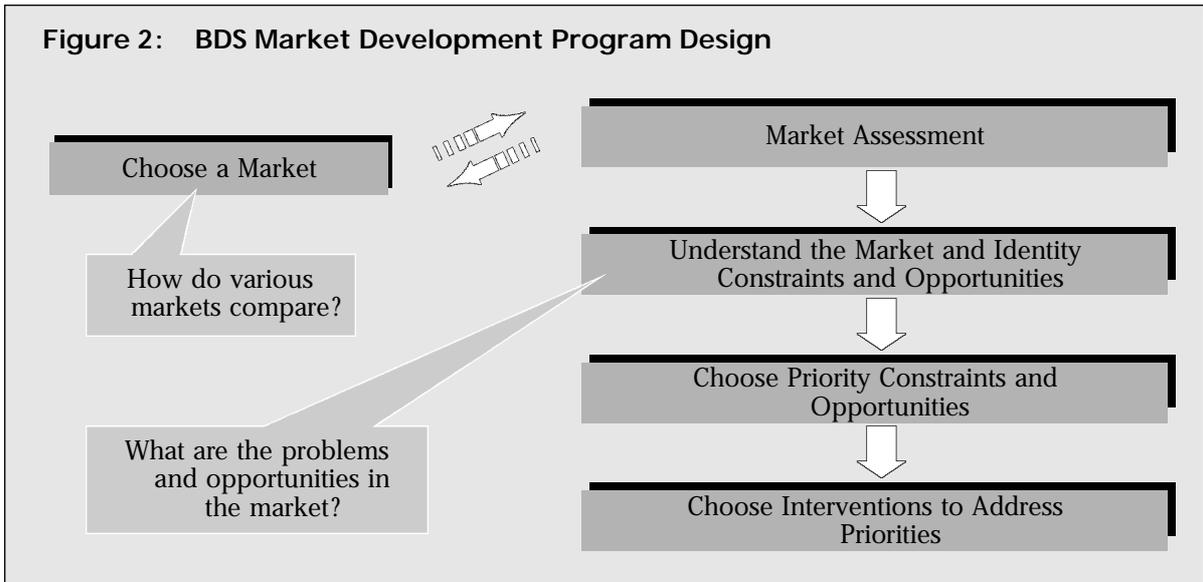
- which problems are most severely constraining SEs' access and use of the BDS they want or which opportunity has the most potential for benefiting SEs and
- which problems or opportunities does the implementing organization have the capacity to address.

Then a program manager can design strategies to target those particular market problems or opportunities. (See Figure 2)⁵

Choosing a Market

Because markets for different business services are often very different, with their own particular problems and opportunities, most BDS market development programs choose to focus only on one or a few services. That

⁵ Adapted from the Springfield Centre BDS 2000 Training Course, module by Marshall A. Bear and Alexandra Miehlebradt.



way they can gain a good understanding of each of those markets and design effective programs. But how do managers decide on which BDS markets to focus? Market assessment can also provide some comparative data on different BDS markets to help a manager choose on which service markets to focus.

Most program managers will have a range of criteria for choosing which business services to promote. The list might include the donor or implementing organization's historical focus or area of expertise or an interest in serving a particular target group, such as women, or subsector, such as garment producers. Another important criteria is: can the program make a difference in a particular BDS market? Market assessment can provide comparative information on the demand for and supply of services in different markets. An analysis of this information can provide an estimate of the relative effectiveness of various BDS markets in general or for particular consumer segments. The program manager can use this information to help make a choice of BDS markets on which to focus.

Intervening in markets that are weak but where some transactions are taking place is likely to provide the quickest return on investment. Intervening in markets that are extremely weak where there are few or no transactions is difficult and a long time

frame is needed. An organization will probably need more interventions and the growth in the market will be slower than in a slightly more developed market. Intervening in markets that are already working effectively risks distorting the market more than developing it.⁶ Evidence to date shows that there is considerable variety in the level of effectiveness of different markets, but that completely non-existent markets are rare.

Despite this thinking, some programs are also having success with introducing completely new types of services. While it initially appears that there are no transactions in these markets, an innovation meets the needs of SEs that were not interested in services before. While the time frame for reaching a high level of demand for completely new services is generally longer than improving and adapting existing services for the SE market, it may have the potential to reach SEs that would otherwise not demand services.

Another important criteria is to intervene in a market where the implementing organization has the capacity to effectively address the particular problems and opportunities. Some organizations will be better at stimulating demand for services; other might be better at helping start up new suppliers. Matching the capacity of the organization to the market problems and opportunities provides more chance of success.

⁶ Gibson A., Hitchins R., Bear M., "BDS Market Development: A Guide for Agencies." Draft, December 2000. Forthcoming from the USAID Microenterprise Best Practices Project managed by Development Alternatives Inc. Website: www.mip.org

IV. What are the limitations of market assessment?

While market assessment is very helpful for program design, it is not an infallible recipe that, when followed, provides all the information needed to develop a BDS market. In the information analysis and program design process, there is still considerable need for creativity, intuition and determination to succeed, just as in the private sector.

The key limitation of market assessment is that it provides a picture of the current and past market and some indications of trends in the market. It does not show what will happen in the future. Therefore, the information from a market assessment must be combined with an entrepreneur's eye to the future to determine the best ways to expand and develop a market. This is particularly true for new and very innovative services that do not resemble anything currently being purchased and sold. It is difficult for consumers to provide an opinion of these types of services because they can not envision how the services will help them. On the supply side, often a different business model than currently exists is needed to develop and sell very innovative services so a picture of current supply may not provide the needed information. Market research can be particularly unreliable in helping managers predict the future demand for innovative services. In fact, a conventional analysis of the potential of these products might lead managers away from developing them because they appear less promising than adaptations of current products.

The private sector has found that a focus on the development of innovations is an important complement to a more conventional strategy of improving products based on customer feedback and standard market research. This is particularly important for the low-end market where current suppliers

Example from the ILO of Service Innovation

FIT Zimbabwe is a private business focused on developing the business services market for small enterprises. The firm was started partly with assistance from the ILO. In 1998, FIT Zimbabwe started a business magazine called "Business Connect" aimed at the small business market. The magazine has a circulation of 10,000 in and around Harare and is profitable based on advertising revenues from both large and small businesses. Business Connect has sold advertisements to more than 320 small enterprises in Harare in its first 22 months and has done US\$28,388 in business to date. The idea for Business Connect originated from looking at similar publications in developed countries, market tests of selling small business briefs in Kenya and brief market surveys of small and large businesses in Zimbabwe indicating the demand for advertising space and links to each other. However, there was no similar magazine in existence and the private sector rejected the idea because other efforts in the past had failed. The main reason for failure was that the magazines were sold for a subscription fee, while Business Connect is distributed for free and paid for solely out of advertising revenues. By using a different business model, FIT Zimbabwe was able to start a new service for SEs that is both profitable and helpful for SEs.

Source: Shorebank Advisory Services: BDS Research in Market Access and Workforce Development Services for Small Businesses, "Profile of FIT Zimbabwe: Business Connect Magazine", Draft March, 2001.

may not focus and where consumers have limited knowledge about products. For example, large and successful steam shovel manufacturers were initially not interested in producing hydraulic backhoes because these smaller cheaper machines could not accomplish the large jobs that customers typically purchased steam shovels for. However, after the backhoe was developed, it became clear that it was a useful and cheaper alternative for smaller jobs. Eventually the sales of the hydraulic backhoe replaced sales of steam shovels for small jobs. This example illustrates that focusing

solely on current consumers' opinion may obscure the potential for radical innovations in business services. Market assessment must co-exist with strategies to test innovative services in market development.⁷

Market assessment also has particular limitations in the following areas:

Very Weak Markets: Quantitative market assessment methodologies, such as a survey of SE consumers, may not be very useful if the markets for BDS are very weak. The problem is that much of the data from a survey in a very weak market will not be statistically significant. Even with a relatively large sample size (400+), the number of purchasers in a very weak market may be so low that most of the data analyzing service use is not significant. In extremely weak markets, the number of SEs that are aware of many services is even too low for further analysis. A more useful approach to market assessment in very weak markets may be qualitative methods such as focus group discussions or one on one interviews with SEs. While these methods will not yield statistically significant data, they can provide a feel for the current market and some clues about how a market might be developed.

Example from the ILO in Cambodia of Market Assessment in a Very Weak Market

The ILO conducted a quantitative analysis of the market for a wide variety of BDS in Cambodia through a survey of SEs. For some services, the survey was useful. For example, awareness of fixed line telephone services, product transport and advertising were all above 80%. Usage of these services and calling centers was high enough to permit useful analysis. However, the markets for many other services were so weak that much of the quantitative data was not useful. For example, awareness of management training services among SEs is only 6%; awareness of accountancy services is only 3% and awareness of courier services is only 8%. The usage of these services is too low to permit any analysis of usage patterns. While the survey provided the ILO with some information about the knowledge of services and the use of a few services, it did not provide a good picture of use and demand for many services. In order to help choose which services to promote and what interventions to pursue, the ILO plans to use qualitative research methods and test marketing of services.

Embedded Services: Current methodologies for market assessment have been taken from private sector marketing research. These methods were developed to assess formal sector markets in which transactions are the traditional fee-for-service variety. Adaptation of the methodologies for the development community have helped make them more appropriate for the partly formal, partly informal markets that are common for BDS for SEs. However, this adaptation needs to go further. In particular, the methodologies need to be better suited to capturing embedded services, where an SE acquires a business service in the course of another commercial transaction.

Those organizations that are pursuing BDS market development say that test marketing and trial and error are still needed in program design and implementation. Test marketing is often also an invaluable part of learning what new products and services the SE market will bear. Flexibility and openness to changing strategies that are not working are also an essential part of adapting a market development strategy to changing market conditions. Market assessment is an important and useful tool but it does not eliminate risks in program design and implementation. Rather, it increases the potential for impact while at the same time increasing the need for creativity and innovation in program design and implementation.

⁷ Christensen, Clayton M. *The Innovator's Dilemma*, Harvard Business School Pr., 1997 offers a thorough analysis of this problem as well as strategies for systematically addressing it in product development.

V. What parts of a market can be assessed?

A market is generally defined by the following characteristics:

- a geographical boundary such as a country, region or municipality;
- a consumer group such as all enterprises, all SEs, women-owned enterprises or garment manufacturers;
- a service or group of services such as telecommunications, training or marketing assistance.

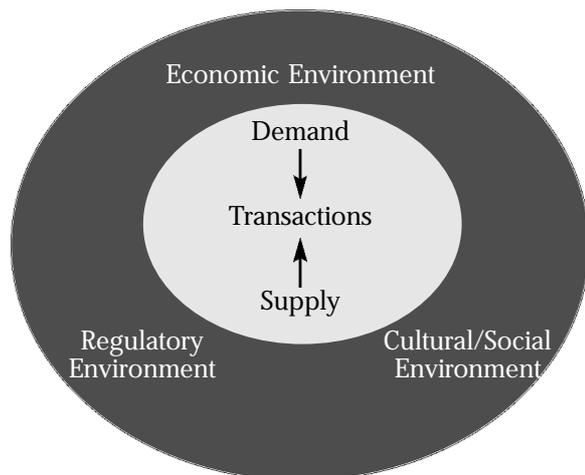
The heart of a market is demand from SEs, supply from BDS suppliers and transactions between the two. But a market is also affected by its environment: the regulatory environment, the economic environment, and the cultural and social environment. (See Figure 3) To date, market assessments have focused on the heart of the market: demand, supply and transactions. This is not because the environment is not important but because practitioners feel that addressing problems and opportunities at the heart of the market is more focused. A more focused project is more likely to succeed in the limited context of a program. The rest of this guide will focus on assessment of demand, supply and transactions.

Within demand, a variety of factors can be examined, for example:

- SEs' awareness of services
- SEs' understanding of services
- SEs' reasons for trying or not trying a service
- SEs' reasons for their choice of supplier
- which market segments (e.g. women, men, microenterprises, service enterprises etc.) are or are not acquiring services

Within supply, some of the factors about which an assessment can provide information are:

Figure 3: Parts of a Market



- SEs' satisfaction with services as a proxy for quality
- a comparison of suppliers as judged by SE customers
- types of suppliers in the market
- locations of suppliers
- how customers learn about suppliers which points to suppliers' marketing channels
- suppliers' roles in product development, awareness raising and gathering customer feedback and how well they are performing them

Within transactions, a market assessment can provide information on:

- the size of the market in terms of number of SEs buying or acquiring services
- the size of the market in terms of the monetary value of transactions
- market penetration: the percent of SEs that have purchased or acquired services
- SEs' trial of services for the first time
- SEs' purchase or acquisition habits (amount spent, frequency of use etc.)
- trends in SEs' purchase or acquisition of services

TIP: Although, an assessment may not focus on the environment in which the market operates, a reasonable understanding of this environment is important for putting the results of the assessment in context. The more the researcher is familiar with the economic, regulatory and cultural environment of the country, the easier it will be to accurately interpret the assessment data.

A comparison of these factors for different markets can help a program manager choose in which markets to intervene. An analysis of these factors for a single market will point to the types of problems and opportunities that a program can address in order to strengthen the market.

VI. What information is needed in a market assessment?

In order to understand one or several markets, a variety of information about demand, supply and transactions is needed. (See Figure 4⁸) At the most basic level, it is important to know who is offering business services, who is acquiring business services and the characteristics of the transactions between the suppliers and buyers (type of transaction, frequency, price etc.). Beyond this, it is important to learn what consumers know about business services, what they are looking for in business services and what they feel they are getting. It is important to find out what types of suppliers are providing services and the capacity of these suppliers. Lastly, it is important to discover alternative ways that SEs get business services other than from suppliers, for example from friends, colleagues or within their own businesses.

The following is a list of important questions that a market assessment should address.

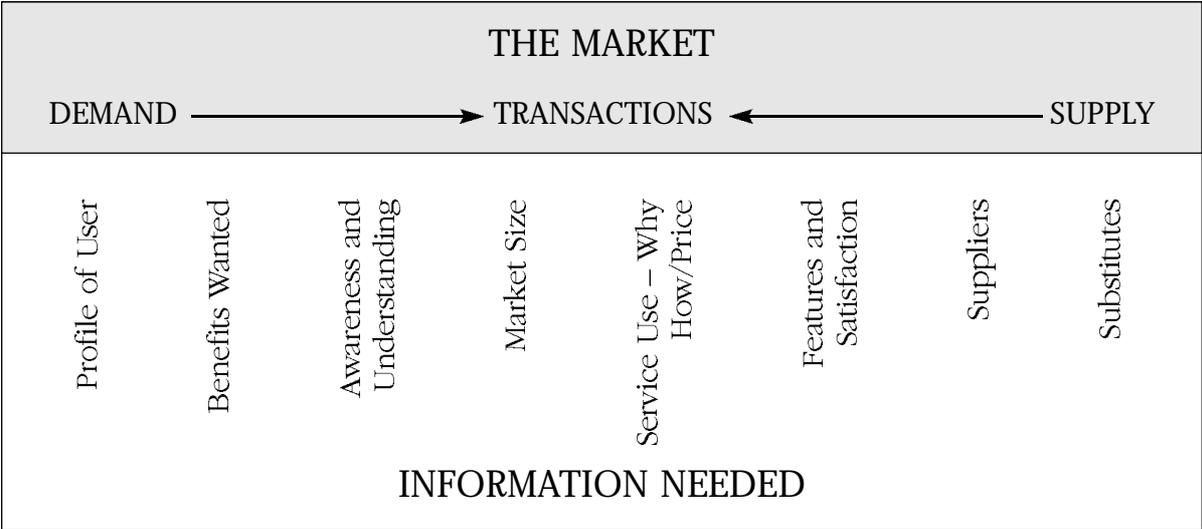
Demand:

- What types of SEs are using which services? What types are not?
- What benefits are SEs looking for from services?
- How aware are SEs about services? Do they understand the benefits of services?

Transactions:

- How big is the market? What percent of SEs have tried a particular service?
- Why do SEs use the services? Why not?
- What percent of SEs acquire services through fee-for-service transactions, services embedded in other commercial transactions, services paid for by a commercial third party and free services?
- How are the services delivered? How do SEs want services to be delivered?
- What are the service features that SEs want? How satisfied are SEs with the currently available supply?
- What prices are SEs paying for services?

Figure 4: Information Needed from a Market Assessment



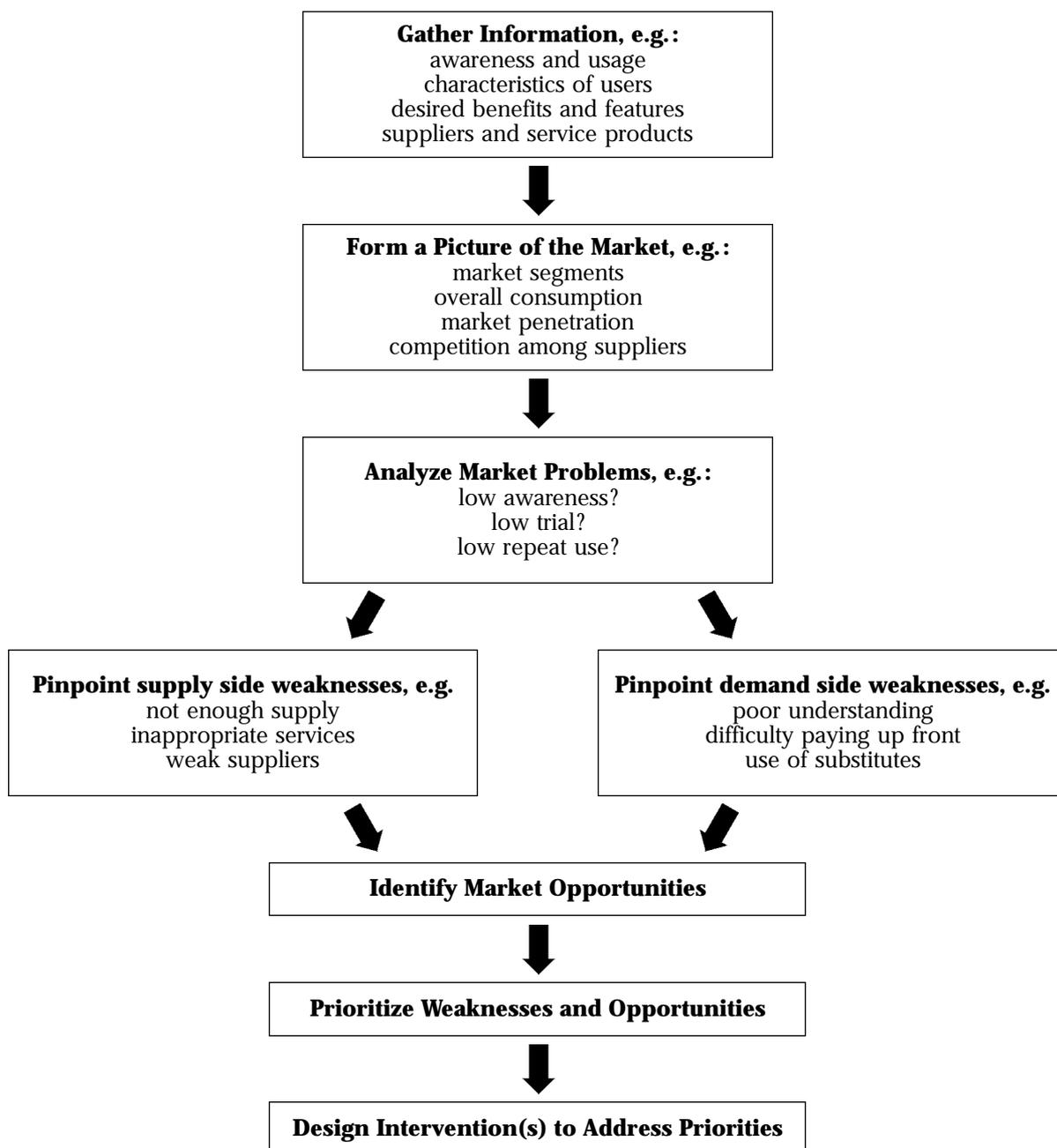
⁸ Adapted from Springfield Centre BDS 2000 Training Course, module by Marshall A. Bear and Alexandra Miehlsbradt.

Supply:⁹

- What types of suppliers exist?
- What range of products is available?
- What are the strengths and weaknesses of current suppliers?
- What substitutes for BDS do SEs use?

A basic analysis of this information will enable a researcher to compare the effectiveness of one market to another. A more in-depth analysis of this information for a single market will enable the researcher to identify problems and opportunities in the market. Figure 5 shows the process for a market assessment and program design.¹⁰

Figure 5: Overview of Market Assessment Process



⁹ Alexandra Miehlabradt and Mary McVay, "Emerging Good Practices in Business Development Services BDS Seminar Reader" for the First Annual BDS Seminar in Turin, Italy, September, 2000 sponsored by the International Labour Organization. Website: www.ilo.org/employment/bdsturin

¹⁰ Adapted from Gibson A., Hitchins R., Bear M., "BDS Market Development: A Guide for Agencies." Draft, December 2000. Forthcoming from the USAID Microenterprise Best Practices Project managed by Development Alternatives Inc. Website: www.mip.org

VII. How can this information be gathered?

There are a variety of sources for the information as well as tools to get it. Information can come from:

- consumers (SEs),
- suppliers,
- business associations (of either consumers or suppliers),
- government agencies, or
- key informants.

Tools in Use for Market Assessment

- Consumer Marketing Research
- Supplier Diagnostics
- Key Informant Interviews
- SE Surveys
- Subsector Analysis
- Market Testing

The most important source is consumers – the SEs – because only by seeing services through their eyes can practitioners promote services that they want. The next section is devoted to using consumer research in market assessment. A closer look at suppliers through supplier diagnostics is often an important compliment to consumer research. It enables the researcher to understand more about the strengths and weaknesses of current suppliers, what roles they are undertaking in the product development and marketing processes and how well they are performing those roles. These two tools are the ones that have been used most often in formal market assessments to date and are the focus of this guide.¹¹

Key informant interviews are often an important first step to using the more formal

market assessment tools. Key informants that can be helpful include the following:¹²

- business service industry experts
- leading service firms
- government officials responsible for the service industry
- government officials responsible for SE promotion
- donors involved in SE promotion
- key input suppliers or marketers of SE products
- industry associations that include many SEs.

Particularly if a researcher is not familiar with a country context, key informant interviews are an invaluable way to get a preliminary understanding of the status and issues in BDS markets for SEs.

Example from GTZ Nepal on Information Collection for Market Assessment

GTZ had three parts to their market assessment.

1. They started with a quantitative survey of enterprises about their awareness, usage and opinions on a variety of BDS. The background research for the survey was done by talking to business associations and also relied on GTZ's considerable experience in SE promotion in Nepal. The pre-test of the survey was also used to hone the questionnaire.
2. Based on the results of the survey, GTZ conducted focus group discussions with promising consumer segments on those services they thought had potential for intervention.
3. Lastly, GTZ conducted informal interviews with a variety of suppliers to get their ideas on different service markets and also their reaction to GTZ's preliminary program design ideas.

¹¹ For more information on the tools not covered here, see Mary McVay and Alexandra Miehlsbradt, "Emerging Good Practices in Business Development Services BDS Seminar Reader" for the First Annual BDS Seminar in Turin, Italy, September, 2000 sponsored by the International Labour Organization. Website: www.ilo.org/employment/bdsturin

¹² This list is partially from Dorothy Riddle, Service Growth Consultants, "Summary of Methods Used to Assess Business Services Markets in Developing Countries," unpublished paper, June, 2000.

VIII. Conducting Consumer Research

Formal market assessments to date have adapted commercial marketing research tools to the needs of BDS market assessment. These tools are designed to get accurate and useful information from consumers in order to expand the sales of suppliers. They yield specific information on what SEs demand, how satisfied they are with currently available services and how to improve the supply of services.

TIP: Creativity in how questions are asked can help to lessen the limitations of market assessment. For example, asking where SEs get the benefits of a service is more useful for understanding informal service markets and embedded services than asking where SEs get a service. Asking SEs who are their most important business links may yield more information about service substitutes, particularly in weak markets, than asking what SEs use instead of a particular service. These kinds of questions are particularly appropriate for qualitative research.

Consumer research uses a variety of techniques to get information directly from consumers. Both quantitative tools and qualitative tools are available. Quantitative tools offer statistically significant – and therefore reasonably accurate – data on the market. Quantitative tools are best for providing a picture of reality in the market. Qualitative tools offer more depth of information, which is often easier to interpret and apply to market development and/or increasing suppliers' sales. However, qualitative information is not statistically significant and therefore might not yield an accurate picture of the whole market. Qualitative information is most useful for gaining a depth of understanding about issues in the market. Qualitative information can help a researcher understand why the market looks as it does and interpret the trends in the market.

The following two marketing research tools have been used to help choose BDS services and design market development interventions.

- **Usage, Attitude, Image (UAI) Market Study.** A UAI is a consumer research tool that generates a broad, quantitative overview of a market and can pinpoint specific market constraints and opportunities. It was designed to look at the market for a single service but has been adapted also to function as a tool to compare a variety of services and understand BDS markets in general. The UAI gathers information through a survey of consumers – either SEs in general or a specific consumer segment or group. By using random sampling, the UAI generates a statistically significant picture of the market. UAI surveys require skills in marketing research and statistical analysis but a reasonably small sample of 100-500 can yield accurate data on an entire market.
- **Focus Group Discussion (FGD).** FGDs are targeted discussions with groups of consumers managed by a facilitator. Discussions with service users focus on consumers' experiences with the services, their reasons for using them, their satisfaction with them, and what they want changed. Discussions with non-users focus on how they get the benefits of the service elsewhere, why they don't use the service, what would make them buy the service and what service features they would want. FGDs are a qualitative tool that yields specific ideas for marketing and improving services. FGDs require specific skills in order to obtain objective information, but are quite easy and affordable to conduct.¹³

¹³ Alexandra Miehlsbradt and Mary McVay, "Emerging Good Practices in Business Development Services BDS Seminar Reader" for the First Annual BDS Seminar in Turin, Italy, September, 2000 sponsored by the International Labour Organization. Website: www.ilo.org/employment/bdsturin

The sections below describe how to use each of these tools.

