

# Technical NOTE

## Information to Action—Tips for Using Market Information When Piloting BDS Market Development Interventions

### Abstract

A Business Development Services (BDS) market assessment (MA) yields a variety of useful information about how a BDS market is operating. One of the most difficult challenges in the BDS field, however, is using market information to design and start an effective program. The amount of information collected from an MA can be overwhelming, and it may be difficult to prioritize issues and effectively begin interventions. This technical note attempts to help practitioners bridge the gap between information and action by providing practical tips on using market information to design and initiate market development interventions in programs targeting microenterprises. The note offers five main tips for using MA information to initiate pilot interventions based on the experience of the participants of the Practitioner Learning Program (PLP) in BDS MA. Each tip's description includes several suggestions that are illustrated by actual examples from the experiences of PLP participants and others in the BDS field.

### Introduction

A Business Development Services (BDS) market assessment (MA) yields a variety of useful information about how a BDS market is operating. It can highlight the constraints to the growth of the market and where opportunities for stimulating commercial provision of services to specific groups of enterprises might lie. One of the most difficult challenges in the BDS field, however, is using market information to design and start an effective program. The amount of information collected from an MA can be overwhelming, and it may be difficult to prioritize issues and effectively begin interventions. Many examples of organizations that have gotten stuck in "paralysis by analysis" are available.

This technical note attempts to help practitioners bridge the gap between information and action by providing practical tips on using market information to design and initiate market development interventions in programs targeting microenterprises. This technical note is one of the outcomes of The SEEP Network's Practitioner Learning Program (PLP) in BDS MA. It synthesizes the accumulated learning of all the PLP participants that have been engaged in MAs, program design, and subsequently, piloting market development interventions. The note offers five main tips for using MA information to initiate pilot interventions based on the experience of the participants of the PLP in BDS MA. Each tip's description includes several suggestions that are illustrated by actual examples from the experiences of PLP participants and others in the BDS field.

### Contents

Introduction . . . . .	1
Tip 1: Keep the Project Design in Mind Throughout the MA . . . . .	2
Tip 2: Use the MA as the First Tool to Stimulate the Market . . . . .	3
Tip 3: Do Not Be Afraid to Start a Pilot . . . . .	5
Tip 4: Have a Vision of How the Pilot Will Lead to the Main Program . . . . .	7
Tip 5: Be a Pro-active Facilitator During the Pilot Phase . . . . .	9
Conclusion . . . . .	12

## Tip 1: Keep the Project Design in Mind Throughout the MA

The project objectives and a hypothesis about the constraints and opportunities in markets determine to a great extent the kind of information to be gathered during the MA. The MA is not only a process for gathering information, but is also a process for testing this hypothesis and progressively designing interventions that will achieve the project objectives.<sup>1</sup> If the facilitator thinks regularly about which market players and what activities might be included in the program throughout the MA, the transition from information to action is easier and more effective.

### Identify Potential BDS Opportunities During the MA

An effective method for keeping the project design in mind during the MA is to observe and identify potential BDS opportunities. The mismatch between demand and supply for products and services often presents intervention opportunities. For example, microenterprises may be producing products for which the market has started shrinking for reasons that include the availability of cheaper substitutes in the market. Microentrepreneurs may require customized training services to improve their product quality or reduce the cost of production, but providers for such services may not exist or may offer services without the desired benefits to micro and small enterprises (MSEs). Identifying a demand-supply mismatch early in the MA may enable a facilitator to explore intervention ideas and business models to address the mismatch during the MA. Examining intervention ideas may lead to possible delivery modes and identification of suitable service providers in a product value chain. For example, a trader could help a group of microenterprises buy raw materials in bulk at cheaper cost, thereby reducing the overall cost of production, rather than buying the raw materials individually.

### Identifying BDS Opportunities—International Development Enterprises India

International Development Enterprises (IDE) India conducted a MA in the horticulture subsector in Orissa to identify ways to increase the incomes of small tribal growers. As part of the MA on both the subsector and BDS markets within it, IDE India interviewed M/s Arren Foods Pvt. Ltd and M/s OMFED, two food-processing enterprises in Bhubaneswar, a nearby town. Both enterprises required pineapples and other horticultural produce but were facing procurement difficulties. IDE India had learned from its MA that the small growers' main problems were distress sales and the damage to pineapples during the harvest season. With these pieces of information in mind, IDE India visualized the establishment of links between food processing enterprises and small growers for the regular supply of pineapples and other horticultural produce as a potential opportunity. To make the link viable, several BDS would be needed, such as grading and transportation.

Similarly, IDE India's interaction with the Department of Food Engineering and Agricultural Processing in Orissa exposed the MA team to various post-harvest technologies and raised the possibility of developing user-friendly techniques for adding value to horticultural produce. This helped IDE India identify technologies for adding value to crops such as pineapples, guavas, lemons, citrus fruit, cashew apples (the fruit of the cashew plant), and tamarinds that would then help the tribal growers and processing units add value to horticultural produce and generate higher returns for the growers. Because IDE India tried to identify potential opportunities throughout its MA process, the organization was able to design several promising pilot interventions while finishing its MA.

