Practitioner Learning Program in BDS Market Assessment

Technical NOTE

NO. 4

THE SEEP NETWORK

JUNE 2005

An Inventory of BDS Market Assessment Methods for Programs Targeting Microenterprises

Contents

Abstract

This technical note describes the market assessment methods used by 10 organizations in the Practitioner Learning Program (PLP) in Business Development Services (BDS) Market Assessment (MA). The note does not give a complete overview of all methods that could be adapted and applied in BDS MA for microenterprises. Instead, it focuses on those methods which the PLP organizations actually used and found to be particularly well suited to investigating markets that include microenterprises. For each method, the technical note provides an appraisal of the advantages, disadvantages, and knowledge and skills required for the method as well as tips for using the method, based on examples from the PLP and other programs.

Introduction

When the Committee of Donor Agencies for Small Enterprise Development set guiding principles for the promotion of commercial business development services (BDS) provision by local providers, practitioners in many developing countries had reservations about whether these principles would also be appropriate for programs targeting microenterprises. At the center of this discussion is the question of whether some BDS markets include micro and small enterprises (MSEs). BDS Market Assessment (MA) for these markets plays an important role in demonstrating that the guiding principles in fact apply for both micro and small enterprises.

This technical note summarizes the experiences of MA methods applied by the 10 organizations of the Practitioner Learning Program (PLP) in BDS MA. The note does not give a complete overview of all methods that could be adapted and applied in BDS MA for MSEs. Instead, it focuses on those methods actually used by the PLP organizations and which the practitioners found to be particularly well suited to investigating markets that include microenterprises. For each method outlined below, we provide an appraisal of the advantages, disadvantages, and knowledge and skills required for the method as well as tips for using the method. We also provide examples from the PLP and other programs.

Overview of Methods

A wide range of different MA methods could, in principle, be adapted to BDS MA of markets that include microenterprises. In most developing countries, however, such assessments use methods that address the following factors:

- In spite of their importance to national economies, relatively scanty information exists on the operation and markets of microenterprises in many countries. The available information mainly reports on macro issues such as number of enterprises, employment in microenterprises, subsector focus, and general constraints. These factors are inadequate for designing services and sustainable, private sector delivery systems for microenterprises. In particular, no commercial information is available on individual BDS markets, especially those reaching microenterprises. The assessment methods applied must therefore result in a better understanding of microentrepreneurs' businesses, required business services, and the systems that deliver (or could deliver) such services.

- Although an MA relies generally on quantitative and qualitative data, obtaining accurate and useful quantitative data for the MSE sector is relatively difficult for the following five reasons:

  1. The lack of basic data to generate sampling frames,

  2. The large number and diversity of microenterprises,

  3. The high cost of data collection,

  4. The often low awareness and understanding of MSEs about commercial business services (either embedded or fee-based services), and

  5. The wide variety of ways in which MSEs interact with markets and other market players.

  The focus thus tends to fall more on qualitative data. Although quantitative data gathering provides more reliable information about the population in question, qualitative information offers a richer understanding of market relationships and the various ways in which MSEs acquire services. This more comprehensive understanding can highlight nascent business models with the potential for upgrading, replication, or expansion. It can also more clearly illuminate the reasons for MSEs' and other market actors' behaviors. These kinds of understanding are critical for effective project design.

- Many organizations engaged in small enterprise development do not have adequate competence and experience in MAs. The basic methods of commercial marketing research are beginning to slowly penetrate the assessment of MSE markets. The required skills to apply these methods are therefore a constraining factor to their rapid dissemination and application.

- Finally, the shift from the provision of subsidized services to the development of commercial BDS markets has made it necessary for most MSE development organizations to reassess the balance of preparation and implementation work in their expenditure budgets. MAs require much higher budget allocations than previous needs assessments. MSE development organizations, therefore, tend to focus on cost-effective methods.

The following seven assessment methods were chosen by the group of PLP participants as the most suitable:

- Secondary research;
- Group discussions with MSEs;
- In-depth interviews with MSEs, BDS providers, and other stakeholders;
- Observation of the market;
- Market survey/consumer survey;
- Interaction workshops or meetings; and
- Product concept testing.

In the following sections, we describe our experiences with these methods in detail.

1. Secondary Research

Secondary or desk research refers to the use of data that have been collected, analyzed, and made available for purposes other than BDS MA. Such research is a good starting point because it takes stock of what information is already available and identifies further research needs. Desk research can be particularly valuable in cases in which the scope and costs of the primary research would exceed the available resources for the intended MA. For example, secondary research can provide information on which sectors might offer promising opportunities for increased profits to MSEs by indicating which sectors are growing and reaching export markets. Secondary research can also provide a basic understanding of the

Box 1. Using Secondary Research—EDA Rural Systems in India

EDA Rural Systems Pvt. Ltd. (EDA) conducted an MA to gather information for the design of a project targeting microenterprises in the leather sandal subsector in India. Secondary research helped EDA understand the broad aspects of the leather industry and the sandals subsector. Some of the information obtained from secondary research included types of leather products for domestic and export markets, the status of imports of leather goods by industrialized countries from India, the status of technology, and the country's overall government policy toward the leather subsector. The desk research mainly constituted of visits to relevant Web sites and interactions with experts in the subsector. The secondary research revealed increasing demand for leather goods in the domestic market. EDA used this knowledge to help training service providers impart the skills required for producing such leather goods.

government policies and regulations related to MSEs in general or to a specific industry. This analysis might highlight areas for advocacy in a project.