A. Usage, Attitude, Image Market Study

An adapted version of the UAI market study can be used either to study the markets for a variety of services or the market for a single service. The objectives for each are slightly different, as is the questionnaire. However, many of the other aspects of the two surveys are similar. Below the objectives of each are discussed, followed by a general discussion on the UAI survey design and questionnaire.

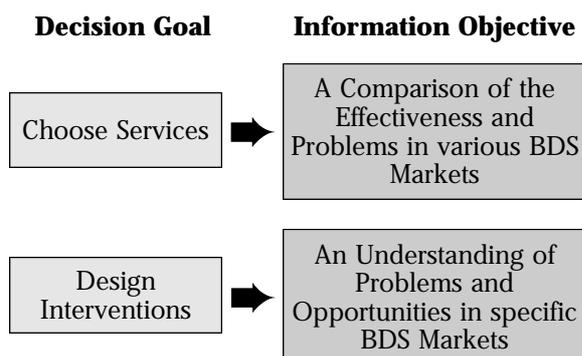
1. Multi-service Market Survey

Very often, a program manager starts the program design process without having decided on which BDS to focus. In this case, the program manager wants an understanding of the markets for many BDS. This information will help the manager decide on which services to focus. But because most programs do not have the time and resources to conduct two consumer surveys during the program design process, the manager also wants the survey to yield information that will help him/her design market development interventions for specific BDS markets.

Therefore, a multi-service BDS market survey usually has two goals:

- To help a program manager choose on which BDS to focus.
- To help a program manager design market development interventions for one or several BDS markets.

To achieve these goals, the survey has two information objectives



The challenge for a multi-service market survey is to balance these two objectives. The first objective suggests that the survey cover a wide variety of BDS. To achieve the second objective, the survey should gather as much depth of information on each service as possible. However, getting the desired breadth and depth would make the questionnaire too long, so compromises must be made on each. Often additional depth of information can be added to the assessment through another tool, such as FGDs and/or supplier diagnostics.

Example from the ILO in Thailand of Market Assessment Objectives

The ILO's objectives for their market assessment in Thailand were as follows:

- To establish the current usage, including awareness, reach and retention of business services among SEs in Thailand.
- To identify specific demand for services that is not being fulfilled by existing service provision in Thailand.
- To highlight business opportunities for commercial service provision to SEs in Thailand.

Example from GTZ Nepal of Market Assessment Objectives

GTZ's information objectives for the consumer survey were as follows:

1. To make a reasonable estimate of private sector consumption of BDS in general and specific business services in the last year.
2. To describe current awareness, reach and retention of various business services.
3. To describe the main customer segments for BDS in general and specific business services.
4. To describe various consumer segments' use of BDS in the past year and consumers' reasons for not using specific services.
5. To describe 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.

Services to Investigate

The first decision in a multi-service survey is which services to study. A range of ten to twelve services appears to work well – giving sufficient breadth without making the survey too long. The services should be chosen based on what seems important to small business people in the country as well as what services the organization might be able to promote.

Example from the ILO of Services Studied

The ILO studied the following business services in Cambodia:

- Telecommunications
- Courier
- Money Transfer
- Product Transport and Delivery
- Advertising
- Information through Print, Radio and TV
- Internet Access
- Trade Fairs and Product Exhibitions
- Training (Management and Technical)
- Financial and Taxation Advice
- Accountancy and Bookkeeping
- Links to New Customers
- Sales on Commission Basis
- Business Tours

Other services to consider are:

- Computer Services
- Legal Services
- Counseling/Advisory Services
- Secretarial Services
- Research
- Marketing and Sales Support
- Storage and Warehousing
- Design Services
- Equipment Leasing and Rental
- Packaging

Rather than limiting the study to preconceived ideas about which services are popular, it is helpful to do some advance research to determine the list of services. For example, GTZ talked to business associations in order to develop a list of services for their market assessment survey. Another option is to have informal conversations with business people about what services they get and want.

2. Single-Service Market Survey

A single-service market survey is appropriate for an organization that has already chosen the service on which to focus and is ready to design market development interventions. A single-service market study can actually focus on several services, but no more than 3-4, particularly if they are related. The main difference between this study and the multi-service study is that more depth of information on the market for each service can be gathered. This information may be sufficient to design market

development interventions without the need for additional research.

Therefore, the goal of a single-service survey is:

- to gather sufficient information about a market in order to design appropriate market development interventions.

With this goal, the key information objective is:

- to understand the nature and magnitude of market weaknesses and opportunities in a specific BDS market.

Specific objectives for a single-service survey might be:

- To understand current awareness and knowledge about the service.
- To understand current purchase and usage habits as well as trends within these.
- To gauge customers satisfaction with the service and reasons for use.
- To understand non-buyers reasons for not purchasing the service.
- To gain information on the differences among consumer segments on the above.

Information Needed Before Starting a UAI Survey

It is important in any UAI survey, but particularly in a single service survey, to define the service as the consumer does. A good understanding of what consumers see as the key benefits and features of a service will lead to a good questionnaire. In addition, if the researcher has a basic idea of the different ways the service is acquired, s/he will be able to write a better questionnaire with more specific questions.

While a lot of this information will come from the survey itself, there are a number of methods which can be used to gather information about consumers views prior to writing the survey questionnaire:

- customer feedback to suppliers,
- focus group discussion conducted prior to the UAI,
- informal conversations with entrepreneurs that have used the service,
- key informant interviews,
- the pre-test of the UAI questionnaire itself.

Example from the Philippines of Defining a Service from the Consumer Perspective

The study of information and communications services in the Philippines found that consumers see very different benefits in these two services.

Supplier is selling...

Communications



Consumer is buying...

Facilitate transactions
Save time and money
Get quick answers

Information Services



Identify new markets
Identify new inputs
Aid in business growth

A useful exercise is to write a description of the service benefits and features from the consumer perspective prior to writing the questionnaire.

A Service Description of Email (from the Philippines ICT Study)

Email allows you to send a message to another person through a computer. You provide your written message to an attendant who types it into the computer and sends it. The message appears on the computer of the person you want to send it to very quickly - within a minute or two. You can also receive messages this way. The person you want to communicate with must have access to a computer because email can only be sent via computers. This is a very quick and convenient way to send a message. It's cheaper than a long distance phone call or fax and the price does not depend on distance.

- type of SE targeted (either all SEs or only those SEs that belong to a particular group, for example a specific subsector, women only, or micro enterprises only)

A reasonable estimate of the total number of SE consumers in the market will aid with the analysis of the survey data. If the market is very small, it may be possible to actually count the number of SEs in the market. Alternatively, a household survey can be conducted to reasonably and accurately estimate the SE population. However, if these options are not possible, the researcher will need to use secondary data and/or key informants to estimate the market size. Possible sources of data might be:

- government data on registered enterprises or census data
- donor or institution supported surveys of enterprises (particularly useful if they include the informal sector)
- key informant suppliers (either suppliers of BDS or of materials SEs purchase)
- key informants in government or donor organizations

3. UAI Survey Design

The survey design elaborates what the survey will cover and how it will proceed. In addition to the study goals and objectives and a list of the services to be studied, the following describe the components of the survey design.

Components of the UAI Survey Design

- Goals and Objectives
- List of Services to Study
- Market and Survey Population
- Consumer Segments to Study
- Sampling Methodology
- Data Tables
- Data Analysis

Consumer Segments

Not all SEs want and acquire the same services in the same ways. One important component of market assessment is understanding how different consumer segments behave differently. The questionnaire will include questions about the respondents and their businesses, which will enable the researcher to divide the respondents into consumer segments and analyze their behavior separately. The segments will be

Market and Survey Population

The definition of a market includes:

- a geographical boundary (town, province, country)

defined by the characteristics asked in the questionnaire. These should be characteristics that make a difference in the way business people look at and acquire business services. For example, in many cultures women and men access services differently and often want different service features. Similarly, micro enterprises and small enterprises behave and want different things from services; trading enterprises and manufacturing enterprises behave and want different things from services.

A Sampling of Segmentation Characteristics:

- Type of business
- Size of business by number of employees
- Size of business by sales
- Age of business
- Gender of owner
- Single/Joint/Family ownership
- Age of owner
- Education level of owner
- Basis of competition (price, quality etc.)

way to get a random sample is to first divide up the geographical market into units (usually administrative units like villages, municipalities etc. is easiest.). Then geographical units are selected randomly where interviews will be conducted. A random place and direction inside each unit is chosen for the interviewer to start. Then the interviewer goes building to building and interviews each qualified SE that s/he finds.¹⁴ Any sampling technique is valid as long as it ensures that respondents are chosen randomly from the survey population.

TIP: In addition to choosing respondents, it is important to outline the practical methods for finding and reaching them. The ILO found considerable challenges in reaching informal, rural businesses because most marketing research firms are not familiar or comfortable with this consumer group. The logistics of reaching these groups is also a challenge. In some cultures, reaching women is a challenge. For example, in some cultures, female interviewers are needed to interview women entrepreneurs and male interviewers for men entrepreneurs.

Sampling Methodology

The sampling methodology includes who is an eligible respondent, how will respondents be chosen and how big will the sample size be.

Respondent Eligibility: An eligible respondent owns and/or manages and SE. In order to determine if the business is an SE, a workable definition for SE needs to be developed. A definition based on less sensitive information, such as the number of employees is better than one that depends on more sensitive information, such as sales or profits. Because the questionnaire asks about businesses' purchasing decisions, it is important that respondents are the owners or managers of the businesses – otherwise answers are likely to be inaccurate.

Choosing Respondents: In order for the survey to be valid, respondents must be chosen at random from the survey population. Ideally, the survey respondents would be chosen randomly from a list of all SEs in the survey population. However, most programs will not be able to get or make a list of all SEs in the survey population. Another

Sample Size: If a good estimate of the total size of the survey population is available, the required sample size can be calculated using statistical methods based on a desired accuracy level. However, many private sector-marketing researchers use a rule of thumb: a random, unstratified, sample size of 100. For a population over 10,000, this sample size will yield a 95% confidence level and a margin of error of +/- 10%, assuming that the maximum data variability is 0.25. This is a level of accuracy that many firms in the private sector find acceptable. However, it is also important to consider the effectiveness of the markets to be studied and the consumer segments on which the researcher wants information. Those conducting BDS market assessments are finding that if the market is weak, a sample size of 100 will not be large enough for much of the data on usage to be statistically significant. Therefore, the weaker the market, the larger the sample size needed to get statistically significant data on usage. Otherwise, data on some consumer segments will not be statistically significant. A larger sample size is needed to capture more information on a variety of consumer segments.

¹⁴ Alexandra Overy Miehlsbradt "Outreach and Market Development Survey Guide" under the USAID Microenterprise Best Practices Project – Field Research on the Performance Measurement Framework, managed by Development Alternatives Inc. and the Small Enterprise Education and Promotion Network, November, 2000. Website: www.mip.org

Stratification: In many cases, a researcher may want to stratify the sample, in other words purposefully include a certain number of SEs from a specific group such as a specific subsector or size of SE. Stratifying the sample enables the researcher to ensure that a statistically significant sample is gathered from specific groups of SEs, which might not happen if a purely random sample of SEs is surveyed. This is particularly important if the program aims to reach a specific group of SEs such as micro enterprises or a growing subsector. The researcher may include any number of consumer segments in the survey. However, stratifying the sample means that the total sample size will need to be larger because the number of SEs in each group surveyed must be statistically significant – in other words must be enough to give a reasonably accurate representation of the whole population of that group. If the number of SEs chosen from each group is proportional to the number from that group in the overall SE population, then the sample will still represent the overall SE population. Otherwise, the researcher will have to adjust the figures in the data analysis in order to represent the overall SE population.

GTZ Stratified its Sample Using the Following Groups:

- Industry (micro, small, medium and large)
- Retail – Fast moving consumer goods
- Retail – Durable goods
- Wholesalers
- Travel Agents
- Hotels

Data Tables

The study design includes a list of the actual data tables that will result from the survey. Making the list enables the researcher to ensure that s/he has not left anything important out. It can also be used to check the questionnaire to make sure that all of the information needed can be gathered using the questionnaire. See Appendix A for a sample of a data table list. The list of data tables makes it clear to those conducting the survey what is expected as a result.

Data Analysis

The study design includes a discussion of the analysis that will be conducted on the data from the survey. It outlines the specific

questions that the researcher wants answered about the market. This can be used to check the list of data tables to ensure that all the needed tables will be generated. It is also a good tool for discussion among researchers to make sure that everyone is clear on what information the survey will gather. See Appendix A for an example of a quantitative study design from GTZ Nepal.

4. Survey Questionnaire

The questions in the survey flow from the information that is needed. A model questionnaire showing the information objective, data tables and sample questions, and a sample questionnaire from the ILO in Indonesia are included in Appendix A. As a rule, the questions in a UAI follow the flow below:

- Screening Questions
- Awareness and Knowledge of the Service(s)
- Acquisition of the Service(s) – how, from whom
- Purchasing Behavior – price, amount, frequency etc.
- Perceptions of Use – reasons for purchase or non-purchase, satisfaction etc.
- Personal Data used for consumer segmentation

In a single-service UAI, the section on perceptions of use will be significantly longer and more detailed than in a multi-service survey. For a single service study, this section will elaborate consumers' feelings of importance and satisfaction with specific features of the service and service suppliers. Features of both service and service supplier can be included together, as a consumer generally does not differentiate

A Sample of Service Features:

- delivering the service at the time promised
- delivering precisely what is promised
- providing error-free service
- rapid response to the initial request for service
- consistency of service provision
- customizing the service to the customer's needs
- convenient office hours
- friendly and helpful staff

Source: Dorothy Riddle, "Summary of Methods Used to Assess Business Services Markets in Developing Countries." Unpublished, June, 2000.

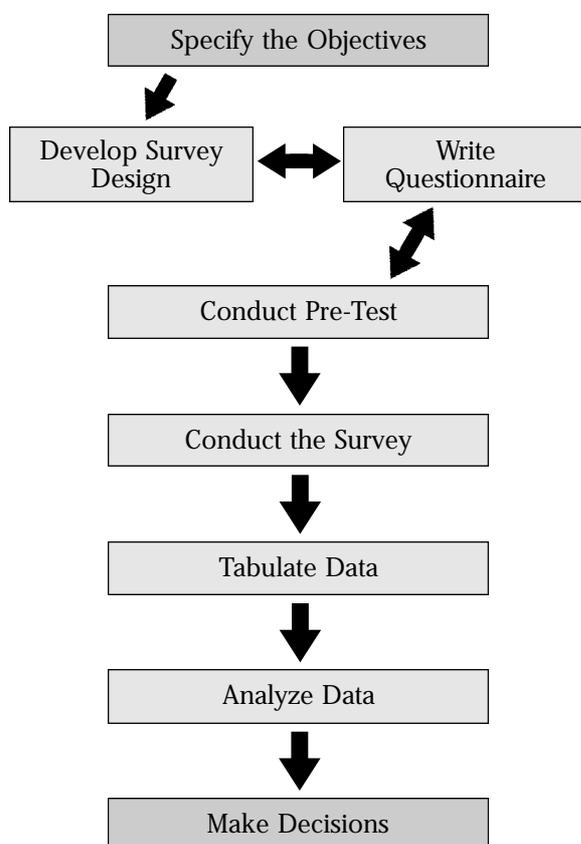
between the two. In a multi-service study, this section will be more brief and general.

Multi-service studies may also include subjective comparisons of different services. For example, a questionnaire may ask a respondent to identify which business services are important to him/her. Because this information is less factual than other information in the questionnaire, it should be examined in the context of other data. However, it can be useful in helping a program manager decide the services on which to focus.

5. Conducting the Survey

Figure 6 shows the flow of a UAI survey.

Figure 6: Flow of a UAI Survey



The objectives specify what decisions the program manager wants to make. The analysis of the data should provide the manager with the information s/he needs to make the decisions.

While the development of the survey design follows directly from the objectives, it some-

times must be revised based on the realities of a questionnaire. When writing the questionnaire the researcher may discover that some of the information s/he wants can not be gathered using a survey questionnaire format. Or s/he may find that the questionnaire is too long and the amount of information to be gathered must be reduced. This process repeats itself when the pre-test is conducted. The pre-test will show the researcher if the information s/he wants to gather can be gathered in a survey format. The design and questionnaire are often not finalized until after the pre-test is conducted.¹⁵

Data tabulation can be conducted using any relevant software package. Several organizations have found that SPSS is functional and sufficient. It is useful if the program manager is familiar with the software so that s/he can do additional analysis of the data beyond what a survey firm or other researcher provides.

B. Focus Group Discussions

Focus group discussions (FGDs) are a facilitated discussion among a group of similar consumers about one or several services. They are a good compliment to a UAI survey in a market assessment. Although the information obtained from FGDs is not necessarily representative of all consumers, it tends to be richer and more specific than survey data. The data is easy to interpret and very useful to suppliers in improving their services. FGDs also often generate ideas for new or slightly different services.

1. Goals and Objectives

In market assessments to date, FGDs have been used after a multi-service UAI in order to deepen the researcher's understanding of the market. In this case, the goal is to help the program manager add specific details to a market development plan, such as how the program will help suppliers to improve products or how the program will help increase demand for services. The information objectives in this case are:

¹⁵ For more information on conducting surveys in general, see Casley, D.J. and Lury, D.A., *Data Collection in Developing Countries*, Clarendon Press, Oxford 1981; and Roberto, Eduardo L. *User-Friendly Marketing Research*, Life Cycle Press (Asia), Manila, 1996.

- To understand the reasons for the responses in the UAI survey.
- To get more specific information about how consumers view the service(s).
- To get specific ideas on how to improve service products and increase demand.

Focus group discussions can also be useful before a single-service UAI in order to gain enough information to develop a good survey questionnaire. In this case the goal is to help the researcher formulate appropriate and specific questions about the service for the UAI survey. The information objectives are:

- To understand how consumers acquire services (delivery mechanisms, frequency etc.)
- To identify the service benefits and features that are important to consumers.
- To gather information on the reasons that consumers do or do not purchase services.

2. Study Design

The study design outlines who will be included in the groups and what the focus of the discussions will be. In addition to the goal and general objectives, the following describes the components of the study design.

Specific Objectives

The objectives will guide the topics for discussion in the groups. The aim is that the FGDs yield specific data on each of the topics in the objectives. Objectives for FGDs after a UAI might include:

- To understand better why consumers chose to purchase a business service the first time.
- To understand better how consumers differentiate among service suppliers and make their choice of service supplier.
- To understand better what motivates repeat purchase of a business service.
- To generate a list of specific service benefits that consumers want.
- To generate a list of service features that produce satisfaction among consumers.
- To get ideas on how to improve services to make them more appealing to consumers.

- To understand better why people who recognize the importance of a particular business service, do not actually buy it.
- To identify issues which hinder purchase of services by small enterprises and ways that this can be addressed.
- To get ideas on how to convince non-purchasers to try a service.

Choice of Respondents

The decision of who to talk to depends on who can give the information needed to achieve the objectives. For example, if the objective is to learn why entrepreneurs decide to purchase a service for the first time, the respondents should be those that have purchased services, preferably those that became buyers recently. If the objective is to learn what motivates repeat purchases and the features that generate consumer satisfaction, the respondents should have purchased the service multiple times, preferably from different suppliers. If the objective is to learn what would motivate non-purchasers to try a service, the respondents should be those that show an interest in the service but have not yet purchased it and those that became new buyers recently.

Focus group discussions generally include 8-12 respondents per group. Each group should be homogenous with respect to their acquisition of the service (purchasers or non-purchasers) and factors which make social groups comfortable in the culture such as income level, social status and gender. This helps to make the respondents comfortable and ready to freely discuss their views.

Discussion Guide

The discussion guide is a key form of communication between the researcher and the facilitator(s) for the groups. Generally written by the researcher, it outlines what the facilitator should ask respondents and what are the desired outcomes of the discussions. In addition to the goals and objectives of the FGDs, the guide includes a list of questions for each objective for each type of group. Together with the list of questions, it is helpful to make suggestions about what areas of the topic to probe and what types of examples the researcher is interested in. Because it is difficult to predict how long a group

FGD Respondents for GTZ Market Assessment in Nepal

After conducting a UAI survey, GTZ wanted more information on nine services. A marketing research firm designed FGDs to gather this information. The groups were divided by consumer segment and each group discussed 2-4 services. In all 15 FGDs were conducted, approximately 60% from urban areas and 40% from rural areas.

Purchasers:

- 2 groups of small manufacturers
- 1 group of medium manufacturers
- 1 group of large manufacturers
- 1 group of small hotel owners/managers
- 1 group of medium hotel owners/managers
- 1 group of wholesalers
- 1 group of durable retailers
- 1 group of small travel agencies
- 2 groups of medium and large travel agencies

Non-purchasers:

- 2 groups of small manufacturers
- 1 group of medium manufacturers
- 1 group of small hotels

will discuss a given topic, it is also helpful to provide priorities so that the facilitator can make sure to cover those topics that are most important to the researcher. A sample discussion guide from GTZ Nepal is included in Appendix A.

- did the respondents get something from the service they didn't expect?
- what ideas do respondents have for other benefits they could get from the service?

For example, if one of the objectives of the study is to learn what benefits entrepreneurs expect from a service, questions included in the guide might be:

- What did you expect from the service the last time you purchased it?
- When you discussed your intention to purchase the service with a friend or family member, what did you tell them about why you planned to purchase the service?
- Do you feel you got what you expected from the service?
- What do you and other members of your business (manager, employees, family members involved) feel about the results of the service?
- What more do you wish you could get from the service?
- Areas to probe:
 - what were the expected and actual results of the service on the business (e.g. increased sales, increased employee satisfaction, made business contacts etc.)
 - what were the expected and actual results of the service on the person (made him/her feel more competent, made friends, feel more important as a result of using the service etc.)

Management and Reporting

The researcher and the facilitator(s) should discuss prior to the study, how the groups and the recording will be managed. For example, a common length for FGDs is 2 hours: ½ hour for ice breaking, 1 hour of discussion and ¼ hour for summing up. The extra fifteen minutes are used based on the facilitator's discretion. The key to FGDs is that the respondents use actual examples of their experiences rather than too much theoretical discussion. It is important that the facilitator does not allow one person to dominate the group but rather encourages comments from everyone and sets a tone where all respondents feel comfortable expressing their opinions.

Usually, each session is recorded. The tapes are transcribed and analyzed, preferably by several people to get different interpretations. Usually, both the transcribed recording and the analysis are given to the researcher. The researcher should specify what s/he wants in the analysis and the form it should take. For example, should the results of each group be reported separately or should the results of the groups be combined in a single report? If the researcher does not speak the local language, should a

translated transcription of the groups be provided?

As this is not a quantitative study, all answers are relevant, not only the majority opinion from each group. It is important for the researcher to get specific quotes and examples from the groups in order that s/he

can understand the processes that consumers go through when making decisions and judgements on services. Finally, it is important that neither the facilitator nor the researcher pass judgement on the respondents opinions as right or wrong – the aim of the study is to understand the consumer point of view.

IX. Conducting Supplier Diagnostics¹⁶

In supplier diagnostics, the researcher takes a closer look at the supply side of the market by interviewing and observing suppliers. Supplier diagnostics are a helpful complement to consumer research. The descriptions of the suppliers interviewed combined with the consumer research should help the researcher develop a picture of supply overall. The aim of the researcher should be to answer these questions:

When information from all suppliers interviewed is taken together, what are the key problems with supply?

Where are the opportunities for new products, marketing strategies or new suppliers?

Supplier diagnostics enable the researcher to see market issues from the suppliers' points of view. Taking a closer look at suppliers also helps the researcher explore some of the supply side weaknesses found during the consumer research and pinpoint more precisely suppliers' weak points. When looking at both the consumer data and the supplier data, it is useful to analyze "gaps" or areas where consumers and suppliers have different points of view. For example, SEs might be interested in a particular service but not like the products available. Suppliers might think that there is no demand from SEs, so they do not target the market. These "gaps" often point to a potential area for intervention.

Supplier diagnostics can be very formal or more informal, depending on the breadth of information the researcher wants. For example, the researcher can interview suppliers

Example from GTZ Nepal of a Demand-Supply "Gap"

In the market for management training, focus group discussions with non-users showed that consumers want new products that address specific business problems. Interviews with management training suppliers showed that while suppliers were somewhat aware of this demand, most training courses they offered were generic, "off-the-shelf" management training courses. The suppliers were selling these generic courses mainly to donors and found this market stable and profitable. In this environment, many suppliers were risk averse to creating new products and trying to sell them directly to businesses. In addition, suppliers said that they were not sure exactly what products and product features were in demand. This research showed a demand-supply "gap." Consumers want new products with different product features but suppliers are not creating new products.

Source: Marshall A. Bear, "PSP's Offer to BDS Suppliers: Consultant Report for GTZ/Private Sector Promotion Project." unpublished, January, 2000.

with a set format and specific items to investigate. Or, the researcher can interview suppliers with a more loose format and less set agenda with the aim of exploring issues with them. This kind of less formal format can also often act as an entry point for supplier technical assistance.

The number and types of suppliers to interview depends on the nature of supply. A consumer survey and/or FGDs can provide the names and/or the types of suppliers that are present in the market. Other sources of information on suppliers are:

- Chamber of Commerce directories
- Business association membership lists
- Yellow pages
- Donor agencies

¹⁶ This section benefits from the ideas and input of Dorothy Riddle from her paper "Summary of Methods Used to Assess Business Services Markets in Developing Countries, unpublished, June, 2000. and Marshall A. Bear.