### Brainstorm Potential Market Development Interventions During the MA

Brainstorming interventions can start early in the MA process. In fact, continuing to brainstorm potential interventions throughout the MA is a helpful tactic. For example, a facilitator during the initial stage of an MA might find out that a particular product of MSEs is not selling well, even though the quality of the product is better than similar products in the market made by larger enterprises. This finding prompts the facilitator to explore the reasons for the poor sales by talking with product retailers. The product retailers say that the product is not packaged well, the package does not contain useful information such as date of production and product shelf life, and the products are not packaged in the right quantity. This finding suggests to the facilitator that MSEs should develop more attractive packaging and labeling with

assistance from a professional if needed. Although costs would be involved, the increased acceptability of the products in the market might enable MSEs to recover the increased costs. After brainstorming and analyzing potential market development interventions, the facilitator can begin to think how they can be tested.

### Brainstorming Potential Market Development Interventions—Triple Trust Organisation in South Africa

Triple Trust Organisation (TTO) manages a project to develop the spaza shop market in poor communities in Cape

<sup>1</sup> For more information on hypotheses, see Alison Haight, SEEP PLP Technical Note #2, "All Paths Lead to Learning: Common Mistakes in Business Development Services Market Assessment and What We Learned From Them" (Washington, DC: The SEEP Network, May 2005).

## Identifying Potential BDS Providers—EDA Rural Systems in India

EDA conducted a MA to inform the design of a project targeting microenterprises in the leather footwear subsector in India. During the MA, EDA tried to understand the capacity, skills, and modes of operation of different types of entrepreneurs and enterprises in the leather footwear subsector. EDA believed that artisans with significant technical skills could be potential providers of technical training services if their understanding of training needs and capacities as trainers could be developed. Similarly, artisans with the best market links or outreach to urban markets could be potential providers of marketing services. During the MA interviews, some artisans even came up with the idea themselves that a market might exist for the information (about exhibitions, for instance) or skills they have. After EDA identified artisans with potential, staff went back again later to have more detailed conversations with them to assess their suitability for involvement in pilot implementation.

As a pilot intervention, EDA met with a leather artisan named Kailash, who was identified during the MA as a candidate because he had good exposure to markets and interaction skills. Based on information from the MA, EDA staff informed him about the market potential for providing exhibition/fair-related information for a fee to leather footwear artisans. Kailash liked the idea and expressed his interest in starting service provision as a side business. EDA then shared with him the database of exhibition organizers (including their telephone numbers) operating in the country and facilitated his links with a few exhibition organizers initially. For this, EDA staff took Kailash to meet a few private exhibition organizers in Jaipur town. EDA also suggested that he make telephone calls to a few other organizers in Delhi and Chandigarh. Kailash made the calls only after EDA staff informed the exhibition organizers about him and his interest in such an activity. About seven to eight months after EDA's initial contact with Kailash, he is managing his service business independently alongside his production business. He provides information on exhibitions to other artisans for a fee, and he sells exhibition stalls to artisans on commission from exhibition organizers.

Similarly, EDA identified Prakash, another artisan with good technical and communication skills, during the MA. As a pilot intervention, EDA suggested that Prakash try offering technical training in leather goods production as a side business. EDA assisted him in designing appropriate training products and delivery modes and also in promoting the training service to other leather goods artisans.

Town, South Africa. Spaza shops are small, informal retailers of fast-moving consumer goods, operating in poor communities. TTO started its MA with the hypothesis that increasing spazas' share of the retail grocery market was possible. This hypothesis helped to guide the information gathering process and keep TTO focused on identifying ways to make spazas more attractive to poor consumers.

Early in the MA, TTO learned that poor consumers wanted products from spazas to be cheaper and also wanted a more pleasant

shopping experience. These findings prompted TTO to start brainstorming ways to help spazas lower their costs and improve their physical appearance and customer focus. As part of its MA, TTO conducted market research with spazas on several ideas that would achieve these aims—for example, a cashless payment system that would increase security and therefore lower costs from theft, pest control services that would lower costs from stock losses and improve customers' shopping experience, and starting a spaza association that would help spazas negotiate lower prices for products from wholesalers

and advocate for better security and sanitation services in poor communities.

## Make Observations During the MA To Identify Potential Service Providers

Often, an important component of a BDS market development program is the introduction of new BDS providers to the market or the strengthening of existing BDS providers. As the facilitator or research firm interviews existing BDS providers, consider which of these providers could and would want to expand their markets to specific target groups, with some assistance. In weak markets, where providers are scarce, facilitators can consider which of market players they interview during the MA might have the ability and inclination to diversify into service provision. By using the MA to begin identifying potential BDS provider partners, the facilitator finishes the MA with not only an understanding of the BDS markets, but also a list of potential market players to work with.

## — Tip 2: Use the MA — as the First Tool To Stimulate the Market

The MA process is not market neutral. Even if the facilitator does not intend to change the market, the process of interviewing market players changes their perceptions about the market. These changes in perceptions could be a starting point for market development. By planning explicitly for this result, the facilitator can use the MA process to initiate market stimulation addressing both demand and supply sides of the market. PLP participants found that the MA process is not only useful to start the ball rolling and generate goodwill among market players, but is also economical because the facilitator gathers information and stimulates the market at the same time. This strategy may also bridge the time gap, to some extent, between the MA and pilot interventions.