Advantages

- Secondary research is relatively inexpensive because data are immediately available and require only analysis in most cases.

Disadvantages

- Some secondary information may not be relevant although it relates to the research topic—for example, the information may be old.
- The secondary information may have been originally generated based on statistical terms and methods (for example , trade statistics, statistics from other countries) that make it difficult to be analyzed and used for the purpose of MA.
- Secondary information may be contradictory, and resolving the information contradiction can be difficult because the details of the research methods are not available.
- Secondary information may be highly aggregated without any option for disaggregation.
- Although secondary data may be a starting point, it usually cannot serve as a useful baseline because its geographical coverage and/or subsectors are too broad.

Knowledge and Skills Required

Secondary research requires a wide knowledge of different sources for secondary information on the Internet and other channels. For the analysis of secondary quantitative data, knowing statistical methods and terminology is useful. When searching on the Internet, good computer skills are helpful.

Tips for Using Secondary Research

Although desk research is often used to obtain overview information, PLP participants found it helpful, particularly on the Internet, to search for specific information. Experts may be able to advise where to look for information. For every study or piece of information, check the exact source, the purpose of data collection, the dates of data collection and information compilation, and the methods of collecting, analyzing, and compiling the information. This practice helps to avoid using outdated, unreliable, or irrelevant information.

2. Group Discussions

Group discussions with MSEs can take various forms. Generally speaking, group discussions are group interviews aimed at exploring issues in general terms, while focus group discussions (FGDs) are a private sector marketing research tool that can be used to gather more specific information about subsectors, constraints and opportunities of enterprises, ideas for addressing business problems, and demand for new business services. Although general group discussions and FGDs may focus on common problems of the group members, action learning (AL) deals with the individual problems of group members. AL is a group-based learning method in which participants explore and discuss individual problems and possible ways of tackling the problems.

FGD facilitators pose predetermined questions to the group members, which are then discussed among the group members and answered subsequently. The discussion and the answers are recorded and analyzed later. In AL, individual group members present their business problems to the other group members, who at first ask many clarifying questions and later offer advice for solving the problems. Each presentation takes about one hour, and it takes about three to four sessions until the group discussion has reached a conclusive stage during which decisions are made or advice is given. The facilitator ensures that group members communicate effectively.

Advantages

- Group discussion methods generate a great deal of in-depth qualitative data that is useful for better understanding how MSEs operate and what services they require.
- Group discussions can be used when microenterprise respondents are illiterate or semiliterate and find individual interviews too threatening.
- FGDs can be relatively inexpensive because the opinions of many MSEs can be obtained in a short period of time.
- The application of AL is actually more than a method for information collection; it helps individual group members better

Box 2. Focus Group Discussions in the Retail Grocery Market—Triple Trust Organisation in South Africa

Triple Trust Organisation (TTO) carried out market research to design a project targeting spaza shops—tiny, home-based grocery stores—and their customers in poor urban areas of Cape Town, South Africa. As part of the research, TTO conducted focus group discussions (FGDs) with spaza shop owners to better understand issues related to stock, supply chain links, and business service use and future interest. TTO also conducted FGDs with customers of spaza shops to learn what spaza shops could do to capture a greater share of their grocery budgets. The information helped TTO design interventions to facilitate links among market players and improve the supply chain in the spaza shop market.

understand their own business problems, appreciate how BDS can help them, and stimulate the demand for BDS.

- Group discussions can provide an effective forum for explaining commercial business services to MSEs and then gathering information on MSEs' acquisition of or demand for various services.

- If managed correctly, a group setting can help MSEs look beyond their current reality and stimulate creative ideas for addressing business problems.

Disadvantages

- The information gathered in group discussions cannot be generalized or projected to a larger universe.

Box 3. Action Learning for Microenterprises—Swisscontact in Kenya

Swisscontact has developed an action-learning (AL)-based tool that helps the participating microentrepreneurs to better understand their own business problems and identify possible solutions. In particular, the microentrepreneurs realize situations in which they can solve a problem themselves and when they need outside help in the form of BDS. The opportunities and constraints of various BDS types are introduced and discussed in the group. At the end of the group sessions, participants are in a much better position to specify the BDS that they are looking for.