Although it would be helpful if the researcher could then make a list and interview a statistically significant sample of the suppliers, this is not possible. Neither a consumer survey nor FGDs will lead to a full list of the suppliers in the market – instead they will provide a sample of suppliers. A list drawn only from registered suppliers will leave out the informal sector, often an important source of business services. Therefore, the researcher should aim to interview a cross section of the types of suppliers identified in the consumer research. S/he should interview as many as needed for the researcher to feel that s/he has a good grasp of the problems and opportunities for different types of suppliers. When analyzing the results, the researcher should bear in mind that they are not statistically significant but rather a sample of suppliers' view points in the same way that FGDs yield a sample of consumers' view points.

Even for more informal interviews, the researcher should make a list of the factors to examine. Some of the factors are described below. However, the list should also derive from the findings of the consumer research. For example, suppose that the consumer survey showed that trial of services is low and the FGDs showed that consumers are risk averse in trying new services. Then, supplier diagnostics should include an investigation into the types of marketing strategies that suppliers are using to induce trial. The researcher should also determine if suppliers are aware of this problem and what mechanisms they have used to address it.

Factors to Include in Supplier Diagnostics

Product/Market Mix:

- What products does the supplier offer?
- Who are the supplier's customer segments? (manufacturers ETC.)
- Is the product and market mix clearly defined?
- Does the product/market mix match the picture of consumer demand from the consumer research?
- Do product benefits and features match consumer demand?
- What is the volume of services sold?

Ownership and Relationships:

- Who owns the supplier? What is the structure of ownership?
- How long has the supplier been in operation?
- Does the supplier have any partner organizations/companies?
- With what organizations (associations, other businesses, government agencies) does the supplier maintain regular links? Why?

Market Expansion Strategies:

- How is the supplier trying to increase its customer base and sales?
- What barriers do management perceive in expanding their business?
- Do the strategies correspond with the issues found during the consumer research?
- Is the supplier creating new products that the SEs want?

Capacity:

- What are the supplier's strengths and weaknesses?
- Does the supplier have the necessary skills, people and facilities to deliver products that consumers want?
- What percent of annual expenditure is used for staff training?
- Does the supplier have good marketing?
- Does the supplier have good business management?
- Does the supplier have sufficient financial resources and good financial management?
- Does the supplier understand consumer demand? Does the supplier regularly gather customer feedback and use it to improve products and marketing?
- How do these strengths and weaknesses position the supplier relative to consumer demand?

It is useful to conduct a standard business analysis of each supplier interviewed.

Private Sector Orientation: In countries where donor support for BDS is strong, many suppliers may be serving donors as well as, or instead of, the private sector.

- What percentage of revenues comes from donors, government agencies and private businesses?

- Does the supplier recognize him/herself as a business or primarily as a social organization?
- What is the supplier's perception of selling to private consumers?
- What proportion of sales comes from the private sector?
- Is management entrepreneurial or bureaucratic?

Views of the Market: It is useful to get suppliers' opinions about the market and the problems they face. The following questions often help identify "gaps" between demand and supply.

- What does the supplier view as the major barriers to providing good quality services to customers?
 - competition from government agencies or donor financed programs
 - not eligible for the same tax incentives and policy support as goods producers
 - lack of training for staff
 - lack of financing to support growth and staff development
 - lack of awareness by customers of the value we provide
 - lack of customer willingness to pay for good quality service
 - lack of information on what consumers want
 - etc.
- What does the supplier think needs to be done to remove the barriers mentioned?
- What one action does the supplier think would best help him/her to improve the quality of services?
- What changes in the supplier's business does s/he think would enable him/her to expand and reach new customers?

X. What are the Challenges in Information Gathering?

There are a number of challenges to gathering useful and accurate data on BDS markets in developing countries. This section outlines some of the key challenges.

Perhaps the most significant challenge for information gathering in market assessments is to keep it reasonably simple and practical. Assessments to date have shown that gathering and analyzing basic data is more useful than trying to gather too much or too complicated data. Because markets keep changing and no assessment will capture the whole picture of a market, it is better to gain a basic understanding in a simple and practical way, rather than make the exercise so complicated that analyzing the data is extremely difficult.

TIP: It is tempting to try to gather market data and program impact data at the same time. Experience has shown that this does not work well. The questionnaire becomes too long, sampling issues are complicated and respondents' answers may be biased.

Assessing BDS markets requires a mixture of private sector tools and development knowledge. While private sector tools and techniques are very useful in assessing markets and suppliers, they are usually designed for formal markets. As with any information gathering on SEs in developing countries, there are the difficulties of capturing accurate data on informal sector enterprises (both consumers and suppliers). In addition, BDS markets are rarely solely based on fee for service transactions. Capturing other types of transactions such as embedded services and those paid for by a third party is difficult.

Gathering data from some consumer segments is difficult. For example, like other types of research on low-income groups in

developing countries, it can be difficult to find and interview low-income entrepreneurs. They may be concerned about answering questions because their businesses are informal or they may just be too busy. In some cultures, it is difficult to gather information from women. They may be reluctant to talk with male interviewers or concerned about answering questions in general. Particular strategies are needed to ensure that this consumer segment is represented in the sample.

To date, all market assessments with which the author is familiar have used the assistance of a marketing research firm. It is useful to have the assistance of a marketing research firm for any fairly large study or if the researcher has little experience with marketing research. A marketing research firm has the experience to handle difficulties in sampling and information gathering as well as to provide helpful advice on the study overall. In addition, a marketing research firm can be invaluable in the analysis and interpretation of market assessment data. However, most marketing research companies are not used to gathering data on the informal sector and non-fee for service transactions. Therefore, researchers need to help them address this weakness in information gathering. The following two sections discuss the challenges of choosing and working with a marketing research firm.

A marketing research firm may not be necessary if the study is fairly small and the researcher has some experience with marketing research. For example, if the study focuses only on the customers of one or several suppliers or is conducted in a very limited geographical area, a marketing research firm may not be needed. The third part of this section discusses possible

challenges that a researcher might encounter if s/he chooses to manage the information gathering without the assistance of a marketing research firm.

Most marketing research firms only conduct consumer research and some background research. They do not conduct supplier diagnostics or use other tools not focused on consumers. Therefore, these aspects of the study need to be conducted by the researching organization or a consultant. The last section in this part discusses the challenges of getting information from suppliers.

A. Choosing a Marketing Research Firm

With consumer research at the center of a market assessment, it is usually best to choose a private sector marketing research firm. These firms specialize in gathering information from consumers about their attitudes and practices in purchasing goods and services. A social research firm may be less useful because they have less experience in gathering and analyzing information on markets. For example, social research firms generally do not have the necessary experience in phrasing questions about purchasing that marketing research firms have. In some countries, there are firms that do both marketing and social research – they may be ideal if they have experience both with analyzing markets and with gathering information from low-income people and/or informal sector enterprises.

When choosing a marketing research firm, the following characteristics are important:

Easy to talk with: The marketing research firm should be willing and capable of describing their research capacity and making a proposal in non-technical language. The management should be willing to explain any technical terms or tools that they plan to use in the study.

Ready to listen: The marketing research firm management should ask a lot of questions about the goals and objectives of the study, any prior research that has been done and any information available about the topic. Particularly if they have little experi-

ence with informal markets, the management should make an effort to understand what types of businesses should be included in the study and why. If the marketing research firm does not understand the reasons for the assessment, they can not design and manage an appropriate study.

Willing to customize: The management should be ready to put together a study that meets the particular needs of the researcher. This should include an appropriate combination of tools, sampling strategy, geographic coverage, data processing and data analysis. The firm should explain how their proposal meets the specific needs of the study. Particularly in data processing and analysis, some firms have the tendency to fit any study into a generic template. This template may be a good starting point but should be customized to the needs of the client.

TIP: It is very important not only that the marketing research firm can generate accurate numbers but also that they can present them in a helpful way. Ideally, the firm will be able to effectively analyze the data. Look for a firm that stresses professionalism not only in data collection but also data presentation and analysis. The firm may reserve its best analysts for its big customers or those likely to purchase marketing research often. Find out in advance who in the firm will analyze the data and try to negotiate for a senior analyst.

Able to deliver: The firm should have the technical capacity as well as the manpower available for the study when needed. It is helpful to check references to find out if the firm usually delivers the agreed outputs on time and the quality of their on-going service throughout and after the study.

Capacity to interpret data: It is more difficult to effectively analyze data than to gather it. Many marketing research firms can generate accurate numbers. Far fewer can effectively interpret those numbers to help a researcher identify concrete problems and opportunities in markets. When checking references, find out to what extent the firm analyzes data and judge if the type of analysis they do will help in designing BDS market development interventions. If the firm chosen does not have this capacity, it may be necessary to identify someone else to help with the data analysis.

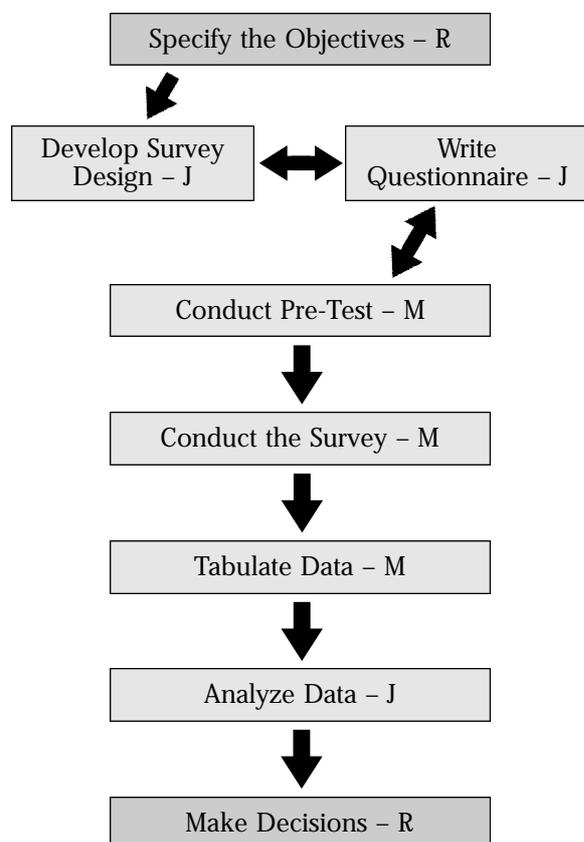
B. Working with a Marketing Research Firm

The researching organization may want to initially contract the marketing research firm to conduct a consumer survey and decide later if focus group discussions or other tools should also be used. Or the firm could be contracted only for background focus group discussions with the possibility of also doing the follow up survey. This not only gives the researcher flexibility but an opportunity to test the relationship with the marketing research firm before spending more money. It is helpful, however, to discuss the possibility of additional research with the firm to determine if they will have the staff time available for more research after the initial study and motivate the firm to provide quality work.

What should be included in the contract?

Figure 7 suggests what tasks should be carried out by the marketing research firm, the researching organization and jointly for a

Figure 7: Marketing Research Roles and Responsibilities



consumer survey. “M” denotes the marketing research firm, “R” the researcher and “J” jointly.

It is helpful to outline who will do what and how the joint responsibilities will be shared in the contract. For example, for the joint responsibilities, the researching organization can make an initial draft, the marketing research firm comment and the researching organization finalize—or the other way around.

The contract should include the number of interviewers and supervisors, the duration of the interviewer training, how interviewers will be supervised, how the data will be cleaned and tabulated including the software package and how it will be presented, including if the researcher will receive a soft copy of the data tables.

It is very important to specify what type of data analysis the marketing firm will conduct. For example, will they just provide data tables? Will they provide a report? If so, what topics and analysis will be included? Particularly if the researching organization is not very familiar with the country context, it is important that the marketing research firm does some analysis. This way, the firm can bring its own experience with the context of the country into the analysis of the data.

Those that have conducted market assessments have found two types of reports particularly helpful. One is an overview of the data and an analysis of what the data means for BDS markets in general, for particular BDS markets and for particular consumer segments. The other is an in-depth analysis of each individual BDS market studied. The in-depth analysis are useful not only for donors and facilitators who want to design market development interventions but also for suppliers who want to increase sales and expand into new markets. See Appendix A for an example from GTZ Nepal.

The process for focus group discussions is similar. The researching organization must specify the objectives. Determining the respondents and writing the interview guide can be collaborative. The marketing research firm will conduct the FGDs but it is often helpful for the researcher to be present, both to understand the data as well as to offer suggestions from one focus

group to the next. The marketing research firm will offer some summary and analysis of the data as agreed upon in the contract.

Sample Components of an Overall Analysis of Consumer Research Data

- Description of the Study
 - Overview of BDS Markets
 - Market Size and Penetration
 - Expenditure on Services
 - Market Distortion
 - Reasons for Purchase and Non-Purchase
 - Reasons for Choice of Supplier
 - Perceived Value of BDS
- Comparison of Service Markets
 - Relative Demand
 - Comparison of Suppliers per Market
 - Market Effectiveness
 - Market Issues
 - Market Potential
- Comparative Analysis of Consumer Segments
- Analysis of Individual Service Markets
- Summary of Problems and Opportunities in BDS Markets

Sample Components of a Single Service Analysis of Consumer Research Data

- What consumer segments are aware of the service?
- What consumer segments are buying the service?
- What is market penetration for various consumer segments?
- Which consumer segments purchase services multiple times?
- What is the market size for various consumer segments?
- What is the average annual spending on the service per consumer segment?
- What are the trends in expenditure on the service?
- How often do entrepreneurs purchase the service?
- Why do entrepreneurs decide to purchase the service?
- Where do entrepreneurs get information about the service?
- How do entrepreneurs choose their service supplier?
- What consumer segments have potential for expanding the market?
- What strategies should suppliers pursue to reach these consumers?
- What benefits from the service do consumers want? do they get?
- What service features do consumers want? do they get?
- How could the service be improved?
- What are the key market problems and opportunities?

Source: GTZ Individual Service Market Profiles

Tips for on-going cooperation with a marketing research firm

The more on-going contact between the researcher and the marketing research firm the better. Not only will this help the marketing research firm understand what the researcher wants, it will also help the researcher understand the data, what information it can provide and its limitations.

If possible, it is helpful to have a representative of the researching organization in the country where the research is being conducted throughout the study. This presence allows the marketing research firm to get quick answers to questions and the researching organization to understand the context of the information generated. For example, it is useful for the researching organization to attend the interviewer training for a survey. That way the researcher can make sure that the questions are being explained with the correct meaning. It also allows the researcher to explain directly to the interviewers the purpose of the study. This knowledge will help the interviewers appropriately solve any problems that arise during interviewing.

Example from the ILO of Cooperation with Marketing Research Firms

In all four of its studies, the ILO found that regular monitoring and dialogue with the marketing research firms was even more important than the content of the contract. The ILO conducted two visits to each firm from headquarters, one to design the study and one to monitor its progress. In each country, the ILO also had an in-country representative that maintained regular contact with the marketing research firm. This allowed the ILO to address potential problems before they lessened the value of the research. For example, all the firms initially had difficulty understanding the size and type of businesses the ILO is interested in. They were used to working with formal businesses. The ILO worked with the firms to help them understand how to reach very small, informal businesses.

While it is helpful if the contract spells out the roles of each organization, questions and issues will always arise. For example, it is often necessary to make changes to the survey design and questionnaire after the survey pre-test. It is helpful if the researcher and marketing research firm can sit down together to discuss these changes and the

implications. Similarly, a focus group discussion design might need to be adjusted after the first several groups are conducted, if the information being gathered is not what the researcher needs. The more these problems can be discussed promptly and openly, the more likely it is that the researcher will get the information that s/he needs.

C. Managing Your Own Consumer Research

If a development organization chooses to manage its own research, it is still advisable to hire the technical assistance of a marketing research specialist for a few days. Because most development organizations lack the experience in marketing research, this help is invaluable in making sure the study and questionnaire are designed appropriately and helping with the analysis of the data. For example, a marketing research specialist could spend a few days helping with the design and questionnaire and a few days assisting with the analysis.

Some of the challenges that a development organization will face in managing their own survey are:

- gathering sufficient background information to estimate the total consumer population
- ensuring that the sample of consumers is random
- defining the services to be studied from the consumer perspective
- phrasing questions from the consumer perspective
- keeping the questionnaire concise
- analyzing the data from a market assessment perspective

A marketing research specialist can help a development organization handle these issues.¹⁷

D. Gathering Information from Suppliers

The first difficulty in gathering information from suppliers is finding out who they are. The consumer research should yield the names of suppliers. However, those consumers who use informal sector suppliers may be reluctant to name them. The consumer research should, however, provide some information about the types of suppliers that consumers use and how important each type is in the market. It is important to gather information from all the different types of suppliers, particularly those in the informal sector who may have different issues from formal sector suppliers. It is also often helpful to compare suppliers that have received assistance from government and/or donors with those that have not. The comparison might show that subsidized and unsubsidized suppliers have different business strategies. The differences may indicate areas that need to be addressed in expanding unsubsidized supply.

It may be difficult to get some suppliers to discuss their business strategy, marketing strategy and revenues. There are several strategies to encourage suppliers to discuss their businesses:

- The researching organization or independent contractor can guarantee that the information will be kept confidential and not reported on a supplier by supplier basis. While this limits how the researching organization can use the information, it may yield more accurate results.
- The researching organization can offer to trade information for information. The information from the consumer research is very valuable to suppliers. They may be willing to provide information about their businesses in exchange for information from the consumer research about the market for their services.

The best interviewer also puts the supplier at ease and generates an atmosphere of trust by being up front about what the information given will and will not be used for.

¹⁷ For more tips on conducting consumer research see A. Miehlabradt with R. Chua "Technical Note: Applying Marketing Research to BDS Market Development," available on the USAID Microenterprise Best Practices Website: www.mip.org

XI. How Can Market Research Data Be Analyzed?

Data is not useful until it is analyzed in a way that is helpful for program design. Those that have conducted market assessments have found that they yield a large quantity of information. Some of it is critical for program design. Some of it is not. Analyzing the data and using it effectively for program design takes some time and creativity.

An effective data analysis will yield an overall picture of a BDS market as well as pinpoint problems and opportunities in the market that the program could address.

In order to design interventions to develop a particular market, the researcher needs to analyze the data on that particular market. If the researcher aims to choose on which service(s) to focus a program, s/he will need to do a comparative analysis of various BDS markets. In some cases the two types of analysis overlap, when a researcher finds common problems and opportunities in the markets for several different services. In this case, the researcher may develop a program around these problems and opportunities that can improve the markets for several different services. This may be a particularly useful strategy if several of the services are offered from the same suppliers.

A. Analysis of a Single BDS Market

The objectives of analyzing a single BDS market for the purpose of program design are:

- To present a picture of the market, including market size, penetration, trends, customer purchase habits and satisfaction, key reasons for purchase and non-purchase and key factors in competition – both for the market as a whole and for particular consumer segments.
- To pinpoint key weaknesses and opportunities in the market as a whole and for particular consumer segments.

Quantitative data should be the backbone of a market research analysis. This data represents all consumers' views and habits in the market. Analyzing this data provides a picture of the reality in the market. Qualitative data, from FGDs, supplier diagnostics and other sources, can fill in the gaps in understanding from the quantitative results. The qualitative data will help the researcher understand why the picture of the market looks as it does. Put together, this analysis will enable the researcher to pinpoint weaknesses and opportunities in the market for a particular service. (See Figure 8.¹⁸)

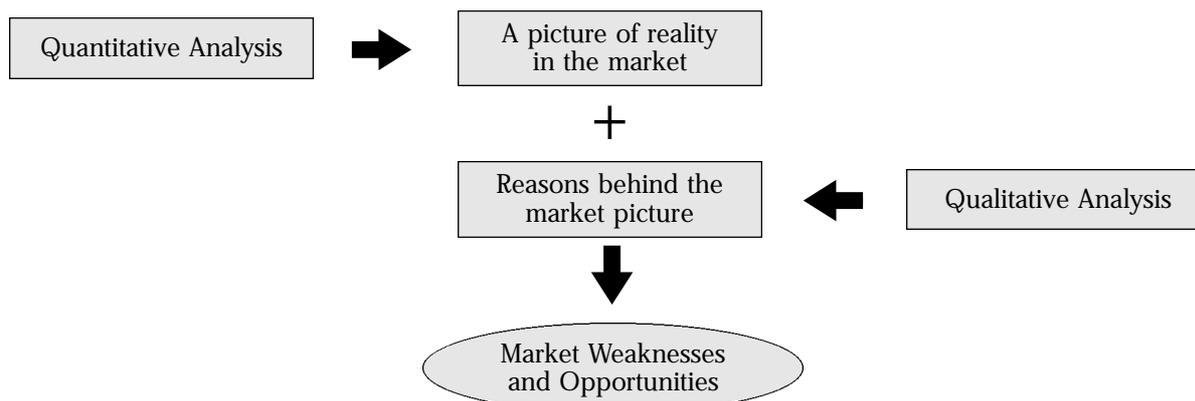
1. Analyzing UAI Data¹⁹

Some information from a UAI will be quite straightforward and will point immediately to market weaknesses or opportunities. For example, if only 10 percent of SEs surveyed are aware of the service, there is a clear need to address the lack of information through awareness raising activities. Data on where SEs learn about the service will help practitioners determine how to promote the service. For other data, it is useful to have tools to interpret the results. Several

¹⁸ This figure is adapted from the Springfield Centre BDS 2000 Training Programme, module by Marshall A. Bear and Alexandra Miehlebradt.

¹⁹ This section is from A. Miehlebradt with R. Chua. "Technical Note: Applying Marketing Research to BDS Market Development," 2000 reprinted with permission from Development Alternatives Inc. under the USAID Microenterprise Best Practices Project with minor revisions.

Figure 8: Analyzing Market Assessment Data



helpful tools are outlined below. While the information that the tools yield can be used for various purposes, the tools are organized according to the main BDS market development goals they address: understanding the overall market, increasing demand, and developing and improving services.

Understanding the Overall Market

The tools in this section help the researcher gain an overall picture of the market and its health. A weak market, for example, would be characterized by very small size, low penetration and low amounts spent on the service. Segmenting the data for market size, penetration and amount spent enables the researcher to see which are the strong and which are the weak segments of the market.

- **Estimating Market Size²⁰**

Using usage data, a researcher can estimate the market size, in monetary terms, for the

service. Information on market size can help a researcher understand the level of demand for a service and the amount of revenue that is made from offering the service. With this information, a supplier can estimate possible revenues from gaining a 10% share, for example, in the market; a donor can monitor the growth in the overall size of the market.

Some of this information will come from the estimate of the total consumer population done at the beginning of the study. For example, Table 1 shows how the MSE market size for cellular phone service in the Philippines was estimated.

A market size estimate is calculated as:
% of MSE customers that regularly use the service
x the total number of MSEs in the survey population
x average MSE frequency of use
x average MSE amount spent per visit/use of service

Table 1: Estimated Market Size for Cellular Phones in the Philippines

Calculation	Data	Source of Information
% of registered MSEs who own a cellular phone	15%	MSE survey: Interviewers randomly chose potential respondents from all MSEs. Fifteen percent were users and, therefore, qualified for the survey.
x the total number of registered MSEs in the Philippines	474,466	(1995 figure of registered MSEs from the Bureau of Small and Medium Business Development of the Department of Trade and Industry)
x average amount MSEs spent per month	1,100	calculated from the MSE survey data
x months in a year	12	
= estimated market size	939,442,680 pesos per year (US\$23,486,067)	

Source: MSE Survey from Philippines ICT Study, MBP.

²⁰ This technique is from Dr. Ned Roberto, *User-Friendly Marketing Research*, Life Cycle Press (Asia), 1996.

Table 2: Estimated Market Size – Accounting, Financial Advice + Taxation Services in Nepal

Consumer Segment	Sample				Customers			Total Spending		
	Avg. Spending	Sample Base	Sample Buying	Proportion Buying	# of firms in Nepal	# of firms buying	% of total	Rupees	US\$	% of Total
Manufacturing				0.222	59,427	13,186	79%	132,320,408	1,945,888	79%
<10 employees	8,215	83	17	0.205	55,692	11,407	68%	93,706,822	1,378,042	56%
10-19 employees	17,214	75	27	0.360	1,840	662	4%	11,402,554	167,685	7%
20-49 employees	12,474	48	22	0.458	875	401	2%	5,002,594	73,568	3%
<50 employees	31,010	47	33	0.702	1,020	716	4%	22,208,438	326,595	13%
Retail				0.092	29,000	2,656	16%	16,874,803	248,159	10%
Large and Medium	7,600	61	7	0.115	12,000	1,377	8%	10,465,574	153,905	6%
Medium and Small	3,500	59	4	0.068	16,200	1,098	7%	3,844,068	56,530	2%
Durable	14,200	31	7	0.226	800	181	1%	2,565,161	37,723	2%
Wholesale	14,625	25	6	0.240	3,000	720	4%	10,530,000	154,853	6%
Travel Agencies	42,528	35	20	0.571	161	92	1%	3,912,576	57,538	2%
Hotels	40,563	40	19	0.475	170	81	0%	3,275,462	48,169	2%
Total				0.180	91,758	16,735	100%	166,913,249	2,454,607	100%

Source: BDS Market Assessment Survey in Nepal, GTZ

Using data from Southern Mindanao where the survey was conducted, to estimate the market size for the entire country makes the estimate somewhat unreliable but at least allowed the researchers to get a rough idea of the national market size.

In the Nepali BDS market assessment, researchers were able to estimate the market size from different business segments. Table 2 shows how the estimated market size for accounting, financial advice and taxation services for various consumer segments was calculated. The data on the number of firms in Nepal was gathered from various industry and government sources. These estimates will enable GTZ to monitor the absolute and relative consumption of various business services from different consumer segments.