## Raising Awareness During MA—EDA in India

During its MA in the leather footwear subsector in India, EDA interviewed leather artisans who were making very traditional footwear only for rural markets. EDA staff informed these artisans that in addition to making traditional footwear, they could also make sandals with more modern designs and leather goods such as valets and bags. Some artisans showed interest in learning the required skills for these other products. When EDA staff explained that training in these skills might be available, some artisans continued to show interest. The findings from these interviews helped EDA focus pilot interventions on those villages where a higher level of demand for training services existed.

## Sharing Market Information with MA Respondents—Mennonite Economic Development Associates and Entrepreneurship and Career Development Institute in Pakistan

Mennonite Economic Development Associates (MEDA) and the Entrepreneurship and Career Development Institute (ECDI) conducted market research to design a program targeting low-income women entrepreneurs in Pakistan. The assessment investigated the BDS supply to MSEs in three regions across three subsectors: rural handicraft makers, urban garment makers, and urban and peri-urban information technology business owners. As a result of the MA, the MEDA-ECDI team realized that a fourth distinct subsector exists that combines handicrafts with garments: hand-embroidered garments. Embroidered garments are generally sold into low-value traditional markets, but MEDA and ECDI identified an emerging value chain reaching higher value urban markets. MEDA and ECDI further learned that strong unmet consumer demand for hand-embroidered garments existed in large urban centers in Pakistan and the Middle East. A major constraint to the development of the value chain, however, is the capacity of homebound rural women to respond to the quality and design demands of urban consumers. For example, contemporary Pakistani women favor border designs, tone-on-tone colors, and westernized motifs; rural women usually embroider all over the fabric in bright colors and with traditional motifs. MEDA and ECDI shared this information with MA respondents in the hand-embroidered garment subsector. As a result, the respondents were eager to learn more about the business potential for reaching new markets and cooperate with MEDA and ECDI in collecting further information, designing a program, and participating in a pilot.

### Use the MA to Raise the Awareness and Understanding of Business Services for Market Players

Interviews and focus group discussions (FGDs) with MSEs and other market players during the MA can achieve more than just gathering information on their businesses and services they use. These interactions can also be used to inform MSEs and other market players about services that are available in the market and how these services might be beneficial to their enterprises. Similarly, BDS providers and other market players can be informed about demand potential for certain services from MSEs. Raising awareness often starts market players thinking about how to reach new markets and improve their businesses. This market stimulation can have a positive effect even if the MA does not result in the facilitator pursuing a program in that market.

### During the MA, Share Market Information with Respondents

Sharing MA information with respondents at the end of interviews can be helpful in a number of ways. For example, a facilitator could inform a wholesaler who is looking for specific products about the areas where MSEs produce those products. The wholesaler is likely to perceive this information as useful for his or her business. This not only might boost the demand for those particular products, but also creates goodwill for the facilitator that will be useful when initiating pilot interventions. Similarly, a facilitator may offer suggestions to MSEs on new market areas and shops where their products might be demanded. Respondents often appreciate it when researchers offer something useful in return for respondents' time spent during interviews.

### Consider Conducting a Workshop or Discussion Forum Toward the End of the MA

Workshops, meetings, and even informal discussions among different types of market players toward the end of an MA are very effective techniques. These interaction workshops often include various market players in a subsector and/or MSEs and BDS providers.<sup>2</sup> A workshop can serve to validate information, increase various market players' understanding of the perspective and constraints of others, generate ideas for interventions, and obtain feedback on intervention ideas. The workshop or discussion forum can be a bridge between MAs and pilot interventions. It serves a

<sup>2</sup> For more information on interaction workshops, see Ralph Engelmann and Richard Isiaho, SEEP PLP in BDS MA Technical Note #4, "Inventory of BDS Market Assessment Methods for Programs Targeting Microenterprises" (Washington, DC: The SEEP Network, May 2005).

## Interaction Workshops for Information Validation— IDE in Bangladesh

IDE conducted MAs in several subsectors in Bangladesh. At the end of each MA, IDE conducted a workshop to validate the findings of the MA. Resourceful respondents identified during the indepth interviews were invited to participate in the workshop. They included a variety of market players in the subsector including MSEs, input suppliers, traders, wholesalers, and retailers, as well as BDS providers serving the subsector. The following were the objectives of each validation workshop:

- To gain from the workshop participants their ideas and views about the MA team's initial findings; if they consider the findings correct; and if the findings reflect the current realities of the market.

For example, in one workshop, IDE identified irrigation as a key constraint. Participating farmers, however, considered unavailability of good-quality seeds in small-quantity packages, rather than irrigation, as a major constraint. In another example, the study team identified lack of soil testing facilities as a key constraint. Although farmers did not directly mention it as a constraint during interviews, the team recognized this constraint from farmers' current practice of indiscriminant use of fertilizer with no idea what the soil needs. During the validation workshop, farmers unhesitatingly agreed that the lack of soil testing facilities was a major constraint and expressed their willingness to pay for soil testing services.

- To gather more information and learn more from the participants through an interactive discussion during the workshop. 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 billet importers, and the need for heat treatment services to maintain the quality of spare parts they produce.