Based on the results of the group sessions (the knowledge of the services in demand), Swisscontact facilitates activities to meet demand, such as a BDS fair at which BDS providers can promote their services to the AL participants.

Box 4. Preparation for FGDs—TTO in South Africa

As part of its market research, TTO held FGDs with six groups of 12 spaza shop owners. Before starting, TTO staff underwent training with a research company in how to plan and conduct FGDs. TTO spent considerable time formulating the right questions and adapting the language and use of terminology so as not to overwhelm the FGD respondents. For example, instead of asking "What BDS support did you receive?" TTO asked "Who do you turn to when you experience business related problems?"

Box 5. Facilitating FGDs—PKPEK in Indonesia

The Association for Community Economic Development and Study of Microenterprises (PKPEK) conducted FGDs with MSE furniture makers as part of its market research on the furniture subsector in Central Java, Indonesia. PKPEK used a foreign facilitator for some of the FGDs; MSE participants believed that this facilitator was actually a buyer who was looking for furniture. The discussion therefore focused mainly on marketing issues and became more like an interactive meeting between MSEs and buyers.

- The results of group discussions are influenced by the group dynamics. These dynamics must be carefully moderated by the group facilitator. In FGDs, the popular opinion often dominates the discussion.

- Because the focus of AL is on individual problems, in principle, projecting the information collected in AL groups to larger communities of MSEs is possible. For that purpose, however, group members must form a representative sample of the defined universe, and the facilitation of various groups must be conducted in the same manner.

- AL is expensive because it takes a relatively long time and requires specialized training

Knowledge and Skills Required

All forms of group discussions require good facilitation skills to control and use the group dynamics. FGDs and AL require specific skills and techniques to both prepare and conduct the group sessions. Researchers and group facilitators need to be specially trained to use these methods.

Tips for Using Group Discussions

Thorough preparation for FGDs is essential to obtaining the maximum benefit from the discussions.

The role of the FGD facilitator should be clear to the MSE group members.

FGDs may be used in combination with individual interviews to either validate and deepen information obtained through interviews or generate ideas for individual interview questions.

When group members of AL groups have realized what kind of BDS they need to solve their business problems, the group facilitator should make information on BDS providers available to the group.

3. In-depth Interviews

In-depth interviews with MSEs, BDS providers, and other stakeholders are the most common method to collect qualitative and quantitative information on BDS markets. In-depth interviews take two basic forms: structured and unstructured. A structured interview follows a set sequence of defined questions; in an unstructured interview, however, the questions and their sequence are only broadly specified. The answers to structured interviews can be quantified if closed-ended questions are used that allow only predetermined answers. Although the purpose of structured interviews is to gather qualitative and quantitative information, the main purpose of unstructured interviews is to allow for additional probing into the answers of the interviewee and uncover issues that the researcher might not have been aware of in advance. For example, the interviewer might discover business relationships among market players or the existence of particular embedded business services.

Through in-depth interviews, information can be obtained from MSEs and BDS providers on stand-alone BDS as well as on services embedded in other commercial transactions. Data may be collected on all aspects of service demand and supply, such as type and quality of service, price of service, and service delivery, but also on other aspects of MSEs and their markets. In-depth interviews are particularly helpful for understanding the relationships among market players.

Advantages

- In-depth interviews are a very flexible instrument that can be easily combined with other research methods such as FGDs or observation.
- Although interviews are relatively inexpensive, the cost increases quickly if other costs, such as transport and accommodation for the interviewer, need to be considered.
- The option to probe further helps ensure that the interviewer gets a good understanding of information gathered.
- Interviews can be used with illiterate or semiliterate respondents.
- In-depth interviews can be very effective for getting responses on service quality and willingness to pay service fees (see Box 8, "Preparing for In-depth Interviews—EDA in India").

Box 6. In-depth Interviews—International Development Enterprises in Bangladesh

With the aim of designing programs to help small farmers, International Development Enterprises (IDE) has conducted a number of MAs in various agriculture and related subsectors in Bangladesh. IDE Bangladesh uses in-depth interviews with farmers and various subsector players as a key mechanism for understanding subsector and BDS markets. IDE Bangladesh has found that in-depth interviews are particularly well suited to interviewing farmers and other rural MSEs, because the interviewer can create a conversational atmosphere and creatively adopt an evolutionary course that results in a deeper understanding of enterprise practices, product and information flows, and market relationships. In-depth interviews particularly help in revealing the embedded business services that farmers receive from different market players that might not be apparent in a tightly structured interview. In-depth interviews have helped IDE identify a number of services that small farmers want and need to help them reach more lucrative markets. For example, through in-depth interviews, IDE identified soil testing as a potential business service for farmers.