• Calculating Market Penetration

If the survey included a random sample of all SEs, as opposed to only users, it is possible to calculate market penetration. If only users were interviewed but SEs were contacted randomly to see if they qualified for the survey, market penetration can also be calculated. The Philippine cellular phone survey contacted MSEs at random within a defined geographical area and interviewed those MSEs that owned a cellular phone. By keeping track of the number of MSEs contacted, researchers were able to calculate the market penetration level: 15% of MSEs.

TIP: It is useful to compare market penetration of different market segments to determine where there are weak points in the market. For example, the penetration of the women-owned enterprise segment may be less than men-owned enterprises. Knowing this, the researcher can then look for the reasons behind the differences in market penetration.

Market penetration is calculated as the number of users of a service divided by the total number of enterprises in the market. The definition of “user” may vary according to the service and circumstances. For example, a telephone service user may be an SE that uses telephone services at least once a month; but a training user may be an SE that has attended a training course in the last five years. If embedded services are a big factor in the market, the researcher may want to include services acquired through any means or calculate market penetration for fee for service transactions and all transactions separately. In Table 2 above, the proportion buying can be considered market penetration. For example, 21% of enterprises with less than 10 employees in the manufacturing sector have purchased accounting, financial advice and taxation services. While the Nepal study defined user as having ever purchased the service, most had purchased services recently.

It is useful for donors and facilitators to monitor the level of market penetration in

Table 3: MSE Awareness, Reach, and Retention of ICT Services in the Philippines

Service	Awareness (% aware of service)	Reach (Of those who are aware, % who have tried service)	Retention (Of those who have tried service, % who used it in the last month)
Phone (long distance)	100	77	94
Fax	76	37	100
Money transfer	96	74	44
Telegram	100	68	47
E-mail	28	7	*
Internet	35	3	*

Source: MSE Survey from Philippine ICT Study, MBP

order to gauge improvements in reaching SEs. It is useful for suppliers to know the level of market penetration in order to estimate the potential for market expansion.

- **Estimating How Much SEs Spend on a Service**

Usage data can provide information on how much SEs spend on a service. For example, the cellular phone survey in the Philippines showed that MSEs spend an average of 737 pesos (US\$18.43) per month on business calls. The personal information on respondents showed that respondents' average monthly sales, ignoring outliers, are approximately 33,000 pesos (US\$825). Therefore, MSEs spend approximately 2% of their average monthly sales on cellular phone business calls (737 pesos/33,000 pesos). Knowing how much MSEs spend on a service gives some indication of the importance of the service to MSEs. The researchers in the Philippines felt that 2% of monthly sales represents a significant ongoing investment in communications. This tool can also be used to measure if SE customers are increasing their usage of a service.

Increasing Demand

The analyses in this section show the level of demand for the service. However, it may not be immediately apparent from an analysis if a problem is caused by weak demand-side or supply-side issues. For example, low SE understanding of services may be due to lack of interest in the service or because suppliers do not have good strategies for educating the SEs about their product.

- **Analyzing Awareness, Reach, and Retention**

To build a market for a business development service, BDS practitioners must make sure consumers know about the service, try the service, and keep using the service. In marketing terminology, the percentage of consumers who know about the service is called the "awareness ratio." The percentage of consumers who are aware of the service and who then try it is called the "reach ratio." Lastly, the percentage of consumers who have tried the service and who continue to use it regularly is called the "retention ratio."

The UAI market study provides information on each of these three parts of marketing the service and helps a donor or supplier determine where to spend available funds: on raising awareness, on convincing SEs to try the service, or on improving the service so that SEs continue using it.

Table 3 shows the awareness, reach, and retention ratios for various ICT services from a survey of public calling office users in the Philippines. For the Philippines study, an MSE was judged *aware* of a service if the respondent said he or she had heard, read, or seen something about the service and could accurately describe what the service is (as judged by the interviewers). *Reach* was the number of MSEs who had tried the particular service compared with those who were aware of the service. *Retention* was the number of MSEs that had used the service in the last month in relation to those who had tried the service; use in the last month was adopted as a proxy for the regular use of the service.

Table 4: Awareness, Understanding, Reach and Retention of BDS in Nepal

Service	Awareness	Understanding	Reach	Retention
Production Advice	81 %	45%	15%	89%
Management Training	88%	60%	28%	63%
Trade Fairs	96%	58%	27%	73%
Advertising	100 %	75%	58%	88%

Source: BDS Market Assessment Survey in Nepal, GTZ

Table 3 shows that each service has its own marketing challenges. For example, only 37 percent of those who are aware of fax service have tried it. A fax service supplier needs to spend the majority of available resources for promotion on convincing MSEs to try fax service. A facilitator might want to help suppliers design marketing programs around inducing trial. The retention ratio for fax shows that the design of the fax service is good and that fax is valued by the MSEs that use it because all those who have tried it have become regular users. Therefore, suppliers and facilitators can feel confident that fax services are meeting MSEs' needs.

In contrast, both telegram and money transfer services enjoy reasonably high reach ratios but low retention ratios. Telegram and money transfer suppliers need to determine why MSEs do not continue to use these services. In the Philippines, the likely reason is that MSEs are turning to substitute products—checking instead of money transfer and phone or fax instead of telegrams.

Both the awareness ratio and reach ratio of e-mail and Internet among MSEs is very low. To successfully build the market for these services, a practitioner or donor would first need to increase awareness of the service and its benefits among MSEs. It might then be necessary to offer inducements for customers to try the service, for example a free trial use or free demonstrations.

In the Nepal study, “awareness” was divided into two parts. Entrepreneurs were judged aware of the service if they had heard of it. They were judged to understand

the service if they could correctly define the service. The resulting information pinpointed two major constraints to market development of those services traditionally supported by donors: lack of understanding of services and entrepreneurs' reluctance to try services even if they understand them. Dissaggregating the data by consumer segment showed that these problems were particularly acute among SEs. Table 4 shows the awareness, understanding, reach and retention information for four business services in Nepal. The first three services have been traditionally supported by donors while the last, advertising, has not.

In Nepal, one of GTZ's initial strategies included efforts to assist suppliers of services traditionally supported by donors to sell services to the private sector at full cost. Based on the above information, GTZ included, in its program support, activities to increase the understanding of services among entrepreneurs and assistance to suppliers for trial marketing. GTZ was able to encourage suppliers to target the private sector by showing them that once an entrepreneur tries a service, s/he often comes back, as illustrated by the high retention ratios.²¹ Awareness, reach and retention information is critical to donors and practitioners in determining how to stimulate demand for a business service.

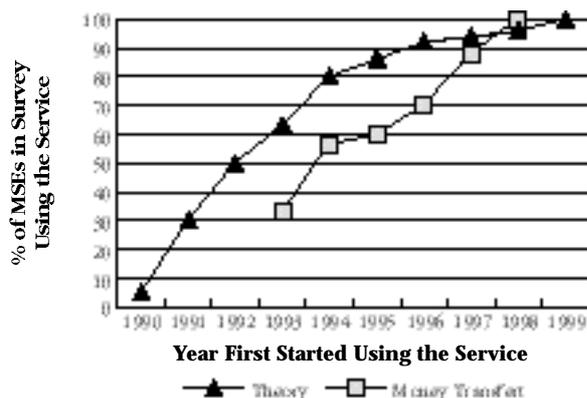
- **Understanding Rates of Consumer Adoption²²**

A graph that plots when users of a service first began using the service shows how fast consumers adopted the service. There are two basic ways that the market accepts a new service.

²¹ Marshall Bear, “PSP's Offer to BDS Suppliers – Consultant's Report” for GTZ, Nepal. unpublished draft, January, 2000.

²² This tool was developed by Everett M. Rogers and published in E. M. Rogers and F. F. Shoemaker, *Communications & Innovations: A Cross-Cultural Approach*, New York: Free Press, 1971, and originally presented in E. M. Rogers, *Diffusion of Innovations*, New York: Free Press, 1962.

Figure 9: Fast Consumer Adoption



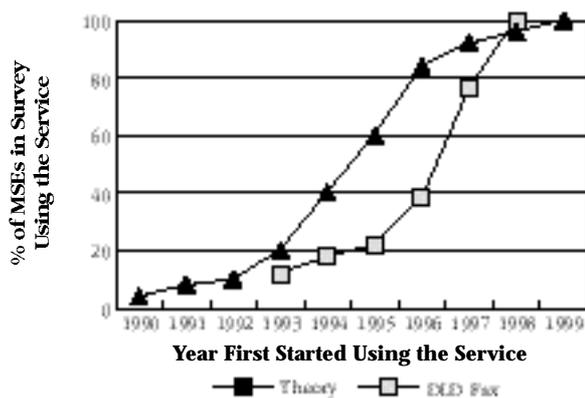
Fast Consumer Adoption—the service is accepted by the market very quickly. Demand rises sharply immediately from when the service is introduced until it tapers off as a high level of market penetration is reached.

A graph for this type of service is represented by the theory line in Figure 9. The vertical axis shows SEs that are currently using the service during that year. The information comes from the survey question: “When did you first start using the service?” When the data are plotted, the number that started using the service in 1990 are added to the number that started using the service in 1991 to give the total number using the service in 1991. The total is then added to the number that started using the service in 1992 for the total number using the service in 1992, and so on.

For a service that is adopted quickly, a supplier does not need to put a lot of money into promotion. The service catches on through word of mouth. However, the supplier needs to have his or her organization ready to offer a high volume of the service quickly. If the supplier is not ready, customers will have to be turned away or the quality of the service will suffer as the demands of the market put a strain on the organization. In this type of market, a facilitator can help suppliers develop systems to rapidly expand capacity or provide venture capital to new suppliers to help increase supply.

The Philippine PCO survey showed that money transfer (represented by the second line on the graph) is probably the type of service that consumers adopted quickly. It is

Figure 10: Slow Consumer Adoption



not possible to be absolutely certain because the beginning of this curve is “missing.” The possible answers on the questionnaire were only “before 1994, 1994, 1995, 1996, 1997, and 1998” so data on the first part of the curve were not gathered. Many users started using the service before 1994, represented by the first point on the line at almost 40 percent. The graph and other information from the survey indicate that demand from new users has started to level off since 1997. Thus, suppliers cannot expect many new customers for money transfer service in the future.

Slow Consumer Adoption—only a few consumers try the new service during the first few years that it is offered. Then the service finally catches on and many more consumers start using it. Eventually, demand from new consumers declines as the service reaches a high level of market penetration. A graph of this type of service is illustrated by the theory line in Figure 10.

For those services that take a while to catch on, a supplier must put a lot of effort into promotion and be prepared to weather several lean years before the customer base starts to grow significantly. A donor aiming to stimulate this type of market might use a voucher program when the service is introduced in order to stimulate trial of the service and thus increase demand faster. Alternatively, the donor could provide seminars for suppliers on how to promote the service and induce trial in the early stages.

The Philippine PCO survey showed that domestic long distance fax is the type of service that MSE consumers adopted slowly in the beginning. The first point on this line

represents all those that started using the service before 1994. This curve starts soon after the introduction of the service when demand is still low and growing slowly. But between 1995 and 1996, demand for direct long distance fax began to increase more rapidly. The curve is not “finished” in the sense that a high level of market penetration has not been reached so demand from new users is still rising rapidly. It appears from the last data point, however, that demand from new users may be starting to decline slightly.

As illustrated in the graphs from the Philippine study, the data from the survey often do not show an entire theoretical curve, either because the start date for using the service in the questionnaire is later than the introduction of the service or a high level of market penetration has not yet been reached. In this case, the researcher must make an educated guess as to what part and which type of curve the data represent. This will help the researcher determine how fast demand is likely to rise for the service in the immediate future.

A check of the demographic characteristics of SEs at various points on the consumer adoption curve can help a practitioner target likely new users of a service. A practitioner can determine the characteristics of those SEs that used the service first, the “innovators,” those that tried it next, the “followers,” and those that waited until it reached a high level of market acceptance before trying it, the “laggards.” For example, in the Philippine study, the ICT service innovators tended to be male-owned, sales/trading businesses with higher than average sales and household incomes. The laggards, which only recently started using various telecommunications services, tended to be newer, female- or family-owned businesses.

• Segmenting the Market

As BDS practitioners know, SEs are not a homogenous group. Micro enterprises are different from small enterprises. Female entrepreneurs may have different business constraints than male entrepreneurs. Personal and business information on survey respondents can help a practitioner identify which type of SEs use the service. This

information can help the practitioner better target these SEs or change the service to reach a different market segment. Understanding market segments can help a donor quantify and monitor the reach of the service to various types of SEs.

The Philippine study, for example, showed that the bulk of MSEs that use PCOs are in trading, with most of those in either food and beverage or general merchandise. The remainder are mainly in services, with only 1 percent in manufacturing. Although the proportion of MSEs in trading in the Philippines is substantial, the proportion of PCO customers in trading appears significantly higher than in the general SE population, while the percentage in manufacturing appears low. A national survey in 1993 showed that 40 percent of registered micro, small and medium-sized enterprises were in manufacturing.

The three Philippines surveys indicated that MSEs with higher sales and wider markets are generally more interested in information services than smaller MSEs operating only in local markets. This led the researchers to conclude that growth-oriented MSEs are more interested in information services while survival-oriented MSEs are mainly interested in communications services. Building a market for information services from survival-oriented MSEs would require developing a new type of service than what is currently offered, one that met smaller MSEs’ needs for local information in a timely, convenient, and user-friendly manner.

In the Nepal study, demographic information on respondents was combined with usage data to quantify market segments for various services. For example, the survey showed that, in monetary terms, the market for many services is still dominated by large companies; 57% of the market for legal services and 89% of the market for advertising comes from manufacturers with over 50 employees. However, SEs represent an important market segment for some services; 37% of the market for communications and correspondence services and 56% of the market for accounting/financial/taxation services comes from manufacturers with less than 10 employees. This information is

Table 5: Importance and Satisfaction Data from Bayantel PCO Survey

Features	Importance		Satisfaction	
	# Who Rated Feature Extremely Important	Distance From Mean	# Who Rated Feature Very Satisfied	Distance From Mean
Accuracy	89	14	31	-3
Privacy	82	7	28	-6
Cleanliness	81	6	57	23
Clarity of connection/page	79	4	52	18
Confidentiality	77	2	21	-13
Comfortable waiting area	76	1	47	13
Comfort while using services	76	1	26	-8
Friendly/helpful attendants	75	0	35	1
Waiting time	70	-5	26	-8
Clear layout	70	-5	25	-9
Convenience of the location	69	-6	32	-2
Variety of services	65	-10	34	0
Distance from business	65	-10	32	-2
Mean	75		34	

being used to help decide on which services to focus market-stimulating interventions and to monitor the market size from SEs for various services.

Developing and Improving Services

The analysis in this section is particularly useful for understanding problems on the supply side of the market and identifying opportunities for suppliers to increase the sale of services.

- **Identifying a Service’s Real Competitors**

Often, the competition for a business development service does not come from another formal organization offering the same service. Instead, it comes from informal services or systems that provide the same benefit to the SE. For example, the competition for a market information service might be information from SEs’ customers and business associates. Donors are interested in learning if a BDS program is actually displacing private sector suppliers, many of whom are informal. A UAI market study can identify informal suppliers or business service systems by asking respondents: If you cannot get this service, what will you do?

The answers will tell the researcher how SEs get the benefit of the service from other sources. From there, a BDS practitioner or

donor can study these sources either to get ideas for designing a service or to find ways to build up and improve upon these sources of the service rather than start a new service.

- **Analyzing Service Features²³**

Features that a supplier designs in a service determine the benefits that SEs get from the service. Service features often determine if SEs will purchase a service and, given a choice, from whom they will purchase it. A UAI market survey provides two types of information that enable a BDS practitioner to analyze service features. The first is data on how important various features are to SEs. The second is the satisfaction rating the SEs give suppliers of the service on these features. This information can be plotted on a matrix (an example is shown in Table 6), which shows a single supplier’s or all suppliers’ strengths and weaknesses in meeting SE demand for service features. A single supplier can use the matrix to improve the appeal of his/her service relative to the competition. A facilitator or donor can use the matrix to determine if services in the market are appropriately designed for SEs and design a program to help suppliers increase the appeal of their services to SEs.

Table 5 shows importance and satisfaction data from the Bayantel PCO survey. The first column shows the number of respondents

²³ This technique is from Dr. Ned Roberto, *User-Friendly Marketing Research*, Life Cycle Press (Asia), 1996.

Table 6: Analysis of Bayantel PCOs in Meeting Customer Demand for Service Features

	High Satisfaction	Low Satisfaction
High Importance	Strengths	Weaknesses
	Cleanliness (6, 23)	Accuracy (14, -3)
	Clarity of connection (4,18)	Privacy (7, -6)
	Comfortable waiting area (1, 13)	Confidentiality (2, -13)
	Friendly/helpful attendants (0,1)	Comfort while using service (1, -8)
Low Importance	Waste	Indifference
	Variety of services (-10, 0)	Clear layout (-5, -9)
		Waiting time (-5, -8)
		Convenience of location (-6, -2)
		Distance from business (-10, -2)

Source: MSE Survey from Philippine ICT Study, MBP

who ranked the feature as extremely important. The second column shows how far this number is from the mean number of respondents ranking each feature as extremely important. The last two columns show the same information on the satisfaction with Bayantel PCOs.

When analyzing feature ratings, practitioners tend to use the number of people who stated the feature was extremely important or are very satisfied instead of the actual average rating of respondents (on a scale from 1 to 4) because these figures usually yield a bigger difference among the features and thus make it easier to analyze. Marketing experts have also found that extremely important/very satisfied figures are often more accurate than the average rating.

To analyze these data, plot the features on a matrix like the example shown in Table 6 for the Bayantel PCO data. Put the features with higher than average importance and higher than average satisfaction in the top left box. Put the features with higher than average importance but lower than average satisfaction in the top right box. Put the features with lower than average importance but higher than average satisfaction in the bottom left box. Put the features with lower than average importance and lower than average satisfaction in the bottom right box. In Table 6, the numbers in parenthesis indicate the distance from the mean, as shown in Table 5. The first number is the distance from the mean importance, and the second is the distance from mean satisfaction.

The matrix represents how the supplier is doing in satisfying the customers' demands for service features. The top left box shows the supplier's strengths—where consumers are satisfied with features that are important to them. These strengths should be maintained and promoted. The top right box represents the supplier's weaknesses—where customers are relatively dissatisfied with features that are important to them. A supplier should prioritize addressing these weaknesses to become more attractive to customers. The bottom left box represents wasted money—features that customers are satisfied with but that are relatively unimportant. A supplier should reallocate the money spent on these features because customers do not really care about them. The bottom right box shows features that the supplier should not worry about. Customers are not very satisfied with these features but they do not care about them much either, so it does not matter if they are dissatisfied with them.

Table 6 shows that Bayantel is doing a reasonably good job of meeting MSEs demand for service features. They offer a clean office with a comfortable waiting area, clear connections for telephone use and friendly attendants – features that MSEs think are important. This matrix was used to recommend that Bayantel improve the accuracy, privacy and confidentiality of services as well as provide more comfort while talking on the phone. Bayantel does not waste much money on useless features. The company does not need to use resources to venture into a wide range of other services –

Table 7: Importance and Satisfaction Data from Cell Phone Survey

Features:	% of Respondents Who Said Feature Was Extremely Important	% of Respondents Who Were Very Satisfied			
		SMART	PiITel	Extelcom	Globe
Wide coverage	86	60	54	20	22
Portable/handy	84	65	58	68	44
Clarity of connection	83	55	58	44	44
Quick service	80	52	58	20	33
Waiting time for phone	71	50	46	32	44
Ease of application	71	58	48	44	22
Service location	61	47	52	36	44
Purchase location	47	45	54	40	44

Source: MSE survey from Philippine ICT Study, MBP

variety of services is not important to MSEs. As waiting time is not a significant feature for MSEs, Bayantel does not need to increase capacity in its offices to reduce waiting time.

• **Comparing Suppliers**²⁴

Importance and satisfaction data can also be used to compare various suppliers of the service and find opportunities in the market for improving on current supply. The Philippine cellular phone user survey collected data on several cellular phone suppliers. Table 7 compares the various cellular phone suppliers by showing the percentage of respondents who said they were very satisfied with each feature from the suppliers. The features are listed in order of importance to MSE cellular phone users.

It is clear in this example why SMART is the market leader among MSEs. SMART had the highest rating for the features that MSEs care about most: wide coverage and portable/handy phones. Extelcom and Globe cannot compete on wide coverage—the most important feature for MSEs. Although PiITel is better than SMART at satisfying customers for four service features: clarity of connection, quick service, service location and purchase location, these features are less important to MSEs than wide coverage and portable/handy phones.

Table 7 shows that there is considerable potential for improving the supply of cellular phone services to MSEs. Less than half of

all customers are very satisfied with many of the features they care about. A donor interested in stimulating this market might provide suppliers with information on technology for improving the clarity of connection on cellular phones and making phones smaller and more handy. A facilitator might want to offer a seminar for suppliers on providing quick service.

2. Analyzing FGD Data

TIP: Remember that FGD data does not necessarily represent the whole market. It is only the opinion of selected consumers. FGD data should be used to explain weaknesses in the market found using quantitative data or provide additional ideas on a market opportunity. It should not be construed to indicate any market problems or opportunities that do not support the quantitative results.

Analyzing FGD data is generally easier than quantitative data. The comments and suggestions from consumers can often be applied directly to helping suppliers improve their products. Sometimes, consumers' comments about the features and benefits that they want will point to their unrealistic expectations of what suppliers can offer. In this case, a facilitator might consider strategies to educate consumers about services. In other cases, FGD results will show an opportunity for a new kind of product that consumers want. To address this, a facilitator could help suppliers develop and commercialize new products. Because FGDs are conducted by consumer segment, the data will show differences in

²⁴ This technique is from Dr. Ned Roberto, *User-Friendly Marketing Research*, Life Cycle Press (Asia), 1996.

what various consumer segments want from services. This information can help suppliers target particular consumer segments with the products that they want.

Example from GTZ Nepal of Analyzing Survey and FGD Data Together

In the market for consulting in business planning and management, GTZ's quantitative survey showed that market penetration among manufacturing enterprises is only 5%. The low market penetration was explained by a lack of understanding and a lack of willingness to try this service. Understanding of the service among manufacturers is only 59% and reach is only 12%.

The focus group discussions with small manufacturers who think consulting is an important service but who have not purchased it yet shed light on the reasons for these numbers. Small manufacturers said that they do not purchase consulting services because they do not have any information on service suppliers – which begins to explain why reach among these enterprises is so low. The small manufacturers are looking for three business benefits from consulting services:

- to maintain the quality of production
 - to strengthen management functioning and
 - to develop business strategies for the future.
- Small manufacturers recognized that consulting services could offer them an advantage in an increasingly competitive market.

However, the discussions with small manufacturers also showed some of the areas of confusion about the service that contribute to a lack of understanding. Small manufacturers wanted consulting services in production, management and planning combined. Some also confused training and consulting services. Small manufacturers also wanted consultants to provide specific information on the future of the client's market and to help the entrepreneur make new business contacts. These comments show that small manufacturers have unrealistic expectations for what consulting services can deliver.

With these expectations, it is likely that those small manufacturers who have tried consulting services have been dissatisfied. Dissatisfaction leads to negative word of mouth information among small manufacturers that further suppresses entrepreneurs' valuation of the service and willingness to try it. It also explains the relatively low retention rate for services – only 59% among manufacturing enterprises.

From this analysis, it is possible to pinpoint several key problems in the consulting market for small manufacturers:

- entrepreneurs lack information about consulting services and suppliers
- entrepreneurs have unrealistic expectations for consulting services
- suppliers are not communicating effectively with potential consumers.

3. Analyzing Supplier Diagnostic Data

When analyzing supplier diagnostic data, the researcher aims to answer two key questions:

- What is the nature of market problems on the supply side?
- What are the key gaps between demand and supply?

To answer the first question, the researcher tries to determine why suppliers have particular weaknesses shown in the consumer data. Figure 11 (following page) shows several examples of how supplier diagnostic data might explain findings from consumer research.

To answer the second question on demand-supply gaps, the researcher looks for areas where consumers and suppliers have different points of view on the market. Figure 12 (following page) shows several examples of demand-supply gaps. These gaps often pinpoint areas for intervention because they show where demand and supply do not meet. The facilitator can then develop strategies to bring supply and demand closer together.

When analyzing supplier diagnostic data, it is important to consider the roles that must be played in a market. Figure 13 shows some of the key roles in a market.²⁵ In a healthy market, there are a variety of organizations that may perform these roles. In many cases, suppliers will perform all of the roles. In other cases, there are businesses that develop and sell service products to suppliers as well as help suppliers develop their capacity to deliver products. In some markets, service industry associations may perform some roles such as helping to develop supplier capacity. In some cases, government may be performing some roles such as providing information to consumers. But in all healthy markets, all these roles are being performed.

When analyzing supplier diagnostic data, it is helpful to determine which of these roles are being played by suppliers and how well.