The workshops served not only to validate the findings from the MAs, but also to raise awareness of market issues among participants, generate ideas for interventions, build understanding among different market players, and create enthusiasm for developing markets in mutually beneficial ways.

dual purpose of gathering information and stimulating the market, as well as building relationships among market players and between market players and the facilitator.

## Tip 3: Do Not be Afraid To Start a Pilot

After the MA, the second phase is to start pilot interventions that may lead to full program implementation. An MA team may easily feel that they do not have enough information to start a pilot. A fine line exists,

however, between not having enough information and waiting too long before starting a pilot. Sometimes, engaging in implementation is the best way to understand the intricacies and dynamics of the market.

Benefits can also result from blurring the distinction between the MA and pilot interventions. A facilitator can start pilot interventions while continuing to gather more market information. This can save time for the facilitator and offer an opportunity to gather relevant additional information to inform appropriate changes in the pilot

interventions. This strategy can also address, to some extent, the impatience of market players to move forward after the MA. It may also lead to early participation of different market players in the market development process.

## Determine the Minimum Information Required To Start a Pilot

Although gathering sufficient information during the MA is important, new pieces of information will always be potentially available. Deciding what minimum level of

## Deciding To Start a Pilot— MEDA and ECDI in Pakistan

MEDA and ECDI's MA in Pakistan involved secondary research, key informant interviews, FGDs, and interactive workshops. When sufficient data had been collected on the embroidered garment subsector, MEDA and ECDI were ready to begin piloting the development of a more profitable value chain. Four key questions had been identified and answered, giving MEDA and ECDI confidence to proceed with the pilot:

1. Which final markets would be targeted for the products of the MSEs?
2. What services are needed to assist the clients to access these markets?
3. Who are the existing or potential service providers?
4. Who are the clients for those services?

With this information, MEDA and ECDI decided they could design a pilot and test the potential for the planned interventions.

## Starting a Pilot With Fairly Minimal Information—EDA in India

During EDA's MA in the leather footwear subsector in India, many leather artisan respondents said that they would like to learn the skills for making better designed footwear and leather goods to increase their profits and ensure regular incomes. EDA decided to start a pilot to promote training services, initially with just one experienced artisan who had the training skills and capacity to act as an effective service provider. As EDA worked with the service provider, the staff gathered additional information gradually from artisans about their varying paying capacities and demand for training services. Based on this information, more training products with different training durations were developed to meet the requirements of different categories of artisans. Again, on the basis of learning from this experience and further information on demand for training in different villages, more service providers joined the program. During the pilot, EDA assisted the new trainers to promote their services by helping them develop brochures and informing artisans about the availability of services during visits to villages. In this progressive fashion, both the demand and supply for training services for leather artisans were developed.

information is needed to start a pilot is important. For example, the initial stage of the MA might reveal that certain services are in high demand by MSEs, but these services are not available in the form demanded. This piece of information is adequate to explore further why these services are not available, and what needs to be done to ensure the supply of these services to MSEs. Stimulating the supply side of the market for those services could be a possible inter-

## Revising Interventions Based on Learning—Swisscontact in Kenya

In Kenya, Swisscontact used group-based action learning (AL) as a method of both MA and demand stimulation. AL helps the participating microentrepreneurs to better understand their own business problems and identify possible solutions to them. In particular, the microentrepreneurs determine when they can solve a problem themselves and when they need outside help in the form of BDS.

Based on the knowledge of the services in demand, Swisscontact then organized a BDS fair where BDS providers promoted their services to the AL participants. After the fair, Swisscontact solicited feedback from AL participants and BDS providers and also conducted its own analysis of the fair to determine what worked and what could be improved in the future. For example, Swisscontact identified the following two areas for improvement:

- Although Swisscontact briefed the BDS providers on the demand from microentrepreneurs before the fair, many of the BDS providers were not prepared with appropriate information and service products for the microentrepreneurs. Swisscontact determined that the BDS providers needed more assistance to develop appropriate services and marketing materials for microentrepreneurs before a BDS fair.
- Although a mini-lecture on the pros and cons of various types of BDS was included in the AL, an additional session in which the microentrepreneurs discussed how to choose appropriate business services, how to assess the costs and potential benefits of a service, and different ways of paying for BDS would help them benefit more from access to BDS.

vention strategy. As a pilot intervention, the facilitator could work with either existing or potential service providers to encourage and enable them to offer those services in the form demanded by MSEs.

### Be Clear About the Purpose of the Pilot

Keep in mind that the pilot is an action research/learning phase and a step before full implementation of a program. Pilot interventions offer the opportunity to test particular business models or interventions for their practicality and effectiveness at the grass roots level and the acceptability of the models or interventions by market players. Lessons learned during the pilot phase can inform modifications in the business models or interventions to make them more effective. The purpose of a pilot is to test an idea for an intervention—to decide if the idea is worth pursuing and, if so, what works and

what needs modification. The facilitator may even want to test several promising ideas for addressing a single constraint or opportunity on a very small scale at the same time.