Box 7. Validating Data from In-depth Interviews—ITDG in Kenya

The Intermediate Technology Development Group (ITDG) conducted in-depth interviews with MSEs as part of its market research to design a program to link MSEs with high-value buyers. When ITDG examined data from the interviews, it discovered discrepancies that could be attributed to MSEs' dislike of interviews. ITDG then restructured the interviews in a way that allowed for cross-checking of answers. By asking the same question twice but phrased differently, ITDG was able to obtain crucial information. For instance, few MSEs would say they wanted services to improve their internal working practices (such as skills to improve their workmanship). When asked about what may go wrong during production, however, a high percentage stated "wrong measurements" and "poor finishing," suggesting a need for services to address skills deficiencies. ITDG also established methods for data validation. For example, intermediary buyers verified the responses of MSEs by running trial productions during which they provided MSEs with the services they had stated were vital to their success in fulfilling an order. Through postproduction interviews, the MSEs were questioned on why certain things went wrong as well as why certain things went right. Based on these findings, the service provider conducted a second production trial in which the BDS support was adjusted. These production trials played a significant role in realistically validating the conclusions from the interviews.

Disadvantages

- In-depth interviews can be quite time consuming.
- Some MSEs do not like interviews because they believe them to be a waste of their time, and the interviews do not result in any positive improvement of their situation. They also sometimes suspect that the interviewer might be an undercover tax or police agent.
- Obtaining reliable financial data in an interview is difficult without referring to relevant documents.
- Some MSEs might give their answers according to the perceived expectations of the interviewer. MSEs might also give answers that they are not even sure about. Therefore, validating interview data both across multiple interviews and with data from other sources is necessary. This requirement applies in particular to numeric data.
- The validation of the data may require that a large sample be considered, adding to the costs of the MA.

Knowledge and Skills Required

The interviewer should have good interviewing skills, be able to explain the purpose of the interview, put the interviewees at ease, asks questions correctly without leading interviewees, and record answers correctly. The interviewer should also be able to communicate well in a language that the interviewee understands.

Box 8. Preparing for In-depth Interviews—EDA in India

EDA conducted in-depth interviews with leather artisans and service providers in Rajasthan, India. Separate checklists of questions were used for different types of respondents. Three lists of questions were developed for three different kinds of BDS providers—government and non-governmental organizations, private commercial providers offering fee-based services, and leather subsector market players providing embedded services. All lists were developed to obtain qualitative and quantitative information. The information obtained from different categories of respondents enabled the researchers to better understand various aspects of BDS markets including quality of services, willingness to pay for services, and the scope for commercializing the provision of certain services. This understanding helped EDA determine how to bundle services together—for example, training service providers started offering information on sources of raw material and potential markets for new products along with the training service.

Tips for Using In-depth Interviews

Preparing well ahead of the interview process (who should be interviewed, when, by whom), including questionnaire design, is important. For a long series of interviews, conducting pilot interviews for test purposes is recommended; this procedure helps to avoid unclear terms and ambiguous language. Different questionnaires should be used for different groups of interviewees, such as MSEs, input suppliers, product buyers, and BDS providers.

Many PLP participants who conducted in-depth interviews found it useful to include a combination of structured and unstructured questions. The structured questions were used to gather some quantitative information (such as type of enterprise, size of enterprise, previous use of business services), while unstructured questions were used to gather qualitative information (such as the details of business relationships, constraints to business growth, and the demand for business services).

Interviewers were also encouraged to follow up or probe into interesting issues that arose during the interviews, particularly those that might have relevance for project design.

The PLP participants found it useful to have project staff conduct the interviews. First, staff are able to get firsthand information not only about business constraints and demand and supply of business services, but also about various players' attitudes toward change. Second, more useful information is gathered if the interviewers have a clear idea of how the information will be used in project design and implementation.

Several PLP participants improved their interview process as they went along. Because the interviews were used mainly to gather qualitative information, the interviewers could change their probing strategies as they learned how to ask questions to yield the most useful responses from different market players.

Box 9. Market Observation—EDA in India

EDA study teams made visits to weekly markets where leather artisans, traders of raw materials and accessories, and buyers for finished goods gather and carry out their business transactions. During the visits, the exchange of information between wholesalers and sandal artisans was closely observed. An attempt was made to understand the exchange of information between artisans and service providers by observing their actual business transactions. No clarifications were sought during the observations. These observations provided good insights into the dynamics of the relationship between market players and the kind of BDS offered in those business relationships. These observations also helped cross-check some of the information obtained from leather artisans, such as prices of raw materials and accessories, and the sale price of finished goods. EDA used the insights from these observations to develop pilot strategies for involving a range of market actors in the leather subsector as service providers to microenterprises. For example, EDA piloted an intervention to motivate a few raw material suppliers to start marketing leather sandals in the places they go to buy raw materials.

Box 10. Validating Interview Data with Observation—ITDG in Kenya

ITDG wanted to conduct action research on linking MSEs with high-value buyers by working with one or two product traders who would offer embedded services to their MSE suppliers. Through interviews, ITDG identified a trader who appeared interested in participating in the action research. When ITDG staff observed the trader at work, however, it became quite clear that he had many things on his plate and was not very committed to providing services to MSEs. As result of the observation, other traders were identified for the action research.