²⁵ Adapted from A. Gibson, R. Hitchins and M. Bear, "BDS Market Development: A Guide for Agencies." Draft, December 2000. Forthcoming from the USAID Microenterprise Best Practices Project managed by Development Alternatives Inc. website: www.mip.org

Figure 11: Understanding Supply Side Problems

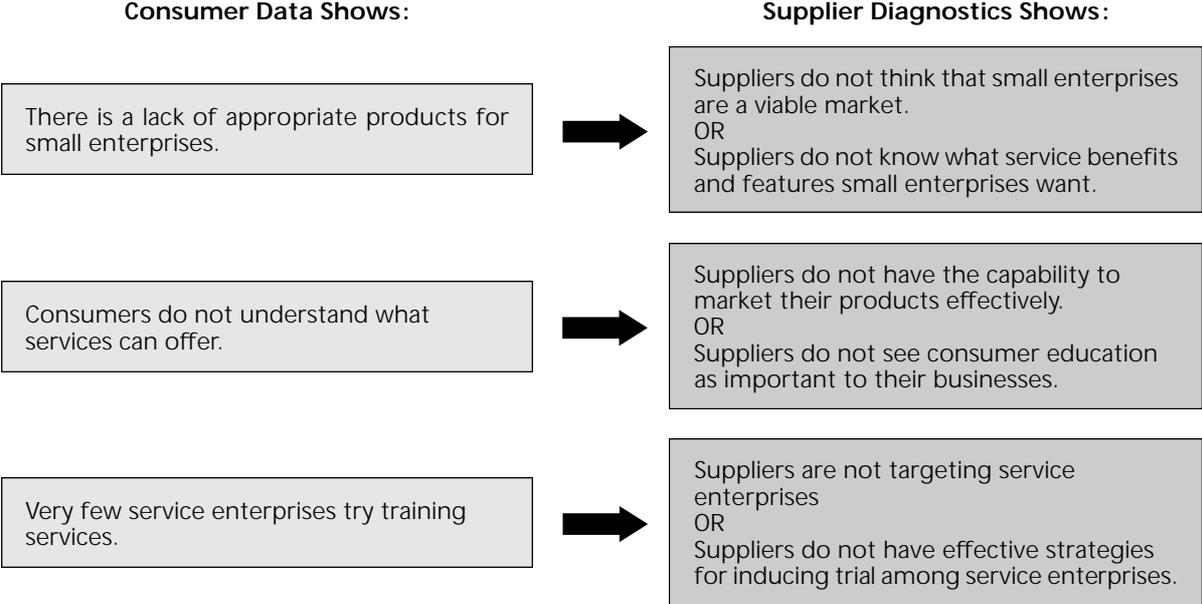
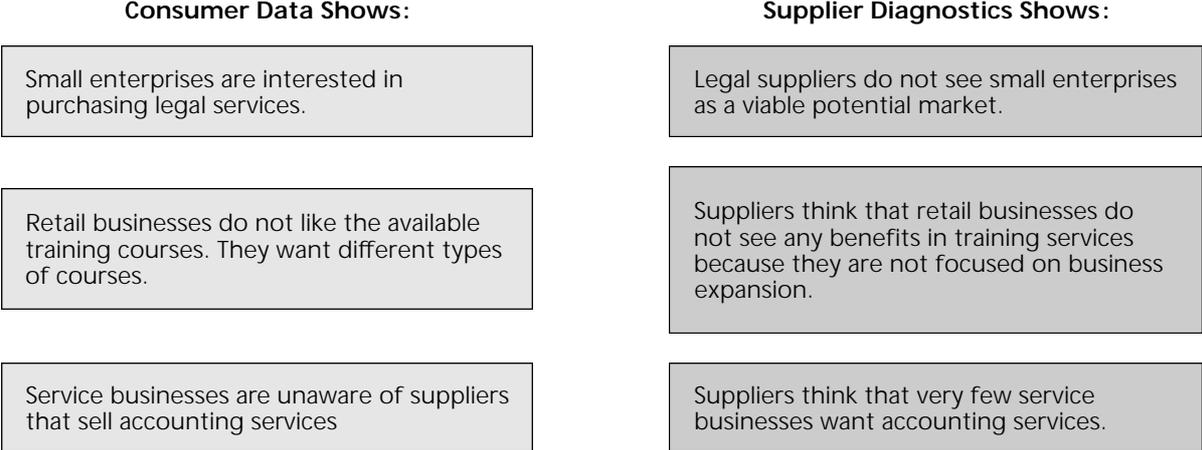


Figure 12: Finding Demand-Supply Gaps



If some roles are not being performed by suppliers, who, if anyone, is performing them?

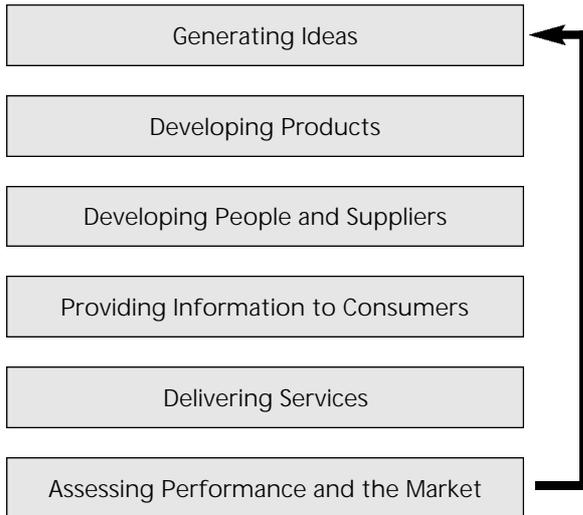
Answering these questions may begin to point a program manager toward possible market development interventions. For example, if suppliers are not developing new products or are not doing it well, there may be the need to help them develop products, to support the start-up of product development businesses or to bring in suppliers from other countries to adapt and franchise products. If suppliers are doing a poor job of providing useful information to consumers, there may be a need to help them with their marketing or to develop a “BDS yellow pages” or consumers’ bureau.

If suppliers are not gathering and using consumer information, it may be helpful to provide them with consumer information, to support their efforts to gather consumer information or to develop the marketing research market.

B. Comparative Analysis of Various BDS Markets

The aim of a comparative analysis of various BDS markets is to provide information that will help an organization choose on which services to focus a program. The choice of which services to promote will depend on other factors besides the market, such as the experience of the implementing

Figure 13: Market Roles



How this information is interpreted depends on the implementing organization. For example, one organization may prioritize those services for which there are already suppliers and aim to strengthen those suppliers. Another organization will choose the services for which demand from their target group is strongest. An organization specializing in helping start new suppliers might choose a service where there are relatively few suppliers. The weaker the market, the more investment is probably needed to develop it and the longer the time frame for market development. The stronger the market, the more potential there is for distorting what is already working about the market. Most organizations will choose to develop markets that are neither extremely weak nor very strong. However, which markets to choose from the many that are somewhat weak may depend on other factors. Figure 14 below shows how the potential for intervention varies with the strength of the market.²⁶

organization, the area and target group and the context of the program. However, information from the market should play an important role in choosing which services to promote.

When comparing several different markets for services, there are four key questions to explore:

- How does demand for different services compare?
- What suppliers exist for each service?
- How effective is each market?
- What is the potential for expansion of each market?

Level of Demand

The level of demand for various services can be gauged, to some extent, by:

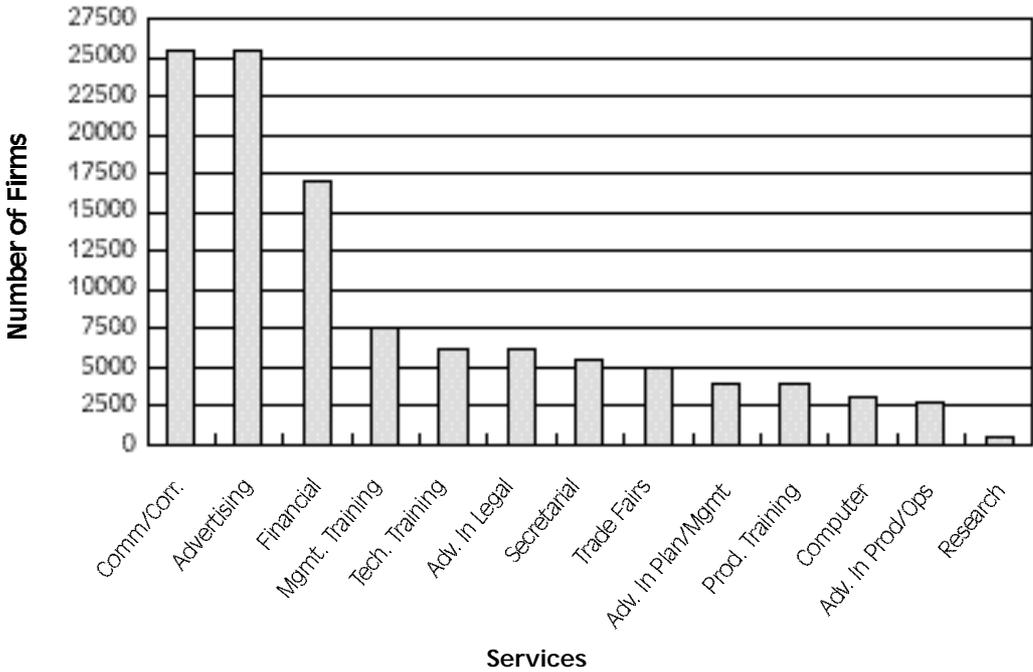
- the number of SEs purchasing services,
- the size of the market in monetary terms, and
- market penetration.

Figure 14 When is there potential for intervention?



²⁶ A. Gibson, R. Hitchins and M. Bear, "BDS Market Development: A Guide for Agencies," draft, December 2000, forthcoming from the USAID Microenterprise Best Practices Project managed by Development Alternatives Inc. Website: www.mip.org

Figure 15: Number of Firms Purchasing BDS in Nepal



Although these figures do not factor in those SEs who are interested in purchasing services but do not like what suppliers have to offer or are getting services some other way, it does give a rough idea of the level of demand.

Figure 15 shows the number of firms buying each business service from the GTZ Nepal market assessment survey. It is clear from this graph that many firms are interested in services which donors do not traditionally support such as communications and correspondence, advertising and accounting and financial advice.

Service Suppliers

A UAI survey will not provide the number of suppliers for each service. Getting this information is very difficult. However, it can provide a sampling of either actual names of suppliers or types of suppliers in the market and their relative popularity with consumers. This information will give the researcher some understanding of the availability and sources of supply for each service. Table 8 shows the percent of purchasing consumers that use each of three types of suppliers: individuals, small firms and large firms. Many of the individual suppliers are in the informal sector. This gave GTZ an idea of the characteristics of supply in each

of the BDS markets. Information that would also be helpful is the percent of each market that is fee-for-service, embedded services, free services or other types of transactions. This will provide information on the type of program that might be useful in each market. For example, if embedded services are the most popular way for entrepreneurs to acquire services, a program may want to use strategies to stimulate the supply of embedded services.

Table 8: Types of Suppliers for some BDS in Nepal

	% of Customers Using Each Type of Supplier		
	Individual	Small Firm	Large Firm
Advertising	7	53	40
Trade Fairs	7	22	71
Mgmt. Consulting	31	22	47
Prod. Training	17	26	57

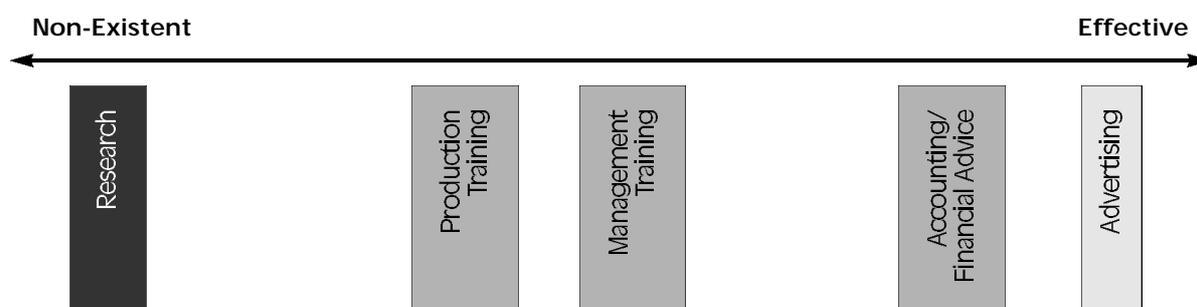
Market Effectiveness

Awareness, Understanding, Reach and Retention provide a good understanding of the relative effectiveness of different BDS markets. For example, Table 9 shows the awareness, understanding, reach and retention for five of the services in GTZ's market assessment in Nepal.

Table 9: Awareness, Understanding, Reach and Retention of some BDS in Nepal

Service	Awareness	Understanding	Reach	Retention
Advertising	100%	75%	58%	88%
Accounting/ Financial Advice	99%	69%	47%	94%
Management Training	88%	60%	28%	63%
Production Training	80%	48%	12%	61%
Research	75%	45%	4%	*

Figure 16: Relative Effectiveness of some BDS markets in Nepal



Based on this information, these service markets can be approximately placed on a continuum from non-existent to effective as shown in Figure 16.

Intervening in the research market would require considerable long-term investment and is questionable considering there are other markets with more demand and where less investment will probably have more impact. The markets for production and management training are weak-targeted programs might be able to address some of the weaknesses. The markets for accounting/financial advice and advertising are quite effective overall. However, analysis of different market segments might reveal weak markets for specific types of enterprises that would justify intervention. For example, the market may not be working well for women-owned enterprises, micro enterprises or service enterprises. Any intervention in these markets should be careful not to distort what is already working well.

Analyzing Market Potential

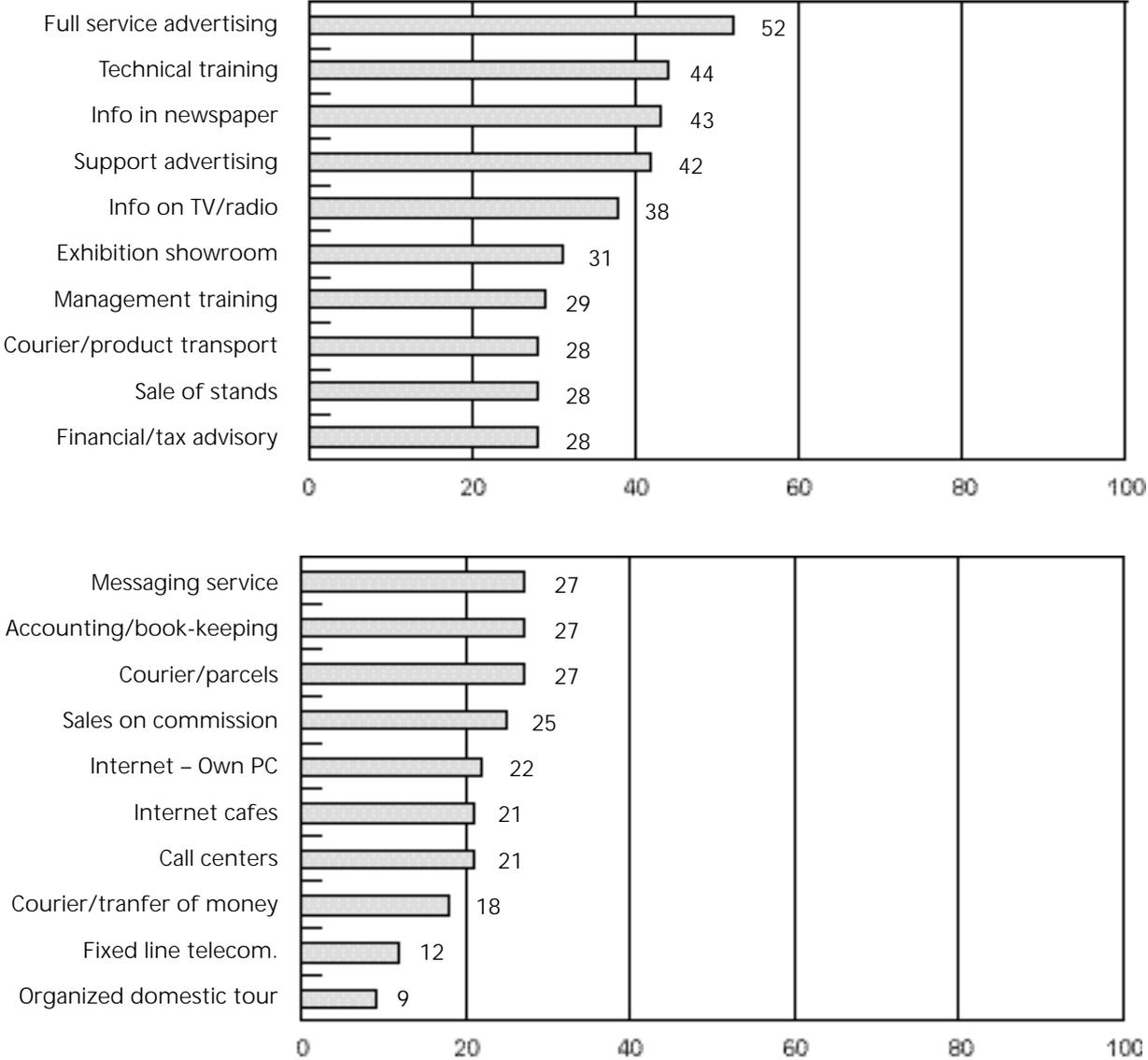
While analyzing the current status of the market is useful and accurate, it may not

reflect market potential. Projecting which markets have the potential to expand and which do not relies on SEs' opinions about services and the possibility of purchasing them in the future. While this is less accurate than relying on facts about SEs' current purchase habits, it may provide more information about market potential.

One rough measure of the potential for market expansion is the number of entrepreneurs that say a service is important but who have not yet purchased it. In Indonesia, the ILO calculated this measure of potential by calculating the percent of SEs that said a service was important to be competitive in their businesses but who had not yet purchased it. Figure 17 below shows the results of this analysis.

Combined with data on current purchase habits, this analysis provides a basis for choosing the service markets on which to focus. In the case of the ILO in Indonesia, this analysis indicates that advertising, technical training and media information are the BDS markets with the most potential for expansion.

Figure 17: Potential for expansion of BDS Markets in Indonesia



XII. How can market analysis be used for program design?

Market analysis should help the researching organization:

- choose the service market(s) on which to concentrate, and
- determine what strategies to use to develop the chosen market(s).

To make both these decisions, the researching organization combines the information from the market assessment with internal considerations, including the organization's program objectives, experience and capacity.

TIP: While market data can provide a lot of information, choosing services and interventions also relies on the judgement of the program manager to make the best match possible between his/her organization's capabilities and the potential impact on the markets. The first decision may not work well. Markets may change. Trial and error is always needed. Donors implementing market development programs say that staying flexible and being willing to change approaches is essential to success.

Market analysis will point to a number of weaknesses and opportunities in a given market. Usually, even within a single consumer segment such as service SEs, there are a wide variety of market issues. Some market problems seriously repress the market, others less so. Some opportunities may appear very promising, others smaller. A given donor or development organization may be able to address some problems and opportunities but not others. The key to using market analysis for program design is to determine how to make the most impact on BDS markets (or a particular market segment) given the implementing organizations capacities and limitations.

Using market analysis for program design can be done in four steps:

Step 1: Choose the market(s) on which to focus.

Step 2: List market problems and opportunities.

Step 3: Prioritize market problems and opportunities.

Step 4: Develop interventions to address key market problems or opportunities.

Each of these steps is described below. In many cases, it may be necessary to go back and forth between these steps. For example, in Step 1 an organization's managers may choose to focus on the transport and delivery market but find in Step 4 that the organization is not well suited to addressing the problems and opportunities in this market. Therefore, the managers may decide to go back to Step 1 and consider a different service. It is particularly necessary to look at Steps 3 and 4 together. The problems and opportunities that are most pressing in the market may not be ones that the organization can effectively address. Therefore, the organization may have to focus on somewhat less severe problems or less promising opportunities but address them more effectively.

A. Step 1: Choose on which market(s) to focus

The comparative market analysis will yield the following outputs:

- an assessment of the relative demand for various services.
- a description of suppliers for various services.
- an assessment of the relative effectiveness of various service markets.
- an assessment of the potential for expansion for the various service markets.

Based on this information, a program manager can choose which services look the

Table 10: Strengths and Weaknesses of BDS Markets in Nepal

	Demand	Supply
Strengths	<ul style="list-style-type: none"> • consumers are aware of services • economic growth is fueling demand • word of mouth advertising is strong 	<ul style="list-style-type: none"> • suppliers exist • suppliers have the capacity to help businesses solve their problems
Weaknesses	<ul style="list-style-type: none"> • consumers have a limited understanding of services • consumers often do not recognize that they have a business problem that needs outside help • consumers are risk averse • free services are decreasing the willingness to pay 	<ul style="list-style-type: none"> • suppliers products are inappropriate • marketing is poor • suppliers lack market information • private and donor supported suppliers' behavior is distorted by subsidies

TIP: Choosing the service markets on which to focus is not the only starting point for program design. The market assessment may show that a number of markets have a common market weakness, such as low reach or suppliers with weak business skills. In this case, a manager may choose to focus a program around addressing these weaknesses in a range of markets rather than focusing on only a few markets. The program might aim to teach suppliers of a variety of services marketing strategies to induce trial or business skills.

most promising for his/her program. A manager must balance the considerations from this information with the knowledge of his/her organization and program. For example, if the organization is likely to choose a strategy of working with suppliers, two important considerations are that there is a good level of existing demand and there is a good pool of suppliers to work with. If the organization has a lot of experience in demand stimulation, the manager might prioritize the markets with the most potential and a reasonable level of supply, even if current demand is somewhat low. If the organization has either experience or a mandate to develop new services, the manager might choose a less developed market. If the program has a short time frame, the manager might choose a more developed market where less investment and less time will still yield significant impact.

The choice will also be affected by the organization's objectives, target group and history. For example, overall the data might suggest focusing on the training market. But the consumer segment of small manufacturing enterprises might be more interested in advertising services. In this case an organization whose overall aim is to develop the

private sector will choose to focus on the training market. But an organization solely focused on small manufacturing enterprises will choose the advertising market.

There are no absolutely right or wrong answers in the choice of service markets. The aim is to choose service markets where the organization can have the most impact in developing the market(s) to achieve its particular objectives.

B. Step 2: List market problems and opportunities

The analysis of the chosen market will yield a picture of the market and a list of the problems and opportunities in the market. One way to summarize this information is to make a matrix of the market's strengths and weaknesses. For example, in Nepal, GTZ saw similarities among several markets in which they were interested. The strengths and weaknesses found in these markets could be mapped on a matrix as shown in Table 10.

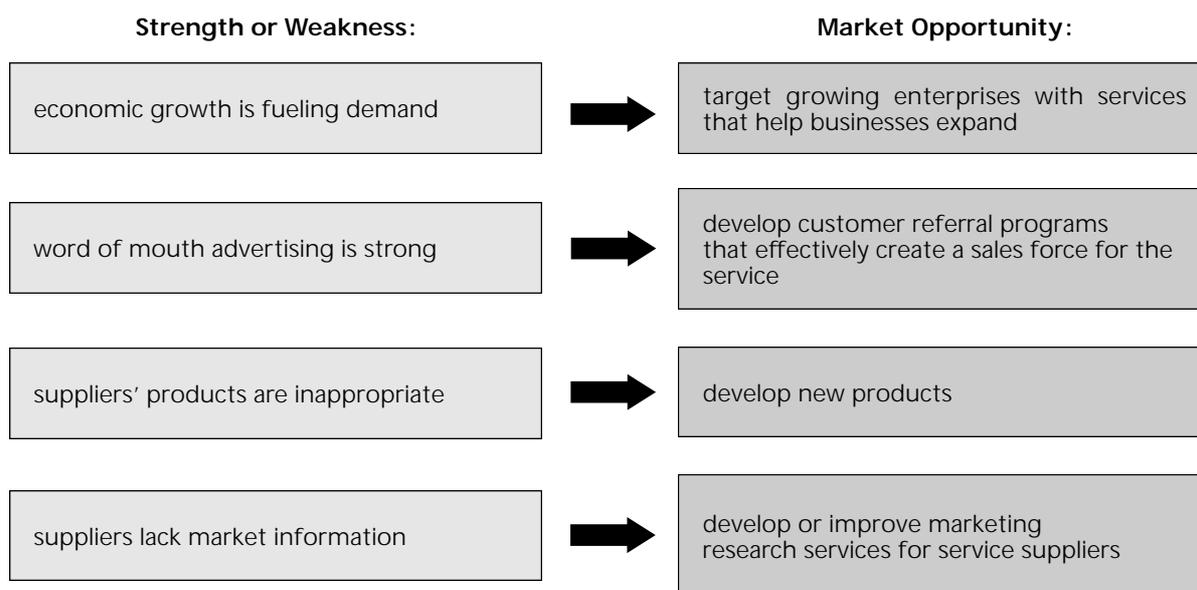
Looking at this matrix, it is possible to pick out various market opportunities. Several examples are shown in Figure 18.

At this point, the manager lists all market weaknesses and opportunities that the data suggest, ignoring the magnitude.

C. Step 3: Prioritize Market Problems and Opportunities

The key criteria on which to prioritize market problems and opportunities is the extent to which addressing the problem would help develop the market. Making this

Figure 18: Using Strengths and Weaknesses to find Market Opportunities



judgement requires not only an analytical eye but also some entrepreneurial thinking. For example, addressing a problem which affects many consumers or many suppliers will have more impact than addressing a problem that only affects a few. If a particular consumer segment is clearly eager to purchase services but does not like what suppliers are offering, focusing on this opportunity may have more impact than addressing another consumer segment where there is less demand.

In addition to judging where it may be possible to have the most impact, there are several other criteria to keep in mind when prioritizing market weaknesses and opportunities.

- **Organization/Program Focus:** If an organization focuses on a particular consumer segment, weaknesses and opportunities for this segment will take priority.
- **Organization Experience and Capacity:** An organization may want to focus on the problems and opportunities that it has experience and/or the capacity to address. For example, if an organization is experienced in advocacy, addressing a weakness resulting from inappropriate regulations may take priority.
- **Realism:** There may be some severe weaknesses or promising opportunities that is it not possible to address. For example, free government services may

be adversely affecting the market. However, if the government is unlikely to change this policy due to political considerations, focusing on this problem may be a dead end.

At the end of Step 3, a manager will have a list of market problems and opportunities in order of priority to his/her organization.