### Ensure that the Pilot is Based on Reliable Information

Although starting a pilot early on can be advantageous, the design of the pilot intervention must be based on reliable information. Cross-checking information from not only an adequate number of respondents but also various types of market players in a subsector and/or relevant BDS markets is essential. For example, information obtained from MSEs on their product quality and markets should be compared with the information on these aspects obtained from traders, wholesalers, and retailers of the MSEs' products. Similarly, information on service features obtained from service providers should be compared with the information obtained

## Cross-Checking Market Data—Mercy Corps in Azerbaijan

In two rural districts of Azerbaijan, Mercy Corps assessed the markets for 12 different business services and determined that the BDS markets with the most potential for expansion to MSEs were veterinary services and production advice. Based on these findings, Mercy Corps investigated these two BDS markets in more depth. In group discussions, farmers said that more and better veterinary and production advice services would help them develop their livestock businesses. FGDs with veterinarians indicated that they were interested in serving more small farmers. Before proceeding with intervention design, Mercy Corps wanted to confirm that veterinary and production advice services would indeed address a key constraint in the meat and poultry subsector and help small farmers increase their profits. So, Mercy Corps conducted secondary research and key informant interviews with other players and government agencies in the meat and poultry subsectors. These interviews showed that demand for meat and poultry was growing, and that poor animal health and low meat quality were indeed key constraints to farmers meeting this demand. With these findings, Mercy Corps proceeded to design and pilot interventions to develop the supply and demand for veterinary and production advice services for small livestock farmers.

from MSEs who have received those services. Such cross-checking of information from different market players helps a facilitator understand the market more thoroughly and thus design effective pilot interventions.

## The Importance of Clarity—Intermediate Technology Development Group in Kenya

In Kenya, Intermediate Technology Development Group (ITDG) conducted market research to design a program to link MSEs with high-value buyers. As part of the MA, ITDG used a research firm to conduct indepth interviews with MSE producers. To clarify its mission, the research team informed the MSEs that the interviews were being conducted on behalf of a nongovernmental organization (NGO). This fact stuck in the minds of the MSEs. When the service provider that ITDG was working with approached the MSEs to produce components, they quoted very high prices. On further probing, the service provider and the ITDG team discovered that the reason for the high prices was that the MSEs thought an NGO could pay fairly high prices for components. The service provider had to work hard to persuade the MSEs that his was a commercial business. In the end, of 22 MSEs initially involved in the action research, only 4 were willing to give realistic quotes and were subsequently subcontracted to produce the components. ITDG learned that either clarifying the involvement of the NGO during the MA or putting the service provider at the forefront is the best tactic.

### Beware of Creating False Expectations

Creating false expectations among service providers, service users, or stakeholders in the process of the MA or pilot interventions is easy. To avoid this, the facilitator must very clearly explain its own roles and contributions during the initial phase of the pilot. These explanations are even more important in the context of other subsidized small enterprise development programs under which services or other support are being offered directly to market players, including MSEs, with donors' funds. Making the point that this program does not offer any financial support to any of the market players to enable them to undertake their business operations is important. The contributions of the program can be explained to market players. These contributions might be sharing the MA information, offering technical assistance and capacity building support such as suggesting ways to stimulate market demand for products and services, developing initial links between market players, and helping undertake MA.

## Tip 4: Have a Vision of How the Pilot Will Lead to the Main Program

Explicitly planning for how pilot interventions will inform the main program design can make the transition between these phases smoother and more effective. Make sure that the facilitator has specific questions and ideas in mind that can be tested for their viability during the pilot phase. For example, would MSEs be able to learn new skills to make certain marketable products? If so, could they sell those products through an existing market channel? Outlining key questions and designing pilots to test them can provide invaluable information for the main program design.

### Consider Expanding Existing, Effective Market Mechanisms

Developing a market may not always require a new mechanism. Sometimes, an MA reveals market mechanisms that are working well on a small scale, in one particular area, or with one or a few market players. If something is working well in one area, the pos-

## Building on Existing Market Mechanisms—MEDA and ECDI in Pakistan

MEDA and ECDI designed a pilot that tested the potential for the products of home-bound rural women embroiderers in Pakistan to reach mainstream urban markets. During the MA, MEDA and ECDI learned that the predominant market channel in the existing embroidered garment subsector involved women interacting with middlemen through a male relative, receiving inputs through this network, and producing garments for traditional, low-value markets. MEDA and ECDI also discovered a fledgling cadre of women intermediaries who interacted directly with women entrepreneurs, provided some design and quality control support, and enabled the isolated embroiderers to reach more lucrative markets. MEDA and ECDI decided to build on this model, enhance it, and expand it. MEDA and ECDI are building the capacity of women intermediaries to provide appropriate services and trying to increase the number of women fulfilling this role. Because the model is based on an existing market mechanism, it will more likely fit the economic and sociocultural context in the target areas.

## Transferring Market Practices from One Location to Another—IDE India

During its MA in the pineapple subsector, IDE India learned that a high demand for quality pineapples existed. The traditional Kew variety grown by most farmers in Orissa sometimes sold for less than Rs1 per piece during the harvest season. A good-quality pineapple variety, called Queen, sells at higher prices during the harvest season, Rs10–15, but is not grown in sufficient quantities in Orissa. IDE India decided to conduct a pilot to learn if the Queen variety would be appropriate in Orissa and help the tribal growers increase their profits.