4. Market Observation

The best observation is one in which an observer views a MSE market situation and takes note of what happens. An observation is generally defined by the observation context and the observation object. Although in exploratory research, context and object might be only broadly specified, observations for other purposes may be specified in detail. A general observation might, for example, aim to establish if significant communication occurs between various market actors, while a more specific observation might aim at finding out whether market information is exchanged between specific market actors. Observations can be used to obtain qualitative and quantitative data from MSE markets—that is, data on transactions, interactions, processes, and embedded services. Observations are also a simple tool to cross-check information obtained from other sources. An interviewer may also use observation at the time of an interview to obtain validating or even contradicting information to the data from the interview.

Advantages

- Observation is relatively simple and inexpensive.
- Observation does not require extensive research skills, only a good understanding of the market context.
- If the observed object is clearly defined, the method can be quite accurate and reliable.
- Observation can be used to fill in information gaps.

Disadvantages

- Observation can be very subjective and might be misinterpreted.
- To observe certain events—that is, a transaction—it might be necessary to carry out the observation for a long and unspecified time until the event occurs.
- Observation data need validation with information from other sources.
- In some cultures, observed people might feel offended or become suspicious. If they are informed, and their consent is sought, their behavior might change, and thus the whole purpose of observation might not be achieved.

Box 11. Observing Transactions—TTO in South Africa

TTO is exploring the use of a proxy tool to establish the viability and/or profitability of spaza shops. Because most spaza shops sell bread, TTO decided to test using bread as a proxy product to determine the profitability of a spaza shop. The process entailed conducting visits to spaza shops at set times and actually sitting in the shop to observe the customer traffic and, more specifically, the purchasing of bread and how it relates to the sale of other items in the business. TTO staff observed the link between customers' purchases of bread and related products for a set period. The information was then validated using other research methods to establish the viability and profitability of the business.

Knowledge and Skills Required

The observer must be quite familiar with the market situation to avoid misinterpretations.

Tips for Using Observation

Observation should only be used in addition to other methods and not as a stand-alone method. In any case, validate the observation data with data obtained using other research methods. When the market context is not clear to the observer, observations should be avoided to reduce the risk of misinterpretation. To put observed people more at ease, the observer can play a typical role in the market scene. The role, however, should not interfere with making the intended observations.

5. Market and Consumer Surveys

A market or consumer survey aims to obtain an accurate picture of specified aspects of a market. Surveys are generally used to gather quantitative information about buyers, sellers, volumes, prices, market trends, market shares, and market segments. They can also be used to gather limited qualitative information.

A survey requires representative sampling, an effective data collection instrument, and an efficient organization of survey implementation. As most BDS market facilitators do not have the internal organizational capacity and expertise to carry out larger surveys, they often contract a research organization to carry out the survey for them. The remainder of this section refers to this situation.

Surveys are useful to project design because they can be projected to the entire population represented by the sample survey. Therefore, they accurately represent (with a margin of error) the reality in the market studied. Surveys are useful for identifying broad problems in a market, such as MSEs not knowing about a particular service, not understanding its benefits, or not valuing outside assistance. This type of information is useful for establishing market development objectives. For example, if 80 percent of small farmers have no knowledge of markets beyond saturated local markets, but market opportunities exist elsewhere, increasing awareness of new markets might be an objective for the project.

Advantages

- Surveys are tailor-made to requirements and are therefore a good source of primary data.
- Survey data can often serve as a reliable baseline for monitoring changes in the market.
- If sampling is representative, obtained data can be projected to the respective universe within certain error margins.

Box 12. Market Survey—TTO in South Africa

As part of its research on the spaza shop market, TTO hired a marketing research firm to conduct a survey of 360 spaza shop owners and 300 spaza shop customers. The survey focused on gathering basic information about the subsector, including the size and turnover of spaza shops, their perceived market problems, and the buying behavior of spaza shop customers. The survey helped TTO gain a basic understanding of spaza shops and their interactions with customers. This understanding helped TTO establish the potential for a program in the subsector and develop broad preliminary ideas for program direction.

Box 13. BDS Market Survey—Mercy Corps in Azerbaijan

Mercy Corps assessed the market for 12 different business services through a survey of 120 microentrepreneurs in two districts of Azerbaijan. The assessment also included FGDs, key informant interviews, and interviews with BDS providers. The quantitative data from the survey showed that the BDS markets with the most potential for expansion were veterinary services and production advice. These findings led Mercy Corps to investigate the market for meat and poultry and the role that veterinary services and production advice might play in helping MSEs earn more income in this subsector. The research led to the design of a program to promote the delivery of commercial veterinary and production advice services to small livestock farmers.