Example from GTZ Nepal of Prioritizing Market Weaknesses

Based on the market assessment data, GTZ Nepal decided that the lack of appropriate products was one of the most severe constraints in a number of BDS markets. With economic growth fueling demand, they thought that developing new products presented a significant market opportunity. This idea was supported by the FGD data that showed that some consumer segments wanted products with different benefits and features than suppliers were currently offering. On the demand side, they recognized that consumers' limited understanding of services and risk aversion were also significant market constraints. While GTZ felt that free services were also a serious market problem, they thought that addressing this problem would be a long term endeavor.

- D. Step 4: Develop interventions to address key market problems and opportunities

The last step is to determine what program strategies will address the priority market problems and opportunities and effectively

TIP: Many market development strategies address more than one market problem. For example, a voucher program might address the following market problems:

- consumers' lack of willingness to try services
- consumers lack of information about services
- suppliers reluctance to target new markets
- suppliers' risk aversion to developing new products

But most market development strategies may also have some negative effects on the market. For example, a voucher program may also increase SEs' feeling that services should be subsidized.

Making sure that the market development impact outweighs the market distortion impact is one of the keys to designing effective strategies.

develop the market. An organization may choose to focus narrowly on a single problem or opportunity or somewhat more broadly on several related problems and opportunities. However, it is helpful not to focus on too many problems and opportunities, particularly at first, as this may dilute the effectiveness of each strategy. Like other enterprise promotion programs, it is better to start smaller and more focused and expand or diversify as an organization gains experience in developing the market.

TIP: Because many organizations are trying to get away from dictating what types of services entrepreneurs want, managers may be reluctant to consider a strategy of demand stimulation. However, weaknesses in a market exist on both sides, demand and supply. Stimulating demand by, for example, helping entrepreneurs see the value of services or more effectively diagnose their own business problems is a valid market development strategy. Private sector businesses often stimulate demand through advertising. Business associations also often play a role in demand stimulation by increasing entrepreneurs' awareness of business problems. When deciding what strategies to pursue, consider both sides of the market.

Table 11 (following page) shows some strategies for addressing various market weaknesses and opportunities. The weaknesses and opportunities may be true for all SEs or they may be true only for a particular consumer segment, such as women, microenterprises, trading enterprises or rural enterprises. The table only shows some examples based on what we know now. The BDS field is still learning what strategies

work most effectively to address various market weaknesses and opportunities.

The choice of strategies to address a particular problem or opportunity will depend not only on what a manager thinks will work best in a particular market situation but also on the capacity and experience of the organization. It is important that a manager choose interventions that his/her organization has the capacity to address. When a manager is designing interventions, s/he may decide that his/her organization does not have the capacity address a priority weakness or opportunity. In this case, the manager may choose to go back to Step 3 and consider other weaknesses and opportunities or go back to Step 1 and consider other service markets.

Example from GTZ Nepal of Choosing Interventions

Considering the priority problems and opportunities, GTZ decided to focus their program on product development and commercialization in a variety of service markets. The program aims to address both supply and demand side issues. A focus on product development aims to address the problem of a lack of appropriate products. Helping suppliers to commercialize those products lessens the risk to suppliers of developing new products and also addresses the priority problems of consumers lack of understanding about services and risk aversion to trying services.

On the supply side, GTZ assists suppliers to gather market information and develop new products. GTZ has also brought in foreign suppliers to trial market new services with the possibility of franchising them to local suppliers. On the demand side, GTZ subsidizes initial costs and provides technical assistance for advertising and trial marketing of new products. Advertising and trial marketing is aimed at stimulating demand. This mix of interventions builds on GTZ's experience in working with BDS suppliers and promoting business services.

In addition, GTZ is using its position as a long term donor in Nepal to encourage donors to rationalize subsidies for BDS with the aim of lessening the market distortion created by free services and supplier subsidies.

At the end of Step 4, the manager will have the basic outlines of a program design to address key market weaknesses and opportunities. From here, the manager will develop and test the chosen interventions.

Following these four steps for program design is often not straightforward and is

Table 11: Matching Market Weaknesses/Opportunities with Interventions

Market Weakness/Opportunity	Possible Interventions
Consumers lack information about services	<ul style="list-style-type: none"> • Develop a BDS yellow pages • Open a BDS consumers' bureau • Help suppliers improve their marketing • Implement a voucher scheme
Consumers do not have the capacity to pay for services up front	<ul style="list-style-type: none"> • Assist suppliers to develop payment options (installments, on credit, etc.) • Promote embedded services • Promote third party paid for services (for example where advertisers pay for part or all of a service in which their products are advertised) • Help consumers purchase services in groups to lessen the costs
Consumers are risk averse to trying services.	<ul style="list-style-type: none"> • Provide suppliers with technical assistance to improve trial inducing strategies (coupons, one free trial service etc.) • Implement a voucher scheme
Consumers do not see the value of services	<ul style="list-style-type: none"> • Assist suppliers to improve advertising • Assist suppliers to develop customer referral programs
Consumers want services packaged together	<ul style="list-style-type: none"> • Broker agreements among suppliers to develop packages of services • Provide venture capital and technical assistance for suppliers to diversify
Service products lack the benefits and features that consumers want	<ul style="list-style-type: none"> • Assist suppliers to develop and commercialize new products • Bring in suppliers from other countries to adapt and franchise appropriate products
Suppliers are risk averse to targeting new consumer segments, such as women, micro enterprises or the service sector.	<ul style="list-style-type: none"> • Provide suppliers with information on the viability of a new consumer segment • Subsidize some of the costs in targeting new consumer segments • Develop a risk sharing plan with suppliers for the costs of product development and advertising for new consumer segments
Suppliers lack market information	<ul style="list-style-type: none"> • Develop or improve marketing research services/suppliers • Provide suppliers with market information • Teach suppliers how to gather market information
Suppliers lack business or technical skills	<ul style="list-style-type: none"> • Provide training and technical assistance to suppliers • Assist training suppliers to develop and sell appropriate products to other BDS suppliers
There is insufficient supply in the market.	<ul style="list-style-type: none"> • Provide venture capital to suppliers to expand • Design a program to assist start-up suppliers
Free services are distorting the market	<ul style="list-style-type: none"> • Advocate with government and/or other donors to rationalize BDS subsidies
Regulations adversely affect the market.	<ul style="list-style-type: none"> • Advocate for changes in the regulations.

also not a guarantee of program success. It is not always clear which market problems or opportunities to prioritize. There is usually more than one strategy to address a given market problem. An organization may start out using one strategy to address a particular problem and find either that the strategy is ineffective or that another market

problem must be addressed first. While using market assessment for program design will put an organization on good footing, testing out strategies and being willing to try different strategies to address various market problems and opportunities is essential to program success.

XIII. What are ways to keep market assessments cost effective?

Market assessment using the tools described above is quite cost effective. For example, the study in the Philippines included three consumer surveys of 100 consumers each and in-depth supplier-diagnostic case studies of two suppliers as well as interviewing of a range of other suppliers. The study also included background research on the information and communications sector as a whole. The following describes the resources used for this study.²⁷

People

Managers/Researchers. The Philippine study had two manager/researchers, who split the work of designing and overseeing the consumer surveys and conducting the background research and supplier diagnostics. It would have been possible to do the study with only one manager, but it was helpful to have two to share ideas. Although neither researcher is a marketing specialist, both had experience with BDS as practitioners and some background in marketing.

Marketing Specialist. The Philippine study had the advice of a marketing specialist at critical junctures during the study. The study used 4 days of the specialist's time.

Survey Team/Company. The Philippine study used a professional Filipino survey company experienced in marketing surveys. The survey team had a manager who coordinated the pre-test and interviews and acted as a liaison between the interview team and the study managers. The team manager also trained the 2 supervisors and 10 interviewers. The team included a translator who translated the questionnaires from English into local languages. It was helpful to have an experienced survey company because their personnel made useful suggestions on the design and implementation of the survey. Having a local company conduct

the survey helped ensure that the survey was appropriate for the local context.

Time

The Philippines study took approximately four months from start to finish, as follows:

Forming the team: One-and-a-half weeks

Designing the study: Two weeks, including writing the design, having it reviewed by the marketing specialist and others, and making revisions.

Designing the questionnaire: Two weeks, including the same review process as above.

Pre-Testing the Questionnaire: One week—actual interviewing took only two days but time was needed to travel to the survey site, go over the questionnaire with the survey team, organize the interviewing, identify respondents, and copy the questionnaires.

Questionnaire Revisions: One week, including another review.

Survey: Two weeks.

Tabulation: Three weeks.

Analysis: Two-and-a-half weeks.

Report preparation: Two weeks.

Money

Funds were primarily used to pay the research team. The only key assets used by the survey firm were a computer and software for tabulating the results of the survey. In the Philippines most survey companies charge a fixed rate per interview for surveys. The rate depends on the length of the questionnaire, the data tables required and other services needed

²⁷ Reprinted from A. Miehbradt with R. Chua "Technical Note: Applying Marketing Research to BDS Market Development" Development Alternatives Inc. under the USAID Microenterprise Best Practices Project, 2000.

such as translation. The company conducting the Philippine study charged approximately P800 (US\$20) per interview for the following services:

- commenting on the survey design and questionnaire
- translating the questionnaire into local languages
- field testing the questionnaire and providing feedback
- formatting the questionnaire for the interviews
- printing and copying the questionnaires
- hiring and training interviewers
- conducting interviews
- supervising interviews
- cleaning and tabulating the data
- producing data tables

Travel expenses for the survey team and tax were extra. Although some firms will design and revise the questionnaire, in this case, the research managers did these tasks.

Example from the ILO of Resources Used for Market Assessment

The ILO expended the following resources to conduct quantitative surveys in four countries. The resources listed below do not include those for qualitative research.

Costs: In each country, the ILO contracted a marketing research firm to design and conduct the quantitative surveys. The firms also did a basic analysis of the resulting data. The study in each country cost the following:

Thailand: US\$10,500
Cambodia: US\$5,200
Ghana: US\$12,200
Indonesia: US\$10,000

Time: The ILO estimates that each study required approximately 15 days of ILO staff time for discussions with the firms and monitoring the progress of the study. The initial studies required more time; the subsequent studies somewhat less. The ILO conducted 2 visits from headquarters to each country: one to interview and contract the firms and one to monitor and discuss progress. An in-country ILO representative also maintained frequent contact with each marketing research firm. After contracting the firms, each study took approximately 10 weeks to complete.

While market assessments are not very expensive, there are a number of strategies that can help get the most information for available money.

Choose Respondents Appropriately

When choosing whom to interview, there are some short cuts that can be taken to decrease costs, depending on the information needed. A consumer research survey can focus on one of three types of consumers: all consumers, service users or customers of a particular supplier(s). Each has pros and cons.

All consumers: Funds permitting, this is the preferred option for a BDS market assessment. Interviewing all consumers enables the researcher to get a full picture of the market by understanding how both users and non-users view the service. However, this is also the most costly option. The sample size will need to be large enough to ensure that data on users is statistically significant. Getting a random sample of all consumers can also sometimes be difficult.

Service users: This is the second best option for a BDS market assessment. The researcher will not get a full picture of the market because data from non-users will be absent. However, a smaller sample size can be used while still ensuring data on users is statistically significant, which usually cuts down on costs. This is a good option if the researcher only needs a picture of the use of the service in the market, rather than the whole market.

Customers of a particular supplier(s): This option limits the information gathered to only customers of particular suppliers rather than the whole market. However, considerable information can still be gained on how customers' view and use the service. This is the most inexpensive option and is easy to conduct. The sample size can be relatively small because only users will be interviewed. Getting a random sample is relatively easy because suppliers often have a list of customers or customers can be interviewed on site when they come to use the service. This option may be appropriate for suppliers or small development organizations with quite limited resources that want some basic information on customer behavior rather than an understanding of the whole market for a service.

Get Expert Help

It may seem paradoxical that hiring expert help saves money, but generally having expert advice saves considerable time for the implementing organization. Marketing research firms and specialists have done many consumer studies and can answer in a few minutes the questions that it would take development professionals hours to sort out. Having expert advice in the data analysis stage can enable the researcher to get significantly more useful information from available data than if s/he analyzed the information alone.

Use the Most Efficient Combination of Tools

Not all tools are appropriate or necessary for every market assessment. It depends on the circumstances and information needed. It is helpful to start out with some background research, formal or informal and then choose one tool to begin a study. Analyzing the data from this study will help the researcher decide if additional information is needed and what tool would be most appropriate to gather it. It is also important to consider what information is needed. For example, if the researcher is interested only in the potential of new products in the market, there are marketing research tools that deal specifically with this issue – a UAI type consumer survey may not be needed.

Match the level of information needed to the implementing organization

SEs generally do not conduct extensive marketing research and many thrive anyway. So why do development organizations need to assess the market? Assessing the market is a proxy for extensive, on-going and transaction-oriented contact with consumers. SEs have this contact every day. Development organizations do not.

As a rule, the further away from the market an organization is and the bigger and more complex the organization is, the more formal and extensive market research is needed. For example, large companies have on-going contact with customers but their decision makers are removed from this contact by a large and complex organization. Therefore, large companies generally conduct formal and extensive market assessments, not only because they can but also because they need to. Development organizations have varying levels of contact with consumers from none to quite a bit. However, this contact is usually not transaction-oriented. Therefore, most development organization interested in a BDS market need to conduct some market assessment. However, the extent of the assessment will depend on their level of regular interaction with consumers and the extent of the information needed. If the development organization only works in a few towns and is in constant contact with consumers, the market assessment can be relatively small and informal. If the development organization is a donor that works on large or countrywide scale and has less frequent interaction with consumers, a more formal and extensive market assessment is needed.

Appendix A:

Samples and models of market assessment tools

Sample Quantitative Study Design from GTZ Nepal

Below is the actual survey design elaborated by GTZ as a basis for discussion with the marketing research firm. Some changes were made to the design after consultation with the marketing research firm, notably on stratification of the sample and sampling methodology. The data analysis design was also refined as GTZ recognized what information was needed for program design.

Consumer Research on the Use of BDS by the Private Sector in Nepal

Survey Design

I. Research Goal

With this study, the researchers aim to gain a basic understanding of the consumption of business development services by private sector companies in the urban areas of Nepal. This information will be used to inform the design of a program to stimulate the market for BDS in Nepal. The data will also be used as a baseline to measure the impact of the program on the development of the BDS market in Nepal.

The research aims to examine the “big picture” – encompassing a wide range of business development services and the universe of urban private sector firms in Nepal. The goal of this focus on breadth is to compare the relative use of various services and to understand better consumer segments of BDS demand. Therefore, the focus of the survey will be gathering basic awareness and usage data on multiple services among a randomly chosen cross section of all private sector firms in selected urban areas of Nepal.

The data from the survey will be used to describe private-sector consumption of BDS in urban areas of Nepal: the level of consumption for various services, basic information about the consumer market for BDS

(awareness, reach and retention for various BDS), firms’ reasons for not using services, customer segments for various BDS and the consumption level of the identified customer segments. This information will be compared with data on the universe of private sector companies in Nepal and data on the consumption of BDS in other countries.

After the survey, the researchers will examine the demand for key business services from key consumer segments through focus group discussions. With this tool, the researchers aim to understand better the range of ways in which consumers experience the use of business services. The focus group discussions aim to explore how consumers perceive, choose, evaluate and value BDS. The consumer research will also be complemented by a study of BDS suppliers in Nepal.

Taken together, this information will be used to identify the marketing challenges for BDS as a whole and for various services in Nepal, to forecast future trends in the BDS market to the extent possible and to make decisions regarding the focus (geographic, customer segments, services) and strategies to stimulate the BDS market in Nepal.

II. Survey Objectives

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 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 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.

III. Business Services to be Investigated

- Accounting, Financial Advice and Taxation Services
- Computer Hardware and Software, including Maintenance
- Advisory in Business Planning and Management
- Advisory in Legal Processes
- Advisory in Production Processes/Operations
- Management Training
- Production Training
- Technical Training
- Communications and Correspondence (including Couriers)
- Secretarial (including Documentation)
- Trade Fairs
- Advertising
- Research

IV. Parameters of Consumer Segmentation

The market for BDS will be segmented using the following variables:

- Business Type (manufacturing, service or sales/trade and appropriate subcategories thereof)
- Business Size by Number of Employees
- Business Size by Registered Capital
- Business Size by Sales in the Last 12 Months
- Ownership (foreign vs. Nepali)

- Business Age (start date)
- Education Level of Owner/Manager (respondent)

V. Sampling Methodology

Criteria for Respondents: All types of private sector firms in the selected urban areas of Nepal are eligible for the survey. Respondents must be the owner or manager of the firm so that they have a reasonable knowledge of the use and expenditure on business services. For large firms, another senior person may be the respondent.

Sampling Method: The survey will be carried out in selected urban areas of Nepal. These urban areas have been chosen because they are reasonably representative of all urban areas in Nepal. The survey will target four segments of the private sector: microenterprises, manufacturing, retail and services. Within each consumer segment, firms will be chosen at random from all firms in the selected urban areas of Nepal. Lists of firms in each urban area will be used to select firms at random except for the micro segment where another random sampling method may be necessary.

Sample Size: The total sample size will be 500, divided among the four consumer segments. The sample size for each consumer segment will be decided upon based on the number of firms in the universe for that segment and the importance of the segment to the BDS market. The sample size for each consumer segment will be large enough that the results are statistically significant.

VI. Data Tables

The data for each of the four consumer segments in the survey will be tabulated and analyzed separately.

Awareness of Services:

- % of respondents aware of each service (overall and by each consumer segment variable)
- % of respondents correctly defining each service (overall and by each consumer segment variable)

Usage of Services:

- % of respondents who have ever tried BDS in general and each service (overall and by each consumer segment variable)
- number of services ever purchased by each consumer segment variable and the average number of services ever purchased for each consumer segment variable.
- when each service was first used by respondents (overall and by each consumer segment variable)
- when each service was last used (overall and by each consumer segment variable)
- frequency of use for each service and average frequency of use in the last year (overall and by each consumer segment variable)
- frequency that firms use some type of business services (aggregate of the frequency for specific services) overall and by each consumer segment variable
- last BDS supplier for each service overall
- how respondents learned about last BDS suppliers for each service (overall and by each consumer segment variable)
- % of firms who have used more than one supplier
- suppliers that respondents have tried and stopped using by service
- monetary value of use of BDS in the last 12 months in general (aggregate of the specific services) and each service and average value of use in the last year (overall and by each consumer segment variable)
- approximate change in expenditure on all business services used over the last 3 years (overall and by each consumer segment variable)
- approximate change in expenditure on each service used over the last 3 years (overall and by each consumer segment variable)
- anticipated, approximate change in expenditure on all business services in the next 12 months (overall and by each consumer segment variable)
- anticipated, approximate change in expenditure on each service in the next 12 months (overall and by each consumer segment variable)

Reasons for Non-Use of Services:

- % of companies stating each reason for

not using a service for each service (overall and by each consumer segment variable)

Perceived Valuation of Services:

- importance of each service to business survival - % of firms stating each importance rating and average (overall and by each consumer segment variable)
- importance of each service to firm competitiveness/growth - % of firms stating each importance rating and average (overall and by each consumer segment variable)

Respondent Characteristics:

- % of respondents in each business type category
- type of business of respondents for each service
- % of respondents in each firm size category by number of employees
- average number of employees of users of each service
- % of respondents' firms which are Nepali, foreign or jointly owned
- ownership of firms for users of each service
- % of respondents in each business age category (less than 1 year old, 1-2 years old, 3-5 years old, 6-10 years old, more than 10 years old)
- age of business of users for each service
- % of respondents in each firm size category by registered capital
- size of firm by registered capital for users of each service
- % of respondents in each category of sales in the last year
- average sales of users of each service
- % of respondents in each schooling category
- average schooling of users of each service

VII. Data Analysis

The above data will form the basis for the following information and analysis:

Consumer Segments: What kind of firms are using BDS in general and specific services? (using the consumer segment variables outlined above)

Market Demand: What was the size of the market (in monetary terms) over the last

year for BDS in general and for various services?

Awareness, Reach and Retention: What is the level of awareness about various BDS in the private sector and in various consumer segments? What percent of firms have actually tried various services? What does this say about consumers' willingness to pay for business services? What percent of firms continue to use various services (using use in the last year as a proxy for continued use)? (In general and by consumer segment as appropriate). What does this say about the quality of services available in the market? What are the implications for improving the BDS market?

Consumer Adoption Rates: How have various BDS been accepted by the market (slowly or quickly)? What might we expect for the future rate of adoption? What are the implications for marketing BDS and for supplier capacity?

Reasons for Non-Use: Why aren't firms using specific services? What does this tell

us about the demand for business services? What are the implications for interventions designed to stimulate the BDS market?

Change in Market Demand: Has demand for BDS in general and for various services increased or decreased in the last 3 years? How might we expect demand to change next year (based on past trends and consumers' purchase intention)?

Suppliers: From what type of suppliers do firms purchase their business services? Which consumer segments favor particular types of suppliers? How do various consumer segments learn about BDS suppliers? What are the implications for improving the BDS market?

Value of Services to Consumers: What percent of sales do firms in various consumer segments spend on various business services? How do firms perceive the value of various business services for business survival? for business growth? What does this say about consumers' perception of the need for services in their businesses?

Model UAI Questionnaire

The table below shows the information objective, data tables and sample questions for the quantitative part of a market assessment, using a UAI style consumer survey. The questionnaire should be adapted to the needs of the researcher/program, the services being studied and the local circumstances.

Information Objective	Data Tables	Sample Questions
1. Screening Questions: To determine if respondent is qualified for the survey.	N/A	How many full- or part-time workers (including paid/unpaid and family) does your business have now? 25 or less = proceed more than 25 = terminate
	N/A	What is your current role in the business? owner/manager/relative of owner = proceed other = terminate
2. Awareness of Services: To determine how aware SEs are of various BDS.	% aware of service	Have you heard, read, or seen anything about <name service>?
	% understanding service	What have you heard, read, or seen about <name service>? (Train interviewers to judge understanding of service)
3. Acquisition of Services: To gauge the level of usage in the market and understand where SEs are getting services.	% using service (market penetration)	Have you ever purchased, acquired or received <name service>? Explain that service can come from any source – buyers/suppliers, other businesses, formal or informal service suppliers, family/friends etc.
	Dates of last use	When was the last time you used <name service>?
To quantify market size and market penetration for each service on a paid and non-paid basis.	Types of service suppliers and % of SEs getting services from each type of supplier	Where or from whom did you get <name service> the last time you got it? (Typology of suppliers should be determined in advance.)
	% paying directly for service	Did you pay for the service the last time you got it?
To learn who is providing BDS to SEs.	Prices paid	How much did you pay the last time you got <name service>?
	Volume of purchase	What did you get for that? (e.g. 4 hours consulting, sent one domestic fax)
To quantify market size on a monetary basis.	Methods of payment	How did you pay the last time you got <name service>? (up front, commission, barter etc.)
	How customers learn about service suppliers	How did you find out about <name supplier used>?
To understand when and how customers get services.	% who are repeat users	Have you purchased or received <name service> more than once?
	Frequency of use	How often did you use (paid or not) <name service> in the last 2 years?
To gather information on prices for services.	% who are repeat purchasers	Have you paid for <name service> more than once?
	Frequency of purchase	How often did you purchase (pay for) <name service> in the last 2 years?
To identify informal alternatives for various BDS.	When use started	When was the first time you ever purchased or received <name service>?
	Competitor/ substitute services	For users: If you cannot get <name service> what will you do? For non-users: If you need to <name main benefit of service>, how do you do it?

Information Objective	Data Tables	Sample Questions
<p>5. Perceptions of Use: To understand users' perceptions of services.</p> <p>To gain a basic understanding of reasons for service use and non-use.</p> <p>To understand to what extent existing suppliers are satisfying SEs.</p> <p>To understand how SEs differentiate among suppliers.</p>	Satisfaction with suppliers	<p>Compared to your expectations, how satisfied were you the last time you got <name service>?</p> <p>Extremely satisfied</p> <p>Somewhat satisfied</p> <p>Somewhat dissatisfied</p> <p>Extremely dissatisfied</p>
	Reasons for use (among users)	<p>Why did you decide to use <name service>?</p> <p>Determine sample answers through advance research and/or pre-test- e.g.</p> <ul style="list-style-type: none"> • My business was growing and I needed the service. • I saw a problem in my business that needed outside help. • It was free. • A friend/colleague recommended it.
	Divide data tables into fee for service customers, embedded service customers and non-paying consumers.	<p>AND</p> <p>What is the main purpose for which you use <name service>?</p>
	Reasons for non-use (among non-users)	<p>Why have you not used <name service>? (ask only if aware and understand service)</p> <p>Determine sample answers through advance research and/or pre-test. e.g.</p> <ul style="list-style-type: none"> • I don't need that service for my business. • I don't know any suppliers. • It's too expensive. • It's not worth the price / not good value. • The suppliers I know are not good.
	Reasons for choosing supplier (among users)	<p>Why did you choose <name supplier used> over other suppliers?</p> <p>Determine sample answers through advance research and/or pre-test. e.g.</p> <ul style="list-style-type: none"> • It was the only one I knew • It was the cheapest. • It was free. • The supplier has a good reputation. • The supplier was recommended by a friend/colleague. • Their advertisement convinced me. • It was the closest to my business. <p>AND</p> <p>Have you ever changed the supplier from the previous one to a different one? If so, why?</p>
<p>6. Personal data: To learn about the market segments for each service.</p> <p>To understand the differences in awareness, usage and demand from different consumer segments.</p>	Business type— formal or informal sector	Is your main business registered with a government agency?
	Business type— subsector	What is your business?
	Age of business	When did your business start?
	Gender of entrepreneur	Who owns the business?
	Location of business	Where is your business located?
	Age of owner/manager	How old are you?

Information Objective	Data Tables	Sample Questions
	Business sales	What were the sales of the business last (name relevant period)? (Use show card with categories)
	Basis of competition	On what primary basis do you compete with others in your industry? (price, quality, customization of product/service, uniqueness of product/service, reliability and consistency of delivery/after sales service)
	Income level of family of respondents	Into which category does the monthly income from all sources of your family fit? (Use show card with categories.)
	Respondents' education level	What level of schooling did you complete?