IDE India observed the market for Queen pineapples in Siliguri in North Bengal and identified a local horticulture nursery in Siliguri that could be a potential provider of seedlings. The staff planned an exposure visit for a few growers with local NGO leaders from Orissa to Siliguri to observe cropping practices, understand market demand, and collect seedlings of Queen pineapples for trial planting. To improve cropping practices, IDE India identified an NGO practicing organic farming and soil conservation techniques in Orissa to act as a service provider to the growers for the trial planting.

sibility exists that it might also work well in other areas if required conditions and factors responsible for making it work are created. As part of the MA or the pilot interventions, the facilitator can try to identify the factors and conditions to expand or replicate the effective market mechanism. For example, MSEs' products may be selling well through a particular trader, because that trader pro-

vides market information, design advice, and quality control services to the MSEs. The facilitator could discuss with the trader why he offers those services and how it helps him in his business. Then, the facilitator, on a pilot basis, could work with several other traders to persuade them to embed similar services in transactions with their MSE suppliers and build their capacity to do so.

## Plan the Pilot To Have Potential for Scaling Up

When planning the pilot, keep in mind its potential for scaling up. In fact, the potential for scale is often a criterion in the decision to undertake a MA of specific BDS markets and/or subsectors. In this context, a facilitator needs to understand the final market for goods and services of MSEs to ensure that the pilot has the potential to become a full program that increases MSEs' incomes. Some of the factors that can be considered to determine the potential for scaling up within a specific subsector may include the following:

- Large number of MSEs producing similar products.
- Large number of people working in MSEs in the subsector.
- Wide geographical spread.

## Choosing a Subsector With Potential for Scale—EDA in India

EDA chose the leather subsector and leather footwear artisans as the focus of its MA because of the potential for scale in a program targeting this subsector. Leather goods—particularly various forms of footwear—are in regular use by rural and urban consumers and have a demand at local, national, and international levels. Demand for specific types of products is growing. Clusters of artisans producing leather goods are scattered all over India. If the pilot succeeds, it could be replicated not only in Rajasthan (the state the pilot was conducted in) but also in other states where the leather subsector is prominent. A leather subsector BDS project might also offer a model for developing weak BDS markets, a common characteristic of many rural economic subsectors in India.



## Designing a Pilot with Potential for Scaling Up—TTO in South Africa

In its spaza market project in South Africa, TTO chose bread as an initial product for a pilot business linkage intervention between spazas and product manufacturers. This intervention focuses on the establishment of direct business-to-business linkages between the spaza shops (MSEs) and their suppliers (medium or large manufacturing companies). Bread was chosen as a “typical” product that is in daily demand by a large number of consumers and is, therefore, stocked by almost all spaza shops. As a result, a linkage intervention focused on bread has the potential for scaling up to many spaza shops, should the pilot prove to be successful. This business linkage intervention could also serve as a model for business linkages using other products.

- Importance of the subsector in peoples’ economic lives.
- Importance of the subsector in a region.
- Growth in demand for MSEs’ products or services.

If the market for particular MSE products is shrinking, diversifying into other marketable products may be the best option for MSEs.

Usually, interventions in a program address one or two main constraints to or opportunities for market growth. When considering which constraints or opportunities to focus a pilot on, consider if these constraints or opportunities are present in other areas and if pilot interventions might be appropriate on a wide scale and/or in other areas. By considering these factors early, a pilot intervention will more likely be an appropriate component of a main program.

## Tip 5: Be a Pro-active Facilitator During the Pilot Phase

A facilitator in BDS market development may play multiple roles, especially when the market is weak and characterized by low demand and limited supply of services. The PLP participants found that intervening quite intensely at the pilot stage was often necessary to get markets moving. The facilitator may need to address both the demand side of the market by stimulating demand for services and, at the same time, the supply side of the market by strengthening providers. Sometimes, the facilitator may need to share business risks with market players—at least at the pilot stage of the project. The facilitator can gradually reduce the intensity of interventions over time to enable markets to grow on their own.

### Disseminate Market Information to Potential Service Providers

Market information can be used not only to design interventions but to also stimulate the market. Sometimes information is all that is needed to stimulate action by market players. Information is also readily available to the facilitator after the MA and can serve to increase the facilitator’s cred-

ibility with market players. Passing on the information from the MA to market players can motivate participation in pilot interventions. For example, passing on information about market demand for a particular service to an existing or potential service provider may make the provider more interested in working with the facilitator to reach that market. Useful forums for passing along information to several market players at one time are workshops, meetings, and exposure visits.

Adequate preparation for such events helps ensure they are effective and successful. Issues to consider include the following:

- Identifying appropriate participants/ market players.
- Inviting participants well in advance of the event.
- Finding an appropriate venue for the meetings/workshops.
- Setting the timing and duration of such events, keeping in mind participants’ convenience and their working schedules.
- Sending or communicating the agenda to participants in advance, including the topics for discussion and likely outcomes from the event.

### Facilitating Information Sharing—World Education in South Africa

In South Africa, World Education is managing a program to develop the construction subsector to better include and benefit MSEs. As a pilot intervention in one area, World Education organized and facilitated an “Access to Resources Seminar” that brought together nearly 15 private sector suppliers in the construction subsector (e.g., materials, finance, guarantees, and equipment) and almost 70 small construction contractors. At the seminar, the suppliers were given the opportunity to present their range of products and services, describe criteria for accessing them, provide some advice to MSEs on what to expect from particular business deals, and answer questions from the MSEs. The opportunity for information sharing and interaction resulted in a spate of inquiries and initiation of business discussions between parties. Supplier evaluations indicated that they saw value in such an event in terms of growing their own market, and they expressed a wish to be present at more such events.