Disadvantages

- Surveys tend to be an expensive research method.
- Although surveys generate a great deal of primary data, information analysis often shows that some data are neither useful nor relevant. This happens particularly if a survey is carried out before any other research is done.
- Although surveys provide good information on trends and broad problems or issues in markets and show how the majority of market players operate, they tend not to provide detailed information on markets or highlight innovative business models that might form the basis for a project intervention.
- Although surveys accurately highlight problems, they tend not to provide ideas on how to address those problems.

Box 14. Conducting a Survey In-House—Jigiyaso Ba and World Education in Mali

In Mali, Jigiyaso Ba, a federation of credit unions, with its partner organization World Education conducted market research on the use of and demand for business services among microfinance clients. Jigiyaso Ba decided for cost reasons to conduct the survey of its illiterate or semiliterate members itself with the help of its 16 credit unions. A research team from each credit union was trained by Jigiyaso Ba and World Education in qualitative and quantitative research methods. Together, the teams developed the survey questionnaire. The questionnaire was then tested in 50 pilot interviews and finalized. Jigiyaso Ba interviewed more than 1,400 microentrepreneurs to assess the demand for a variety of business services. The respondents were also members of the credit unions, which enabled the interviewers to easily establish good rapport with the interviewees and obtain reliable information. Because of their familiarity with the interviewees, the interview teams were trained to stick with the standard questionnaire and not allow preconceived ideas to guide the interviews.

- Some MSEs are reluctant to participate in surveys because they believe that the research does not result in useful interventions for them.

Knowledge and Skills Required

If the survey is carried out by an independent research organization, the facilitator must ensure that the organization has the required research, management, understanding, and resource capacity for the assignment. The facilitator should conduct a series of meetings and consultations with the research organization before and during the research. On the other hand, the facilitator must have the necessary project management skills to manage the assignment. Carrying out a survey requires excellent managerial and organizational skills as well as research skills. It also requires a clear understanding of the market context and the objectives of the research. The researchers and interviewers must have specific skills in interviewing low-income business owners and researching services (versus only products). These latter skills are often missing in large commercial research firms.

Tips for Using Surveys

Contracting a qualified research organization is worth any extra cost because the quality and usefulness of the data is better. The PLP participants found it important to manage the assignment closely, meeting frequently with the research organization to develop and review the objectives of the research, the questionnaire, the respondents and sampling framework, information analysis, planning, budgeting, quality control, financial control, time control, and reporting.

6. Interaction Workshops or Meetings

Interaction workshops can serve a variety of purposes. They can be used to validate and deepen previously gathered information. They can give stakeholders a chance to learn more about the market opportunities that other market actors offer and the constraints they face in meeting market demands. They can generate ideas for addressing constraints or opportunities in the market. In addition, these workshops may lead to a common approach in solving market problems.

Interaction workshops bring together various market players and stakeholders related to a particular market. For example, MSEs may be invited together with BDS providers to focus on constraints and opportunities of services. A common form of interaction workshops are subsector workshops in which various market players in a particular value chain or subsector meet, including MSEs. Sometimes other stakeholders such as government agencies and/or BDS providers serving the subsector are also included

Box 15. Interaction Workshops for Information Validation—IDE in Bangladesh

IDE Bangladesh organizes validation workshops at the end of subsector and related BDS market assessments. The key informant participants for the workshop are the most dynamic and engaged MSEs, other subsector players, and BDS providers identified during individual interviews. The main objective of the workshop is to present the study team's findings to the participants, including major opportunities and constraints in the subsector and the business services that can address the constraints, and gather participants' feedback. The workshops provide an excellent platform for the MSEs, other subsector players, and business service providers to openly interact with each other, exchange information, and confirm or revise the key findings and conclusions drawn from individual in-depth interviews. For example, in a workshop with agromachinery spare parts producers, the participants reflected on and debated several topics not covered in the prior market research, including the role of their association, the existence of a cartel of importers of billets, and the need for heat treatment services to maintain the quality of spare parts they produce.

Advantages

- Interaction workshops offer an excellent opportunity to share information.
- Interaction workshops help market actors better understand each others' challenges.
- Interaction workshops help participants better understand market dynamics and their role in the market.
- Interaction workshops are more than information collection and exchange; as market actors start interacting with each other, the ball starts rolling, business deals are made, and business transactions occur.
- Interaction workshops or meetings may be used for identifying leverage points for interventions.

Disadvantages

- Interaction workshops might end in confrontation and conflict. This risk can be reduced with good facilitation.
- Interaction workshops can be expensive.

Knowledge and Skills Required

Holding interaction workshops or meetings requires excellent facilitation skills, good planning, and organizational skills. Workshops are most successful when the facilitating organization has already gathered substantial information on the market. This information enables the facilitator to guide the discussion towards common challenges and areas of mutual interest among the participants.

Tips for Using Interaction Workshops or Meetings

Interaction workshops should only be held if the benefits and risks have been adequately assessed. If good workshop facilitation cannot be provided in cases with a high risk of conflict between the different groups, look for other options to achieve the same results.