The questions below can be included in a multi-service UAI to provide the researcher with additional information that may be helpful in choosing on which services to focus. These questions can be placed at the end of the “perceptions of use” section.

Information Objective	Data Tables	Sample Questions
<p>Comparative Assessment of Services: To gauge relative demand for different BDS among SEs.</p> <p>To identify services where demand exceeds supply and possible reasons for the imbalance.</p>	Importance Ranking of services for meeting minimum business requirements.	<p>How important is <name service> for meeting the minimum requirements of your business?</p> <p>Extremely Important</p> <p>Quite Important</p> <p>A little Important</p> <p>Not Important</p>
	Importance Ranking of services for competitiveness	How important is <name service> for making your business more competitive?
	Other services that are important	Are there any other services that you think are/might be important to your business?
	% unaware who might purchase service (among unaware or not purchased)	<p>Now that you know that <name service> is available, how likely are you to buy it?</p> <p>Definitely will buy</p> <p>Probably will buy</p> <p>Probably will not buy</p> <p>Definitely will not buy</p>

The questions below can be included in a single service UAI in order to gather more depth of information on the service features and benefits that consumers want. These questions can go at the end of the “perceptions of use” section.

Information Objective	Data Tables	Sample Questions
<p>Satisfaction with Services: To gather in depth information on consumers’ expectations and satisfaction with services.</p> <p>To understand what features consumers want in a service.</p> <p>To gauge consumers’ satisfaction with service features from current suppliers.</p> <p>To understand what benefits consumers want from a service and if they are getting those benefits.</p>	<p>Importance ranking of service features</p>	<p>I will now read to you a list of qualities and features of <name service> suppliers. Please rate these features according to how important they are to you in a <name service> supplier. Would you say that <mention each feature in turn> is to you: extremely important, quite important, a little important, not that important, it depends on _____ (ask respondent to specify)</p> <p>A list of 10-15 features that consumers find important should be determined through advance research, e.g.</p> <ul style="list-style-type: none"> • Distance from my business • Convenience of location • Friendly staff. • Knowledgeable staff • Professionalism • Confidentiality • Tailoring the service to my needs • Length of service • Flexibility in meeting my schedule
	<p>Satisfaction ranking with service features</p>	<p>Now, may I ask for your opinion about the service supplier(s) you have used? Compared to your expectations (or to each other if there are more than one), please tell me if you are: very satisfied, a little satisfied, a little dissatisfied, very dissatisfied.</p> <p>Go through the list of features for each supplier the consumer has used.</p>
	<p>List of expected benefits from service</p>	<p>When you purchased <name service> what benefits did you expect to get for your business and yourself?</p> <p>Determine a list of benefits through advance research e.g.</p> <ul style="list-style-type: none"> • increased sales • business contacts • legal certification • prestige • a wider perspective on my business • specific advice on solving a business problem • access to new markets • information about new suppliers
	<p>Satisfaction with service benefits</p>	<p>Now please tell me, to what extent did you get those benefits when you used the service from <name supplier(s)>: fully, somewhat, a little, not at all.</p> <p>Go through each benefit the respondent named for each supplier the respondent has used.</p>

Sample Multi-Service Survey Questionnaire from the ILO in Indonesia

This questionnaire was used by the ILO to assess the markets for a wide variety of services in Indonesia. The questionnaire was designed and administered by a private sector marketing research firm, based on ILO specifications. The questionnaire was written and administered in Bahasa Indonesia.

PROJECT: TITAN	FIELD	EDP
JOB #: J3742	questionnaire #:	questionnaire #:
DATE:		

RESPONDENT NAME:	SUPERVISOR #	
POSITION/TITLE:	CHECKER #	
NAME OF THE ESTABLISHMENT/COMPANY:	VERIFIER #	
ADDRESS:	CODER #	
	KEYPUNCHER #	
TELEPHONE:		
INTERVIEWER NAME:	INTERVIEWER #	
LENGTH OF THE INTERVIEW (MINUTE):		

Good morning/afternoon/evening. My name is _____ (MENTION NAME & SHOW YOUR ID CARD). I'm an interviewer from Taylor Nelson Sofres, a leading market research company in Indonesia. Today we are conducting a study and we need to get your input. To make sure that we are getting a representative data, we have a few opening questions. May I interview you for a few minutes? Your responses will be kept strictly confidential.

SCREENING

A. Could you please tell me the main business type of this establishment?
(If a business is involved in more than one area, choose the one that provides the most income)

Manufacturing	wood	1	QUOTA
	textile	2	
	metal	3	
	food	4	
	drinks	5	
	others (specify)	6	
Agro Business	growing & selling	7	QUOTA
	processing	8	
	others (specify)	9	
Trading	wholesaling	10	QUOTA
	retailing	11	
Service	education	12	QUOTA
	travelling	13	
	transportation	14	
	accommodation	15	
	repairing	16	
	others (specify)	17	

B. How many people are involved in this business, including family members and employees who really work at this establishment ?

1 – 5	1	QUOTA
6 – 9	2	
10 – 15	3	
16 – 20	4	
21 or more	5	Terminate if more than 20

C. Are you the owner or one of the owners of this establishment ?

Yes	1
No	2

D. Are you the person who makes decisions on management and purchasing for the company?

Yes	1
No	2

INTERVIEWER:

If respondent is not owner or main decision maker on management or purchasing for the company, ask to see that person for further Interview.

Record Gender

Male	1	QUOTA
Female	2	

MAIN QUESTIONNAIRE

Awareness of Services

For Q1-Q4c use the table in page 4-5

SHOW CARD

Q1 Which of these services have you heard or read about? Any others besides these on the list?

For Each Service Aware of:

ONLY FOR SERVICES CODED IN Q1

SHOW CARD

Q2. Are you aware of where you could buy or receive this service?

Yes	1
No	2

ONLY FOR SERVICES CODED IN Q1

SHOW CARD

Q3. How well do you know about this service?

Not Well	1
Somewhat	2
Very well	3

SHOW CARD

All Aware of the Service

Q4a. Have you used ____ (service aware in Q1) ever?

If yes, have you used ____ (service aware in Q1) in past 2 years?

Importance of the Service

ONLY FOR SERVICES CODED IN Q1

SHOW CARD

Q4b How important is _____ (the service) for meeting the minimum requirements of your business?

extremely important	4
somewhat important	3
somewhat not important	2
extremely not important	1

SHOW CARD

Q4c How important is _____ (the service) for making your business more competitive?

extremely important	4
somewhat important	3
somewhat not important	2
extremely not important	1

INTERVIEWER:

Ask Q5-Q25c for a service used in the last 2 years (answered in Q4). After that, repeat Q5-Q25c for other services answered in Q4.

Service Used In Past 2 Years _____ (answered in Q4) write answers in answer sheets

Q5. When was the service used for the first time?

Date _____

Q6 When was the last time you used this service?

Date _____

Q7 Have you used the service more than once?

For the Services Used More Than Once

Q8 How often did you use this service in past 2 years?

	Q7	Q8
Yes	1	_____ times
No, just once	2	

Purchase and Payment

SHOW CARD

Q9 Did you pay every time you used this service?

pay every time	1
paid sometimes and got free sometimes	2
free every time	3
Others (specify) _____	4

Q10 Did you get ____ (service used last time) free or did you have to pay for it?

Free	1	-> GO TO Q14
Paid for it	2	

If Paid:

SHOW CARD

Q11 How did you pay last time?

up front	1
in installments	2
on commission	3
barter	4
on regular service	5
as invoiced	6
Others (specify) _____	7

Q12 How much did you pay the last time you got the service?

Q13 What did you get for the amount you paid for the service?

SHOW CARD

Q14 Compared to your expectation, how satisfied are you with the service used last time?

Extremely dissatisfied	1
Somewhat dissatisfied	2
Somewhat satisfied	3
Extremely satisfied	4

SHOW CARD

Q15 From your experience, how satisfied are you with this service provider?

Extremely dissatisfied	1
Somewhat dissatisfied	2
Somewhat satisfied	3
Extremely satisfied	4

Reasons For Using The Service

SHOW CARD

Q16 Please tell me why did you decide to use this particular service?

If more than one reason:

SHOW CARD

Q17. Which is the most important reason to you?

	Q16	Q17
My business was growing and needed the service	1	1
I saw a problem in my business that needed outside help	2	2
It was free	3	3
A friend/colleague recommended it	4	4
Others (specify) _____	5	5

Q18 If this service is not available to you, what would you do?

Q19 What kind of improvement would this service need to make it more beneficial for your business?

Service Provider

SHOW CARD

Q20a Who was the provider of the service you used the last time?

government	1
donors / NGO	2
business partners or business acquaintance	3
friends or family	4
private commercial provider	5
Others (specify) _____	6

Q20b Name of service provider

SHOW CARD

Q21 How did you find out about this service provider for ____ (service used in Q4)?

From advertisement	1
Recommended by friends/colleagues	2
Recommended by other type of business people	3
Others (specify) _____	4

SHOW CARD

Q22 Why did you choose this particular service provider over other service providers?

If more than one reason:

SHOW CARD

Q23 Which is the most important reason to you?

	Q22	Q23
It was the only one I know	1	1
It was the cheapest	2	2
It was free	3	3
The provider has good reputation	4	4
The provider was highly recommended by friends/colleagues	5	5
The advertisement convinced me	6	6
It was the closest to my business	7	7
Others (specify) _____	8	8

Q24 Have you ever changed the service provider for ____ (service)?

Yes	1	
No	2	→ GO TO Q25b

If Changed:

SHOW CARD:

Q25a Could you tell me why?

Not satisfied with the service provided	1
Now there are more service providers to choose	2
Others (specify) _____	3

SHOW CARD

Q25b How did your expenditure on ____ (service purchased) during the last year compare to the previous year?

Much more	5
A little more	4
Same/unchanged	3
A little less	2
Much less	1

SHOW CARD

Q25c How do you expect your expenditure on ____ (service purchased) will be in this coming year compare to last year?

Will be much more	5
Will be a little more	4
Will not changed	3
Will be a little less	2
Will be much less	1

INTERVIEWER:

Ask Q26-Q28 for services aware of but not used (code 1 in Q1 but not coded in Q4). Ask the questions per service and after finish repeat for the next service.

If the Service Not Used but Well Aware Of**SHOW CARD**

Q26 Why have you not used the service?

If more than one reason:

SHOW CARD

Q27 Which is the most important reason to you?

	Q26	Q27
Timeframe of the service is too long	1	1
Cannot leave the family to go and get the service	2	2
The service was delivered by a person that does not respect me	3	3
The service was delivered by a man	4	4
The service was only delivered by women	5	5
My husband/wife does not allow me to get the service	6	6
It was not free	7	7
Do not feel the need	8	8
The cost to obtain it is too expensive	9	9
Others (specify) _____	10	10

SHOW CARD

Q28a What have you done to get that kind of benefit when you need it, without getting from the source available?

Ask someone in my family to do it for me	1
Ask help from friends/colleague	2
Ask help from the government agency related to the problem	3
Others (specify) _____	4

SHOW CARD

Q29b Let's imagine that you are capable to get the service, how likely are you to buy it in the next 1 year?

Definitely will buy	4
Probably will buy	3
Probably will not buy	2
Definitely will not buy	1

INTERVIEWER:

Ask Q29 for services not aware of (not coded in Q1). Ask the questions per service and after finish repeat for the next service.

For the Service Unaware Of:

SHOW CARD

Q29 Now that you know that this service is available, and let's imagine that you are capable to get the service, how likely are you to buy it?

Definitely will buy	4
Probably will buy	3
Probably will not buy	2
Definitely will not buy	1

Ask All, Write the Answers Here

Q30a Any other services you think important to your business?

SHOW CARD

Q30b And how important it is?

extremely important	4
somewhat important	3
somewhat not important	2
extremely not important	1

Q31a Any other services you think would make your business more competitive?

SHOW CARD

Q31b And how important it is?

extremely important	4
somewhat important	3
somewhat not important	2
extremely not important	1

Business Data

Q34 When did the business start?

Date _____ Month _____ Year _____

Q35 Can I have some detail about people working here?

	Full Time			Part Time (at least 10 hours a week)		
	Total F/T	Adult Female	Under 16	Total P/T	Adult Female	Under 16
Paid						
Unpaid						

SHOW CARD

Q36a How was the company/group formed?

Registered	1
Not-registered: Family run	2
Not-registered: Group of people	3
Others (specify) _____	4

SHOW CARD

Q36b On average, how much is the turnover of this business in a month?

Below Rp. 1.000.000	1
Rp. 1.001.000 – Rp. 2.500.000	2
Rp. 2.501.000 – Rp. 5.000.000	3
Rp. 5.000.000 – Rp. 10.000.000	4
Rp. 10.001.000 – Rp. 15.001.000	5
Rp. 15.001.000 – Rp. 20.000.000	6
Rp. 20.001.000 – Rp. 25.000.000	7
Rp. 25.001.000 – Rp. 30.000.000	8
Above Rp. 30.000.000 record _____	9
Refused	10

Personal Data

Q37. May I know your age?

18 – 20	01	21 – 24	02
25 – 29	03	30 – 34	04
35 – 39	05	40 – 44	06
45 – 49	07	50 – 54	08
55 – 59	09	60 or older	10

Q38. What is your highest education received?

No formal education	1
Primary level	2
Lower secondary level	3
Higher secondary level	4
Lower vocational school	5
Junior college degree	6
Bachelor degree	7
Master degree or higher	8
Other (specify) _____	9

Thank you very much for your cooperation

Sample Discussion Guide for Focus Group Discussions from GTZ Nepal

The document below was elaborated by GTZ as the basis for discussing the focus group discussions with the marketing research firm. The guidelines were revised based on input from the marketing research firm. In addition, the marketing research firm prepared a detailed proposal on how respondents would be chosen, how the groups would be designed (consumer segment, services for discussion etc.), the timeframe of the study and the costs.

Guidelines for Focus Group Discussions

Goal of FGDs: To gain ideas for stimulating the market for the services studied by increasing the quantity of demand and improving the quality of supply.

Objectives of FGDs (in order of priority):

1. To understand better why consumers choose to purchase each business service for the first time – to generate a list of “decision factors” which may be conditions internal to their businesses, competitive pressures, government regulations, interaction with other business people, advertising by the service providers etc.
2. To understand better what motivates repeat purchase of the business service – to generate a list of expectations and benefits which consumers get from the service and a list of service features that generate satisfaction or dissatisfaction in consumers.
3. To get ideas on how to improve services to make them more appealing to consumers – to generate a list of ways to improve each service.
4. To understand better how consumers differentiate among service providers and make their choice of service provider – to generate a list of service and marketing features that consumers use to differentiate among service providers.

For basic services only:

5. To understand better if and how purchasing a low end business service motivates a consumer to purchase other, higher value adding, business services – to generate a list of service features and other factors that encourage business people to purchase higher end services after using low end services.

Topics for FGDs (in order of priority):

Note: Gather the actual contact names of service suppliers that participants have used, those they thought of using, but didn't and those they plan to try out next time they need the services in the category studies. This can be gathered during the section on “service features that differentiate suppliers” or at another time that is appropriate. *Getting this information is a priority.*

For Users:

1. Decision factors for first time purchase:
How did you decide to purchase the service for the first time? Ask participants to explain, step by step, what led them to decide to purchase the service for the first time. Decision factors to probe:
 - the internal aspects of their business that led to the decision (e.g. increased/ decreased sales, wanted to reward employees for good work by sending them for training, time and money was available etc.)
 - how they found out the service was available
 - competitive pressures
 - government regulations
 - interaction with other business people (e.g. recommendation from another business person)
 - personal contacts (e.g. recommendation from a family member or friend or family member/ friend provides service)
 - advertising by a service provider (even informal advertising through word of mouth)

Encourage one or a couple of participants to explain their experience. Use the group to fill in the gaps by probing, “How did your decision process differ from <<name participant's>>?” “Was there a step before this for you that helped you decide to

purchase the service?” “So, <<name factor>> led you to believe you needed the service – what were the factors that led you to actually purchase the service?”

Ask the participants to mention what were the most significant or important decision-making factors in their decision to purchase the service (although this is not statistically significant, it may give us some interesting leads). Make sure the discussion focuses not only on what made the participants believe they needed the service, but what were the actual motivating factors in their decision to PURCHASE the service.

2. Benefits (actual and potential) of the service: What did you expect to get from the service the last time you purchased it? When you discussed your intention to purchase the service with a friend or family member, what did you tell them about why you planned to purchase the service? Do you feel you got what you expected from the service? What do you feel you got? How did you and other members (manager, employees, family members involved) of your business feel about the results of the service? What more do you wish you could get from the service? Areas to probe:

- what were the expected and actual results of the service on the business (e.g. increased sales, increased employee satisfaction, made business contacts etc.)
- what were the expected and actual results of the service on the person (e.g. made him/her feel more competent, made friends, feel more important as a result of attending the trade fair/training, etc.)
- did participants get something out of the service they did not expect? what?
- ideas participants have for other benefits they could get from the service.

Encourage participants to share examples of actual expectations and actual experienced benefits of the service rather than theoretical benefits of the service or what the service “should” deliver.

3. Service features important to repeat purchase and ways to improve the service: What did you expect during your use of the service? At each step, did you get what you expected? Were you satisfied

or dissatisfied with what you got at each step? Why?. How would you change the process to make it better for you? Ask participants to explain their purchase and their experience of use of the service (including any post service follow-up). Ask participants what they expected at each step, if they got what they expected, if they were satisfied or dissatisfied and why, and how they would change it to be better. Areas to probe:

- physical appearance of the service provider facilities
- tangible things that came along with the service – for example written materials for training
- interaction with the personnel of the service provider – include everyone participants had contact with (e.g. the receptionist or who ever they first encountered, the trainer, a manager, secretary, etc.)
- aspects of the service process (e.g. for training – the curriculum, the food, the location, the trainer, the training methodology, paying for the training, making inquiries about the training etc.)
- other customers of the service provider (e.g. other participants in a training, other exhibitors at a trade fair)
- if and how service provider was responsive to the needs of customers
- if and how service provider is caring and interested in customers
- if and how participant was made to feel comfortable through out the process
- if service provider personnel are knowledgeable and courteous
- if and how personnel convey confidence to the customer

Lead one or several participants through their experience of purchasing and using the service. Use other participants to fill in the gaps – “How was your experience different from <<name participant>>?” “<<Name participant>> wants to change <<name a step in the service experience>>, what would you change to make the service better for you?” “Would <<name suggested change>> make you interested in purchasing the service again? What else did/would make you interested in attending another training course/another trade fair?”

4. Service features that differentiate suppliers: How did you choose the supplier you chose the first time you purchased the service? Subsequent times you purchased the service? What were the aspects of the service provider that made you think that they offered a quality service that would deliver the expected benefits and be worth the price? Areas to probe:

- physical appearance of the service provider facilities – what about the physical appearance suggested quality to the participant?
- interaction with personnel of the service provider – what did the personnel say or do or look like that made the participant think the service would be worth it?
- written materials about the service – what did the materials say or look like that convinced the participant?
- other forms of advertising of the service – what was it about the advertising that convinced the participant?
- recommendations from others – what did they say that convinced the participant?
- satisfaction with a previous purchase

For basic services only:

5. Factors in building demand for services: Did you or are you likely to purchase other business services as a result of using <<name service>>? Why or why not? What about the service made/makes you interested in purchasing other services? What other services did you/do you think you might purchase? From the same service provider or a different service provider? Areas to probe:

- internal factors of the business that made or might make participants proceed from purchasing low end services to higher end services (e.g. business growth, increase in sales, diversification of products etc.)
- external business factors that might that made or might make participants proceed from purchasing low end services to higher end services (e.g. increased competition, potential new markets etc.)
- personal factors that made or might make participants proceed from purchasing low end services to higher

end services (e.g. increased confidence in purchasing external services, liked interacting with people outside the business etc.)

- experience of the service that made or might make participants proceed from purchasing low end services to higher end services (e.g. satisfaction with purchase, unexpected benefits from using the service, think other customers of service provider represent a group participant would like to be in, liked getting out and away from the business for a short time, etc.)
- features of the service that made or might make participants proceed from purchasing low-end services to higher end services (e.g. friendly personnel, nice facilities, attractive communication materials, convenient location etc.)

For Non-users:

1. Reasons for non-use: What type of business problems do you have in your enterprise related to management / marketing / production (depending on service)? How do you solve these problems now? Where do you get information to solve these problems? Why have you never used <<name service(s)>>? Areas to probe:

- pricing (both amount and payment terms)
- suppliers (don't know any, think they aren't good)

For those participants who know suppliers but think they are not good or worth it – what makes them think the suppliers are not good? (e.g. bad recommendations, unconvincing advertising, unresponsive personnel, bad appearance etc.)

Then proceed with the other topics, except that the questions change from “what did you do?” to “what would you do?” For example:

Decision factors for first time purchase: What would make you decide to purchase <<name service(s)>>? Decision factors to probe:

- the internal aspects of their business
- competitive pressures
- government regulations
- recommendation from another business person

- personal contacts (e.g. recommendation from a family member or friend or family member/ friend provides service)
- convincing advertising by a service provider
- different pricing (cheaper or better payment terms etc.)

Encourage one or a couple of participant to say what might make them purchase the service. Ask others if that is a key factor for them or what other factors are more important to them.

Benefits (actual and potential) of the service: What would you expect to get from the service if you purchase it? Areas to probe:

- what are the expected results of the service on the business (e.g. increased sales, increased employee satisfaction, make business contacts, ISO 9000 certification etc.)
- what are the expected results of the service on the person (e.g. make him/her feel more competent, make friends, feel more important as a result of attending a trade fair/training, etc.)
- ideas participants have for other benefits they could get from the service.

Encourage participants to formulate an example of all the benefits that they expect from a service. Ask other participants if they have different or additional expectations.

Service features important to repeat purchase and ways to improve the service: What would you expect during your use of the service? What would make you satisfied during your use of the service? Areas to probe:

- physical appearance of the service provider facilities
- tangible things that came along with the service – for example written materials for training
- interaction with the personnel of the service provider – include everyone participants would come in contact with (e.g. the receptionist or who ever they first encounter, the trainer, a manager, secretary, etc.)

- aspects of the service process (e.g. for training – the curriculum, the food, the location, the trainer, the training methodology, paying for the training, making inquiries about the training etc.)
- other customers of the service provider (e.g. other participants in a training, other exhibitors at a trade fair)
- how the participant would expect the service provider to be responsive to the needs of customers
- what knowledge participants would expect the service provider personnel to have
- how participants would know if this is a good service provider (before, during and after purchase)

Lead one or several participants through a hypothetical experience of purchasing and using the service. Ask them what would make them satisfied at each stage. Use other participants to fill in the gaps

Service features that differentiate suppliers:

How would you choose a supplier? What aspects of a service provider would make you think that they offered a quality service that would deliver the expected benefits and be worth the price? Areas to probe:

- physical appearance of the service provider facilities – what about the physical appearance would suggest quality to the participant?
- interaction with personnel of the service provider – what would the personnel say or do or look like that would make the participant think the service would be worth it?
- written materials about the service – what would materials say or look like that would convince the participant?
- other forms of advertising of the service – what advertising might convince the participant?
- recommendations from others – what could they say to convince the participant?

The BDS market for advertising services

The inside story

Sample Analysis of the Advertising Market in Nepal from GTZ

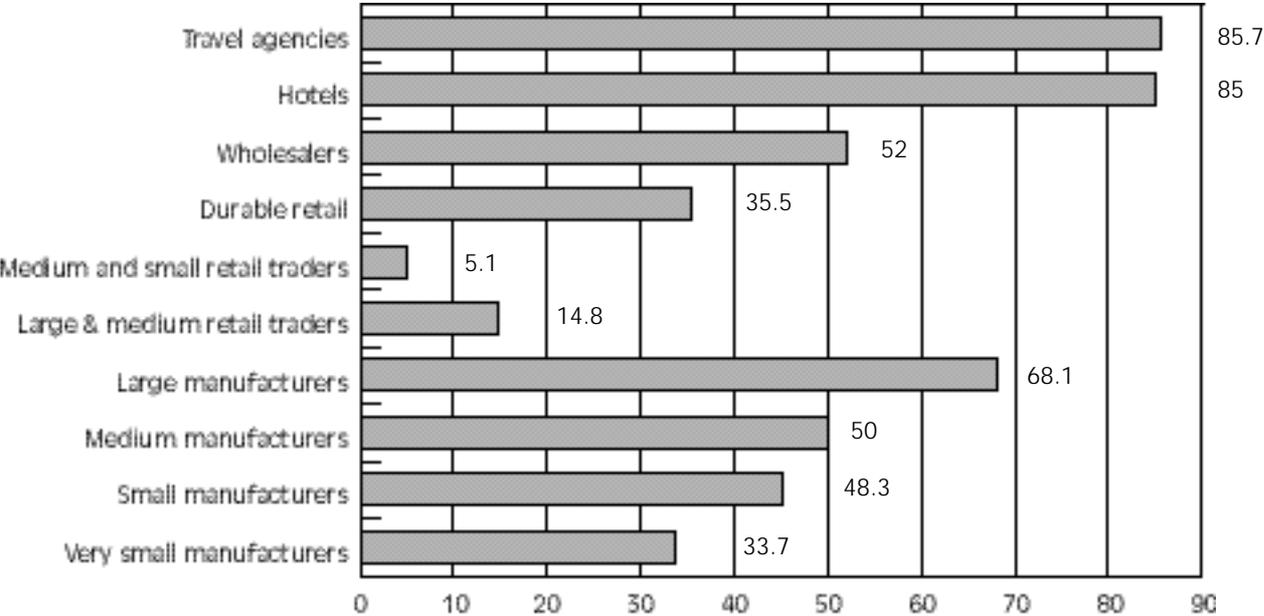
The following document was prepared for GTZ Nepal by their marketing research firm. It includes data from both the quantitative survey and the focus group discussions. In addition to using the analysis for their own purposes, GTZ used these types of service market profiles to assist suppliers to improve their services and expand.