## Demand Stimulation—IDE India

IDE India in Maharashtra is implementing a project to assist small farmers to increase their incomes by gradually shifting to growing and selling horticulture crops. The project assists small farmers to gain access to a range of services needed to grow and market high-value horticultural crops. Small-scale irrigation is one of the essential services.

Before the project began, small farmers in Maharashtra did not have access to drip irrigation due to the unavailability of divisible, affordable, small-sized drip irrigation systems. These farmers either did not practice horticulture or used flood irrigation when water was available. As part of its project, IDE communicates the benefits of using drip irrigation for improved water efficiency, improved productivity, and optimal use of inputs. Many farmers find it difficult to believe that the little water available in their wells is actually enough to grow a crop using drip kits. Therefore, IDE's communication must be clear and convincing.

IDE has organized exposure visits for MSEs to successful horticulture areas and arranged interaction with progressive farmers. Such farmer-to-farmer contacts have been an extremely useful tool for enhancing farmer interaction and learning. IDE has also found that one of the most effective promotion tools is short campaigns in the rural area. In this activity, IDE staff members, along with a local drip irrigation wholesaler or retailer, move from village to village in a jeep or rickshaw to promote the concept of low-cost drip irrigation. In addition, IDE has developed a video for MSEs to view that communicates the benefits of drip irrigation in an interesting way. This video generates a high level of interest among small farmers in the program area; more than 500 farmers show up for a typical screening.

Most of IDE's demand creation activities are undertaken along with BDS providers so that the providers can take on these activities after IDE's exit from the program. The accompanying BDS provider shares the cost of the activity by contributing his or her time. The providers are willing to bear these costs from the margins they earn. IDE has found that this initial demand stimulation is essential in weak rural markets where the experience of using services is extremely limited.

Make sure to clearly communicate market information as well as provide plenty of opportunities to answer participants' questions. Time can also be provided for different market players to get to know one another and initiate business relationships for mutual benefit.

### **Facilitate Demand Creation To Generate an Initial Market Pull**

Demand creation is often less of a focus in BDS market development than building sup-

ply. When markets are weak, however, MSEs may lack the exposure to and understanding of services to express demand for them. Neither existing nor potential service providers are likely to take risks without demonstrated market demand. Therefore, a facilitator often has to stimulate demand for services to generate an initial pull in the market to which providers will respond. Demand creation during the pilot phase helps existing and potential service providers realize the business opportunity and thus be keener to tap that opportunity with the assistance of a facilitator.

## Assisting Providers To Conduct MAs—Association for Community Economic Development and Study of Microenterprises in Indonesia

The Association for Community Economic Development and Study of Microenterprises (PKPEK) conducted a MA to inform the design of a project to increase small carpenters' incomes in the furniture subsector in Jepara, Indonesia. In addition to directly gathering information, PKPEK assisted BDS providers to conduct their own MAs. PKPEK believed that providers would be more committed to using information that they gathered themselves. PKPEK, with an expert facilitator from Swisscontact, organized a training program for BDS providers on how to undertake a MA. PKPEK helped the providers to conduct their MAs and analyze the resulting information to determine what types of services carpenters wanted and how they might be delivered. PKPEK then offered providers followup support in executing their plans developed on the basis of the MAs.

PLP participants and others have found that a variety of creative strategies are useful in raising MSEs' awareness and understanding of services—for example, pictorial presentations, demonstrations, plays, referrals, and exposure visits of groups of MSEs presently not using the services to those MSEs that are using and benefiting from such services. For example, for technical training services, a short demonstration by providers and a display of products to show after learning the skills from training can be helpful in enabling MSEs to concretely understand the benefits from such training services.

## Assisting Providers To Develop Services and Business Plans— Swisscontact in Tanzania

BDS markets are very weak in Tanzania. Very few BDS providers exist, and their services are not well designed. To develop BDS markets in selected MSE sectors, Swisscontact designed a modular training program for potential BDS providers. The program covers identification of service ideas, service design, testing of service features and prices, service delivery, costing and quality assurance, and promotion. In addition to the training, which is provided on a cost-sharing basis, Swisscontact supports specific capacity building for service delivery and initial promotion. The training program is very performance oriented; classroom lessons are followed by fieldwork that must be performed to a certain standard and target. If, for example, the price tests show that a new service will not be sustainable, the participating provider has to redesign the service before he can continue with the program. For this reason, only about 60 percent of providers have completed the course. A good chance exists, however, for having a sustainable service to offer MSEs.

For example, one provider decided to run a course for metal workers on general welding skills. When he first conducted market research on his idea, he was very disappointed that potential MSEs wanted to pay only 10 percent of his costs for the course. With advice from Swisscontact, the provider realized that aluminum welding at construction sites was usually done by foreigners. When he changed his offer to a specialized course on aluminum welding for Tanzanian metal workers, they responded very well and were willing to not only to pay cost-covering fees, but also requested additional on-site consulting services.