Interaction workshops require excellent and extensive preparation (for example , setting of clear objectives, selection of who should be invited, identification of workshop facilitator, planning of agenda, and identification of appropriate interaction methods). Interaction workshops should not be held if the organizer does not have the necessary resources to plan and manage them effectively.

Box 16. Value Chain Interaction Workshops—MEDA and ECDI in Pakistan

Mennonite Economic Development Associates (MEDA) and the Entrepreneurship and Career Development Institute (ECDI) conducted research on the embroidered garment subsector in Pakistan to design a program targeting low-income, homebound, women entrepreneurs. MEDA and ECDI used interaction workshops with a range of market players to gain a better understanding of the value chain for embroidered garments and identify constraints and opportunities in the system. Based on secondary research and in-depth interviews, the organizations already had a good overview of the various market actors, including women intermediaries, wholesalers, retailers, designers, and input suppliers. MEDA and ECDI shared the results of their research for validation and engaged the participants in a discussion of constraints and opportunities in the market. The result was a rich learning experience for participants and facilitators alike, and stakeholders requested further opportunities for such interaction.

7. Product Concept Testing

Product concept testing aims to gauge the demand for a service that does not yet exist or for which the respondents have no knowledge. Product concept testing may be used when the design process for services has reached a conclusive stage during which decisions are ready to be made. The test of BDS features uses a survey to introduce a new service idea to MSEs and obtain their responses to that idea.[1] It asks MSEs for an overall rating of a new service idea, a ranking of specific features, and an expression of interest in purchasing the service. The quantitative analysis of these data gives an indication of potential demand for the service and ideas for improving the service. With the help of the price sensitivity test, an essential component of product concept testing, the price at which the expected revenue from the service will reach its maximum value can be worked out. For that purpose, responding MSEs state at what price on a predetermined scale they would buy the new service.

Through FGDs, a qualitative indication of the acceptability of a new service concept can be obtained. Although the topics examined are the same as in a quantitative test, the feedback from MSEs is richer but not quantifiable. A qualitative test will provide a great deal of information on how to improve

[1] For more information on product concept tests and price sensitivity tests, see Alexandra Miehlbradt, "Technical Note: Applying Marketing Research Tools to the Design and Improvement of BDS" (Bethesda, MD: USAID Microenterprise Best Practices, 1999). http://www.usaidmicro.org/pubs/pubsTemplate.asp?page=/pubs/mbp/applying_market_research.htm.

Box 17. Product Concept Tests—Swisscontact in Tanzania

In Tanzania, Swisscontact worked with BDS providers to develop new services for MSEs. Swisscontact trained the providers in product concept tests and price sensitivity tests. Then, providers conducted research on their own ideas for new services. Some of the services were not well designed at the time of the test, and providers reported that the test results showed that MSEs were not willing to pay for the services. Therefore, providers had to redesign the services to make the benefits to MSEs more obvious and attractive. With these changes, the MSEs not only substantially increased the price they were willing to pay for the service but also came up with new ideas for additional services. For example, a potential provider intended to offer training on upgrading welding skills. When he tested this product in the market, respondents indicated that they would only purchase the service at a very low price. The provider, however, noticed a need for aluminum welding; when he specified his offer for aluminum welding, he not only received a positive response for the training, but was also able to provide additional on-site consulting services.

Box 18. "What if…" Product Concept Tests through FGDs—TTO in South Africa

TTO used product concept testing to assess the market potential of five service ideas it formulated based on previous market research and discussions with business service providers who were serving or who could serve the spaza market. In FGDs with spaza shop owners, TTO identified spazas' typical business problems (based on previous research) and asked respondents about their past attempts to solve these problems. Respondents were then asked what if a service was available that could help them solve this problem. TTO described the proposed service and then gathered feedback on the idea from the spaza owners. TTO concluded from this research that some service ideas were more important and urgent than others. TTO also determined that some services could be offered in a more cost-effective way when embedded in commercial linkages between spaza shop owners and their trading partners.

the service concept; however, the results cannot be assumed to represent the MSE population.[2]

Advantages

- The test results provide valuable information for BDS design.
- Testing sometimes yields additional ideas for new services.
- Testing for price sensitivity provides useful information for pricing services.

Disadvantages

- Service design must be finalized before actual feature testing begins.
- Testing requires that MSE are very clear about the service and its benefits; otherwise, the data obtained can be very misleading.

Knowledge and Skills Required

Because product concept tests are difficult to apply, having a good knowledge of the tests and excellent skills for their application are required. Ideally, potential providers can conduct the tests themselves, but they require thorough training before they can conduct product concept tests.

Tips for Using Tests

The service must be clearly defined and the benefits should be apparent to the MSE test respondents. If MSE respondents do not fully understand the service and its benefits, they tend to give rather negative responses or indicate that they would only consider purchasing the service at a very low price. If possible, a prototype of the service or product should be demonstrated to enhance knowledge and understanding of the product or service benefits. The group of respondents should be representative of the MSE target group.