Current BDS market for advertising services

Who are aware of advertising services and are purchasing them as well?

- Large, medium and small manufacturing establishments
- Durable retailers and large wholesalers
- Small and medium sized hotels
- Travel agencies of all sizes

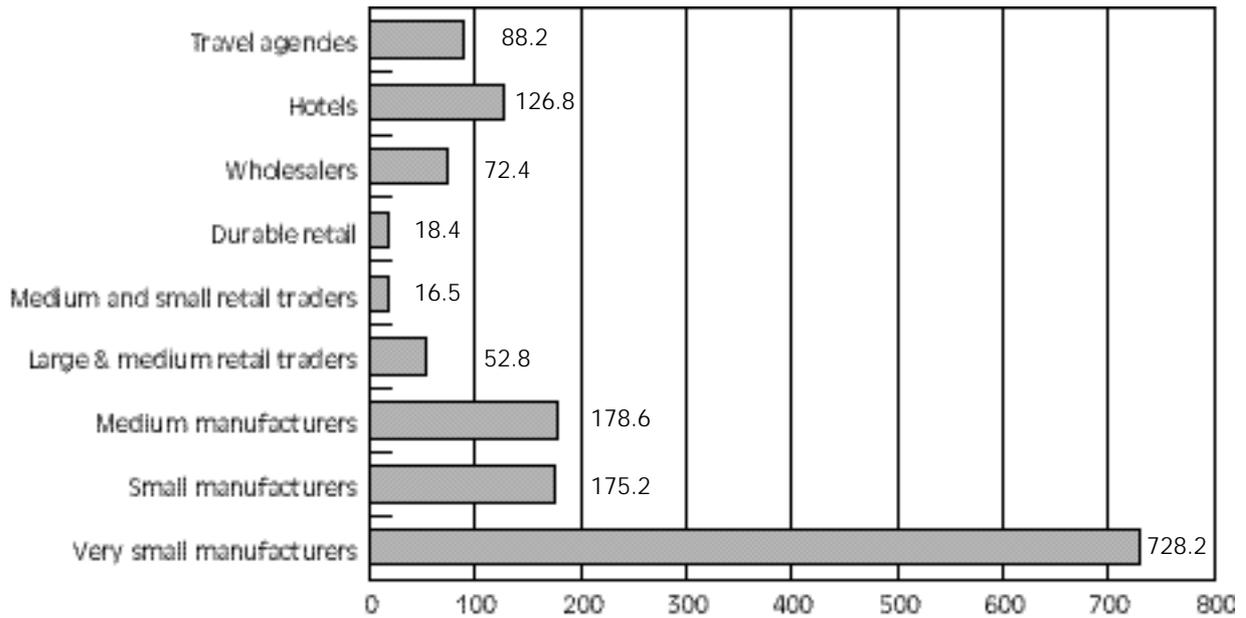
How many from the individual universes are actually purchasing (% to base)?



Who are the repeat buyers?

- All MANUFACTURING ESTABLISHMENTS, DURABLE RETAILERS, LARGE WHOLESALERS, the HOTEL SECTOR AND TRAVEL AGENCIES

What is the current market size (figures in lakhs of Rupees)?



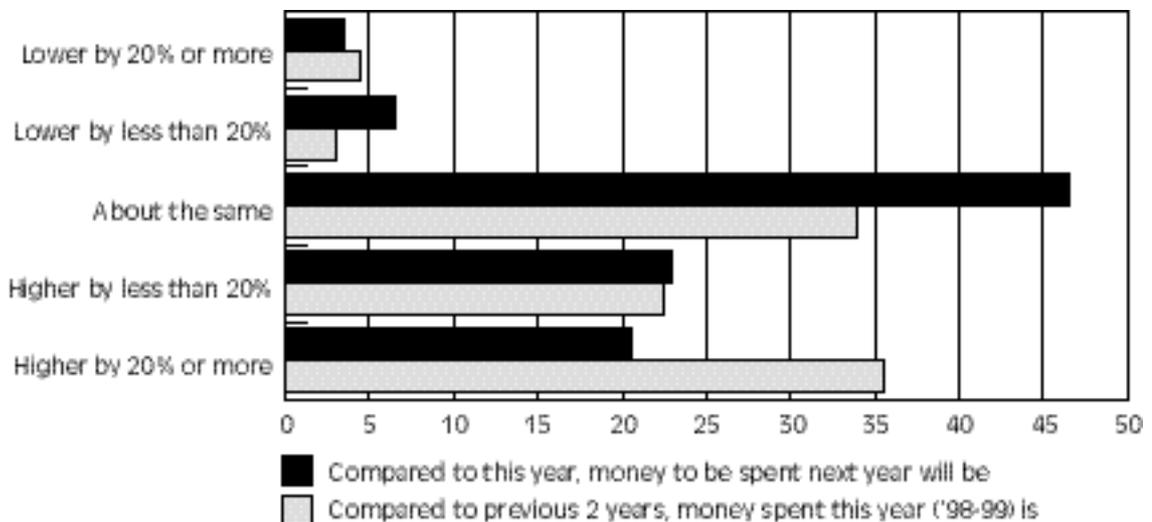
Large manufacturers: Rs.10659.6 lakhs per annum

(Only the registered organised sector establishments had been taken for estimation)

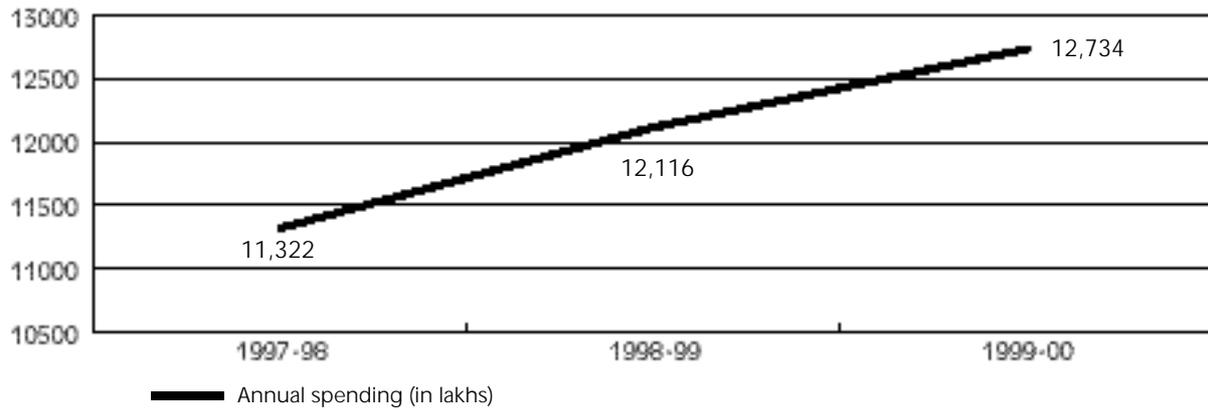
What is the average annual spending per establishment?

- Large manufacturing establishments Rs.15,35,000/-
- Hotels Rs.88,000/-
- Travel agencies Rs.64,000/-
- Medium manufacturing establishments Rs.14,600/-
- Small manufacturing establishments Rs.21,000/-
- Very small manufacturing establishments Rs.3,900/-
- Durable retailers Rs.6,500/-
- Wholesalers of FMCGs/Cigarettes/Pharmaceuticals Rs.4,600/-

Is the money spent increasing?



Market growth in value terms (annual spending)



- Indications are that it is a fairly steady market in terms of growth
- market is growing even without any external catalytic intervention

How often do people purchase ?

- More than once a year (65.9%)
- Once a year (25.7%)
- Less often (9.4%)

Why did they outsource this service the first time ?

Internal «pull» —————> Business became larger and complicated, so needed help

External «push» —————> Strongly advised by friend/colleague to try this service

—————> Competition had started to purchase this service

What is their source of information regarding service provider?

- Some instances through printed media, i.e. newspaper advertisements
- Primarily through business associates, colleagues and friends

Why a particular service provider is chosen ?

Most repeated reason —————> The company/individual has a good name in the market

Other reason —————> They were recommended by colleagues/friends

Other reason —————> Their professionals are very competent

Potential BDS market for advertising services

Where is the new and potential market?

- Currently non-buying establishments whose decision makers think that this service is very important for the growth of their business
- From among the above, the establishments who do not buy for reasons other than
 - getting it done in-house

- not requiring this function in their businesses at present

So, who are these people?

- None among the given categories. Establishments are either buying the service or not buying because they get it done in-house. Therefore, the potential market is the existing market.

What features do buyers or potential buyers look for when outsourcing advertising services?

SMALL ESTABLISHMENTS

SMALL HOTELS AND SMALL MANUFACTURERS

Although some of the small hotels and small manufacturers were actively into spending money on advertising, very concrete notions about why and how they advertise could not be elicited. They appeared to be buying this service because such was the trend with the rest of the industry. However, some degree of useful information could be elicited from the FGDs with the small hotels, especially in the realm of service features. The following sections provide the findings.

Decision factors behind first time purchase

- Reasons behind purchasing this service the first time is the same as it was for all other customers – wanting to tell prospective buyers about what is on sale and thereby, increase the turnover of the establishment by roping in new buyers. The intention being - to be one step ahead of the competition.
- Here was one group of participants who had actually got information about suppliers through published sources. The dailies which carried this information were the Kantipur publications (both the

Post as well as Kantipur), the Rising Nepal, City Nepal, etc.

- However, this should not be taken as the rule but rather, an exception to the rule. The usual procedure was still to get reference from acquaintances who had used this service in the past.

Benefits from the service

SMALL HOTELS

- Due to advertisements, business contacts have developed with travel agencies. This was a bonus for most of the small hotels as they were primarily targeting the customers.
- Tourists had also come after reading the advertisements. Since most tourists came prepared with a bit of background knowledge on the hotel, the proprietors could develop personal rapport with them easily and this gave them a chance to know their mentality. This aspect has had a positive impact on their business.

SMALL MANUFACTURERS

- The expected benefits which all buyers looked/hoped for from outsourcing this service were:

- Business growth
 - Sales increase
 - To expand the field of consumers
- The small manufacturing units, in their own yardstick, had mentioned that the above-expected results had been realized to some extent.
 - The decision to advertise had also resulted in unexpected gains for some. One small unit dealing in production and sales of 'thanka' artwork had advertised for their wares. This had been seen by a doctor in Poland who had contracted them to prepare a logo for him.
 - On the flip side, several of the respondents had mentioned that having advertised, they now get frequent visitors to their offices seeking donations.

Service features important to improve the service

SMALL HOTELS

- For most small hoteliers, the current rate charged for advertisements is very high. The common plea was that such a service needs to be made cheap and effective so that a wider spectrum of people can access it.
- Tourist guide, which is very widely read, should have more provisions for small hotels to publish their advertisements.
- As tourists mostly use the maps, hotel owners have been using this as a vehicle of communication. This is one feature they wanted to be enhanced in scope.

SMALL MANUFACTURERS

- The respondents wanted to stick to the basics – the ads should be simple & clear, attractive to the customer, affordable for the buyers and placed in the right medium and at the right time so as to reach the consumer group that purchases or are interested to purchase the product.
- The advertising media should be popular among the target audience so that it

bridges the gap between the producers and the consumers.

How did they choose a supplier

SMALL MANUFACTURERS

- They either chose the advertising agency nearest to their business premises or the one that offered them services at the cheapest cost.
- For most, the agency that was ultimately chosen had the right contacts and credentials to reach the information about their products to the proper consumers.
- The Kantipur Publications, which has the largest selling English and Nepali newspapers in the market at present, were the primary targets for ad space. Naturally, this agency had the edge over the others.

MEDIUM AND LARGE ESTABLISHMENTS

Decision factors behind first time purchase

LARGE TRADE ESTABLISHMENTS

- The rationale or intention behind purchasing advertisement space for the first time (and even now) is to inform the prospective buyers about product range, features, guarantee offers and quality.
- To inform people about after sales services provided by the shops on purchasing the products. This was deemed to be an important feature for the growth and promotion of the trading business.
- To stand up and survive in the world of competition, both in sales as well as price.

LARGE MANUFACTURERS

- Apart from the usual motive of information dissemination on new products, large manufacturers out-sourced advertising in order to give notice to the cus-

tomers of publication of balance sheet as per government specifications.

- Even in the case of large manufacturers, the decision to use advertising agencies was not always internal to their businesses. In this segment as well, personnel deployed by the service providers had proved to be crucial factor in 'clinching' the decision in favour of outsourcing this service.
- In other cases, recommendations by well wishers were usually the factor responsible for first time purchase.

MEDIUM MANUFACTURING ESTABLISHMENTS

- While the reasons for advertising for medium establishments were the same as they were for the large trading establishments, the only new feature that can be mentioned is that through advertising in greetings card, they wanted to establish themselves in the society.
- As before, these people did not have to venture out in search of a service provider. Rather, they came to contact the clients themselves and put in a request to advertise.

LARGE SERVICE ESTABLISHMENTS (HOTELS)

- For hotel owners, the primary intention behind spending money on advertising is to let foreign tourists know about the location of their hotels and inform them about their service features.

How did they come to know of the suppliers

LARGE TRADE ESTABLISHMENTS AND MEDIUM MANUFACTURING ESTABLISHMENTS

- In several cases, buyers are advised by family and friends who might have read about or used the service providers themselves.

- In the pharmaceutical field, the situation is more structured. Once a new dealer is identified, people from the pharmaceutical company (whose products are going to be stocked) and also from the Nepal Chemist & Druggist Association approaches the proprietor of the outlet/pharmacy. In most cases, the companies themselves pay for the advertisement expenses.

- Personnel from the Connection Yellow Pages make visits to trade outlets for advertisement commitments. This is a good case of service coming to the doorstep.

- What needs to be concluded is that trade outlets (not business houses) hardly approach an advertising company for getting their layouts designed. The prevalent practice is to contact (or be contacted by) the people who are selling advertisement space and they simply pay for the opportunity. The service provider takes care of the rest.

LARGE SERVICE ESTABLISHMENTS (HOTELS)

- For hoteliers, increase in spending on business promotion (through advertisements) meant increasing revenue. There was no ambiguity in this matter and every large hotel owner knew this and practiced this as well.

- However, the common complaint against the present lot of service providers was that they tend to give adequate attention to the clients till the time they get the contract. Thereafter, one can hardly get any response from them.

- Another major drawback being faced by the hotel industry regarding advertising is that since the government imposes tax on the same as well, they cannot spend as much as they would like.

Benefits expected and derived from the service

LARGE TRADE ESTABLISHMENTS AND MEDIUM MANUFACTURING ESTABLISHMENTS

- The primary benefits which spenders would like to derive from advertising are that the customers would be attracted, sales will increase and their business will expand.
- Members of the Connection Yellow Pages were all praise for the facility. Their attraction is that along with advertisement space, which they paid for, they are provided with free post box, sent magazines every fortnight, given free pathological test and a membership gold-card by which discounts can be obtained from other member organization. Other agencies can take up the cue from this service provider and perhaps expand their business.
- The unexpected result which most of the buyers got from availing this service was that the government charged them additional tax on the basis of money spent on advertisements.

LARGE MANUFACTURERS

- Most of the large manufacturers had gained positively by advertising. They had all confirmed that their individual sales had increased after placing the ads. Most of their new customers had informed them that they had come to know of this establishment only after reading in the advertisement.
- There were also stories of unexpected gains. One of the respondents had a call from a touring Indian businessman (on holiday) who went back and placed an order worth Rs.20 lakhs.

Service features important for improving the service

LARGE TRADE ESTABLISHMENTS AND MEDIUM MANUFACTURING ESTABLISHMENTS

- Designing and presentation of advertisement would need to be improved. The layouts need to be developed attractively so that people would be attracted by it. In this context, the ads need to be kept simple and understandable.
- Generic ads do not serve the purpose. They should be designed to reach the specific and potential customers.
- Prices have to come down. Presently, they feel that they are not getting value for money. Interestingly, most buyers wanted annual contracts, i.e. once given a certain amount of money, the agency should provide them service throughout the year.
- There was a lot of stress on maintaining post service follow-up. This clearly indicates that buyers wanted some sort of accountability to be attached with the contract.
- Regarding post service follow-up, again the example of Connection needs to be taken. All the subscribing respondents had informed us that the Connection sales team personally contacts them repeatedly and explains what and how much market and customer the publication reaches.
- In line with the accountability issue, buyers wanted some provision of warranty and guarantee of the quality of the ads.

LARGE MANUFACTURERS

- The larger establishments, who were spending more money on advertising, wanted more out of their investments. They wanted the chosen agencies to not only develop advertising schemes according to budget, but also provide advisory in ad planning.

- The requirement is that the supplier should know and take care of the purpose of advertising - whether it is for introduction of a new product or for promotion of an existing product or for just informing the people about various schemes. Since all these require different treatments, the agency should have the versatility to manage it.
- A good agency should inquire with the client before they go in for a reprint of the same advertisement. Since the market is dynamic, message contents would change very frequently.
- The experience of most buyers was that suppliers were very caring and persistent until the time they bag the order. However, after the contract is over and the ad has come out, they do not contact the clients for feedback about the impact of their creation. A good agency will have to do that if they want to continuously improve upon their capabilities.

LARGE SERVICE ESTABLISHMENTS (HOTELS)

- The pricing charged by the agencies has to be reasonable so that the industry can advertise throughout the year and regularly.
- It was recognized that advertising in the electronic media was very effective. However, the costs involved were too high for most of the establishments.
- Instead, it was recognised that lots could be done in the print media as well. However, to gain leverage, the responsible agency had to ensure that the advertisement is brought out in a newspaper/magazine whose distribution is widespread and that the ad itself is colourful enough to attract attention.
- The timing of the ads should match with the peak seasons of tourist inflow.
- It is important for the service provider to be in regular interaction with the client before finalizing the ads. The ads should give all the facts that the hotel owner

wants to give to the tourists and not miss out on crucial features because the competition is very tough. The location of the hotel has to be spelled out very lucidly in the advertisements.

What are they looking for in a service provider

LARGE TRADE ESTABLISHMENTS AND MEDIUM MANUFACTURING ESTABLISHMENTS

- The professionals should be trained and must have thorough knowledge of the technique of advertising, not just designing.
- They should have a well-defined client servicing policy whereby prospective buyers can judge for themselves the degree of their professionalism.
- They should be in a position to come up with advertisement packages, which leaves scope for clients to provide feedback and chose the best-fit option.
- The service providers will have to approach the clients themselves and discuss with them the specific purpose of the advertisement. Only through this dialogue will they be able to come out with meaningful ads.
- A good service provider should come back to the client for feedback and ask whether the advertisement has affected their business or not. This will then be a learning process for both the parties.
- The first contact with a service provider is usually through the sales team. Since first impressions matter a lot, the person making the call has to be pleasant, responsive and be willing to explain things.

How was a particular service provider chosen

LARGE TRADE ESTABLISHMENTS AND MEDIUM MANUFACTURING ESTABLISHMENTS

- In most cases, the companies whose products are stocked themselves chose the agency and paid the bill as well.
- In other cases, the companies themselves recommended the name of the service provider (the agency selling the ad space) to the shop owners who were told to take out the ad in their publication.

LARGE MANUFACTURERS

- Among the larger establishments (it was the same case with the large trading establishments as well), **CONNECTION** is a popular source for outsourcing advertisement. For many, the **NEPAL TRAVELLER** and **DESTINATION NEPAL** are also standard and good outlets to place ads in because they also enjoy a sizeable foreign readership. What must be remembered is that for these respon-

dents, commissioning an advertising agency directly was hardly ever the case. Instead, they all bought advertisement space from magazines and newspapers who in turn took care of the creative aspects of the product.

- For these buyers, it made more sense to advertise in Kantipur because it has a larger circulation as well as a wider and more efficient delivery network as compared to, say, Gorkhapatra.
- Apparently, Kantipur was also preferred because it has the capacity to publish ads that reached them only 12 hour prior to the publication whereas in Gorkhapatra, the ads should reach 48 hours prior to the publication.
- Kantipur would also publish ads that are reached to them just one hour prior to its publication but charge 25% extra for this urgency.
- The provision of getting the Yellow Pages for free with each annual subscription of Connection (or buying their ad space) was considered to be a very good incentive by the buyers.

Appendix B:

Recommended resources for market assessment

From the Development Field on Why/How to Conduct Market Assessments:

Committee of Donor Agencies for Small Enterprise Development, "Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention, 2001 Edition" Section 2.1. February, 2001. Website: www.ilo.org/employment/sedonors

Gibson, A., R. Hitchins and M. Bear, "BDS Market Development: A Guide for Agencies" Chapter Two. Development Alternatives Inc., under the USAID Microenterprise Best Practices Project. Forthcoming. Website: www.mip.org

McVay, Mary and Alexandra O. Miehlabradt, "Emerging Good Practices in Business Development Services – BDS Seminar Reader" Chapter IV. For the First Annual Seminar Turin Italy, sponsored by the International Labour Organization, September, 2000. Website: www.ilo.org/employment/bdsturin

Miehlabradt, Alexandra O. with contributions from Ronald T. Chua, "Technical Note: Applying Marketing Research to BDS Market Development" Development Alternatives Inc., under the USAID Microenterprise Best Practices Project, 2000. Website: www.mip.org

From the Private Sector on Tools and Issues related to Market Assessment:

Christensen, Clayton M. The Innovator's Dilemma, Harvard Business School Pr., 1997.

Crouch, Sunny and Matthew Housden, Marketing Research for Managers. Butterworth Heinemann, Oxford, 1996.

Roberto, Ned, User-Friendly Marketing Research. Life Cycle Press (Asia), Manila, 1996.

Rust, Roland T., Anthony J. Zahorik and Timothy L. Keiningham, Service Marketing, Chapters 5-6 and Part IV. Addison-Wesley, New York, 1996.

From the Development Field on Assessments Conducted:

Anderson, Gavin, "The Hidden MSE Service Sector – Research Into Commercial BDS Provision to Micro and Small Enterprises in Vietnam and Thailand," for the International Labour Organization for the Committee of Donor Agencies for Small Enterprise Development International Conference in Hanoi, April 2000. Website: www.ilo.org/employment/sedonors

Miehlabradt, Alexandra O. and Ron Chua, "Series of Papers on Information and Communication Technology Services for Micro and Small Enterprises in the Philippines" Development Alternatives Inc., under the USAID Microenterprise Best Practices Project, 1999. Website: www.mip.org

Phansalkar, SJ and MS Sriram, "Business Development Services for Small Scale Enterprises in India: A Case Study of Hyderabad, Andhra Pradesh" for the Department for International Development – Britain, for the Committee of Donor Agencies for Small Enterprise Development International Conference in Hanoi, April 2000. Website: www.ilo.org/employment/sedonors

Riddle, Dorothy, "What Do We Know About BDS Markets?" for the Mekong Project Development Facility – IFC for the Committee of Donor Agencies for Small Enterprise Development International Conference in Hanoi, April 2000. Website:
www.ilo.org/employment/sedonors

Tomecko, Jim, "The Application of Market Led Tools in the Design of BDS Interventions" for GTZ for the Committee of Donor Agencies for Small Enterprise Development International Conference in Hanoi, April 2000. Website:
www.ilo.org/employment/sedonors

BDS Training Programmes that will include Market Assessment :

International Labour Organization, BDS Seminar "Emerging Good Practices in BDS."

10-14 September, 2001 in Turin, Italy. For information, see website:
www.ilo.org/employment/bdsturin

Small Enterprise Education and Promotion Network, "State of the Art in Business Development Services for Small Enterprises". 16-21 July, 2001 in Washington D.C., USA. For information, see website:
www.seepnetwork.org/bds.html

Springfield Centre, BDS 2001 Training Programme. 5-23 August, 2001 in Glasgow, Scotland, UK. For information, see website:
www.springfieldcentre.com

Appendix C:

List of BDS market assessments conducted or in progress

Below is a list of the formal market assessments with which the author is familiar that used some of the tools described in this guide. There may be other assessments, conducted or on-going, by other organizations.

GTZ – Assessment of BDS Markets in Nepal, 1999. For more information, see Jim Tomecko, “The Application of Market Led Tools in the Design of BDS Interventions” for the Committee of Donor Agencies for Small Enterprise Development International Conference in Hanoi, April 2000. Website: www.ilo.org/employment/sedonors Or contact Prashant Rana at GTZ Nepal, email: prashant.rana@gtz.org.np

International Labour Organization – Assessments of BDS Markets in Thailand, Cambodia, Indonesia and Ghana, 2000-2001. For more information, contact Jim Tanburn at the ILO in Geneva, email: tanburn@ilo.org

Swisscontact – Assessment of BDS Markets in Bangladesh, 2000. For more information, contact Deepak Adhikary at Swisscontact in Bangladesh, email:

swisscontact@bol-online.com, address: Business Development Services Programme – Bangladesh, C/O SDC, Embassy of Switzerland, House B 31, Road 18, Banani, Dhaka, Bangladesh, fax: +880 2 882 3497.

Swisscontact – Assessment of BDS Markets in Pakistan, 2000. For more information, contact Fasih uz Zaman at Swisscontact in Pakistan, email: ssep@pes.comsats.net.pk

USAID – Study of Information and Communication Technology Services for Micro and Small Enterprises in the Philippines, 1998. For more information, see Alexandra O. Miehlebradt and Ron Chua, “Series of Papers on Information and Communication Technology Services for Micro and Small Enterprises in the Philippines” Development Alternatives Inc., under the USAID Microenterprise Best Practices Project, 1999. Website: www.mip.org