### Develop Business Models Jointly with Service Providers

In weak markets, often only limited or no provision of needed services exists. To generate supply, facilitators must envisage new business models—either fee-based or embedded—for the delivery of particular services. The PLP participants found that developing new or improved business models jointly with service providers increases their acceptability among market players. The facilitator can explore and discuss potential business models with various market players, including BDS providers, MSEs, and other subsector players. Incorporating their opinions and suggestions will not only make potential business models more acceptable but often more effective as well. Participation of market players in the development of business models is essential, because they are the persons who will make a model effective and workable—business models cannot be imposed by a facilitator.

A business model might involve only direct transactions between BDS providers and MSEs. For business models to reach MSEs in rural areas on a significant scale, however, intermediaries between providers and MSEs are often involved. For example, an exhibition organizer might work with a number of agents who sell exhibition stalls to MSEs in rural areas on commission. These agents act as a link between the actual service provider and MSEs. Particularly when business models become more complex, obtaining the input of various market players and existing and potential service providers can improve the effectiveness of the business models.

Another helpful tactic is to analyze the financial viability of service provision and develop business plans jointly with service providers. A facilitator can play a supporting role—for example, offering suggestions, encouraging providers to explore different ideas to address problematic issues, providing training and capacity building support,

## Sharing Risks with Providers—TTO in South Africa

TTO's pilot business linkage intervention involved identifying service providers who would act as bread distributors—providing the link between a bakery and spaza shops. Identifying these service providers was a business opportunity for independent transport service providers. For security reasons, TTO sought individuals from the target community who had a suitable vehicle and wanted to take advantage of this business opportunity.

To demonstrate the earning potential of the transport business and to get the ball rolling, TTO arranged an initial risk- and cost-sharing scheme among the bakery, the service provider, and the facilitator (TTO). The bakery agreed to loan crates for carrying bread to the service provider and granted credit for the initial deliveries. TTO subsidized the transport costs of the service provider during the first week when he was recruiting customers for his new service. This incentive was phased out in a short time during which a commercial relationship developed between the transporter and his bakery supplier.

initiating required links between providers and other market players and professionals, and helping to document plans if required.

### Be Prepared To Share Risks with Service Providers and Other Market Players

In a weak market, a facilitator may need to share risks with service providers and other market players to initiate market growth. Some of the risks that could be perceived by service providers include sunk costs in service development with an uncertain and

long payback period and the allocation of their manpower resources to the new activity without assured returns. Risk sharing may persuade uncertain service providers to try out new ideas suggested by a facilitator. Following are some risk-sharing mechanisms:

- Assisting providers to conduct their own market research.

- Subsidizing the training cost for BDS providers to enable them to undertake a new activity.
- Sharing the costs for initial promotion of services among potential MSEs.
- Sponsoring providers' exposure visits to investigate markets or see effective BDS provision in other places.

Although it can prove difficult, the facilitator should aim to invest only in activities that will develop the supply of services and should restrict subsidies to pre-transaction activities rather than ongoing business operations or actual transactions between providers and MSEs. Keep in mind that although risks can be shared, the risk should not be eliminated completely, because assuming some risk is a sign of a provider's commitment to a new activity.

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## Conclusion

The discussions and examples in this technical note aim to provide practical tips to help market facilitators move faster, more easily, and more effectively from information gathering to program implementation. Working with these tips in mind, an MA team cannot only gather information, but

also use an MA to recognize possible BDS opportunities, identify potential service providers, and design pilot market development interventions. The learning and experience during the pilot phase helps the facilitator modify strategies for more effective program implementation. Pre-program market research can be made faster and more effective by undertaking a number of

activities at the same time—blending the pre-program process rather than having distinct phases of MA, project design, and pilot interventions. Perhaps the most useful advice to keep in mind is that information is not an end in itself; translating it into effective action is the basis of market development.



## Acknowledgments

The lead authors and all the members of the practitioner working group would like to convey their gratitude to The SEEP Network for initiating the PLP in BDS MA and USAID for supporting it. The authors and the other members would like to thank Jimmy Harris, Manager of PLP at The SEEP Network, for all his efforts in the entire process related to the development of the note. Thanks also to Valeria Budinich and the PLP interns for their support of the process. PLP Facilitator Aly Miehbradt provided continuous support and invaluable inputs and comments to the draft technical note. Our thanks are due to her and all the PLP participants who provided us with insights and shared their views and examples related to their individual projects. We hope that this note will be a very useful and helpful document for organizations engaged in developing markets for business services for small and microenterprises and for their products.

## 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 MA, 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

## Lead Authors

Ashok Kumar and Sanjay Sinha

## Practitioner Working Group

Elizabeth Matioli, Hudson Aluvanze, Linda Jones, Paul Bradnum, Ralph Engelmann, Shyam S. Barik, and Saurabh Gautam

## Contact

For additional information or to order additional copies, contact The SEEP Network.

1825 Connecticut Avenue, NW  
Washington, DC 20009-5721  
Tel: 202.884.8581  
Fax: 202.884.8479  
E-mail: [plp@seepnetwork.org](mailto:plp@seepnetwork.org)  
[www.seepnetwork.org](http://www.seepnetwork.org)

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*PLP in BDS MA, Technical Note #5, Information to Action—Tips for Using Market Information When Piloting BDS Market Development Interventions*

Printed in the United States of America