Conclusion

The experiences of our BDS MAs showed that some methods can be applied to researching MSE markets. In all cases, however, it became apparent that a mix of different methods is most likely to achieve the best results.

The selection of the method mix is determined by the research strategy—that is, the research objective, the target groups of the research, the degree of information available before the research, and the research budget. Even with the best mix of

[2] For a description of how to use focus group discussions to investigate demand for new services, see Marshall Bear, "The 'What if…' Service Concept Test: Triple Trust Organisation's Market Research Tool to Test Microenterprise Interest in New Business Service Ideas," Practitioner Learning Program in BDS Market Assessment, Technical Note #1 (Washington, DC: The SEEP Network, 2004). http://www.seepnetwork.org/files/1127_PLP_TN_1_Oct_2004.pdf.

Box 19. Providers Conduct Product Concept Tests—Swisscontact in Tanzania

A metal worker who participated in the Swisscontact program in Tanzania wanted to offer product-related skills training for making special wood stoves. When he tested his training offer in the market, the response was very disappointing mainly because the metal workers did not view the wood stove as something special. Only when he added the market information about his sales of the stove in the last year did respondents see the opportunity and were willing to pay reasonable fees for the training.

The provider of the aforementioned training in aluminum welding had initially tested his service idea with metal workers who did not produce many aluminum items. Consequently, their response was very low. When the provider went to modern building sites, however, he noticed that most of the aluminum welding was done by foreign contractors. When he tested the training idea with the local contractors, he received a very positive response.

methods, however, maintaining a high level of flexibility is important. The PLP participants found that conducting an incremental MA worked well. Using this strategy, a researching organization starts with some relatively inexpensive research (for example, secondary research and some FGDs). Based on the findings, the researcher more precisely identifies gaps in knowledge needed to design a project and chooses additional MA methods best suited to gathering the missing information. Several iterations of this process may occur. This strategy allows the researcher to control costs and focus on gathering only the information that is relevant to project design.

MA, project design, and implementation are often not discrete but overlapping activities. Because of the complexity of MSE markets and constraints on research budgets, carrying out fully conclusive research before the project design and implementation phases begin is often not possible. In these cases, pilot interventions may be designed based on the available information and tested through action research during the implementation. Projects that incorporate information gathering, pilot testing, and frequent modifications to interventions will be best positioned to respond to evolving markets.

Acknowledgments

The authors wish to express their appreciation to The SEEP Network for its support of the PLP in BDS Market Assessment. Bringing together practitioners from all over the world in a learning program that enabled them to work together and share their experiences in BDS MA is a very noble and commendable idea. In particular, Jimmy Harris, Jr., of The SEEP Network supported our projects and workshops. Special thanks to Alexandra O. Miehlbradt, who challenged our MAs and provided valuable inputs during the workshops and preparation of this technical note. We also thank Valeria Budinich and many others who organized the three workshops in Thailand, South Africa, and India. Thanks also to the Microenterprise Development Office of the United States Agency for International Development for supporting the SEEP PLP.

This technical note has been created by all PLP participants because its contents are based on the experiences of every PLP member in assessing markets for BDS. It indicates what really works, and we are grateful to all participating individuals and organizations for their open and frank discussions about MA tools. We have learned much from each other, and we hope that we were able to transfer it into this technical note.

Note

The 10 organizations included in this PLP aimed to integrate microenterprises into markets and particularly focused on rural, poor, or underserved microenterprises. These organizations tested innovative strategies for market research and piloted program interventions based on the results. Throughout the two-year program, the participating organizations engaged in a collaborative learning process, assisted by a facilitator, during which they shared ideas, findings, and lessons learned; challenged each other and current practice in market assessment; and documented progress, tools, and conclusions.

The following organizations participated in this PLP:

- Association for Community Economic Development and Study of Microenterprises (PKPEK)—Indonesia
- EDA Rural Systems Pvt. Ltd.—India
- Entrepreneurship and Career Development Institute (ECDI)—Pakistan
- Intermediate Technology Development Group (ITDG)—Kenya and the United Kingdom
- International Development Enterprises (IDE)—Bangladesh, India, and the United States
- Jigiyaso Ba Credit Union—Mali
- Mennonite Economic Development Associates (MEDA)—Canada
- Swisscontact—Kenya
- Triple Trust Organisation (TTO)—South Africa
- World Education—South Africa and the United States

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The Practitioner Learning Program is funded by the Microenterprise Development Division of the United States Agency for International Development (USAID). The opinions expressed herein are those of the authors and do not necessarily reflect the views of USAID or The SEEP Network.

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Practitioner Learning Program in BDS Market Assessment, Technical Note #4, An Inventory of BDS Market Assessment Methods for Programs Targeting Microenterprises

Printed in the United States of America