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Assessing Markets for Business Development Services: What have we learned so far?

by

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InFocus Programme on Boosting Employment
through **S**mall **E**nterpris**E** **D**evelopment
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FOREWORD

The ILO's InFocus Programme on Boosting Employment through Small Enterprise Development, IFP/SEED, is at the forefront of promoting initiatives to develop the commercial provision of services to the micro and small business sector. It is anticipated that this provision, since it is self-sustaining, offers the prospect of greater outreach to the millions of small enterprises which need those services.

However, relatively little is known about either the demand for, or the supply of, these support services, often referred to as Business Development Services (BDS). The ILO and other agencies have therefore commissioned research in many countries, using methodologies which draw from commercial market research techniques in order to provide information cost-effectively. A manual has recently been published by SEED/FIT, written by the same author, and synthesizing current knowledge on the methodology in use.

While the research has generally been commissioned as part of the process of designing interventions at the national level, it is also particularly interesting to compare results across countries. This Working Paper presents such a comparison, for all the research currently available to a broadly similar methodology. This includes research findings from ILO, GTZ, Swisscontact and Mercy Corps, generated in 7 countries, primarily in Asia. The Working Paper also draws on work carried out for USAID under the Performance Measurement Framework initiative in various other countries, and with various other agencies, in order to generate a synthesis of the knowledge available to date about demand and supply in BDS markets. The document should therefore be of great interest to many agencies working in this area.

The Working Paper is structured around a number of hypotheses or assumptions, on which Small Enterprise Development (SED) work has traditionally been based; in each case, the evidence supporting or challenging these foundations has been presented, often in graphs to illustrate the trends. In addition, a methodology is proposed, for analysing the overall dynamics of the service market, as the basis for a systematic tool for project and programme designers.

This Working Paper is written by Alexandra Overy Miehlbradt, who also contributed substantially to most of the work described. Ms. Miehlbradt has extensive experience in the area of BDS, working as a consultant for many development agencies. It has received extensive input from Jim Tanburn, who leads IFP/SEED's work to promote commercial provision of business services. It has also benefited from inputs from other IFP/SEED colleagues, including Gavin Anderson, Margot Lobbezoo and Akiko Suzuki.

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EXECUTIVE SUMMARY

Over the last three years, a number of donors and other organizations have conducted assessments of business development services (BDS) markets. Comparing the results of these market assessments can help the BDS field address a number of practical questions in the design and implementation of BDS market development programs, such as:

- How can an organization decide in which BDS markets to intervene?
- How can a program manager determine the appropriate time at which to exit a market and leave it to develop in its own?
- When are strategies that have been successfully used in one market appropriate for another?

This paper aims to contribute to answering these questions by comparing data from thirteen different market assessments conducted to date. Specifically, the paper addresses the following issues:

- How developed are various BDS markets?
- How can organizations assess the potential for development of a BDS market?
- Are the common preconceptions about BDS markets—on which many programs have been built—valid?
- What are the key similarities and differences in a variety of BDS markets?

The paper draws on the following market assessments: International Labour Organization in Thailand, Cambodia, Ghana and Indonesia (2000), GTZ in Nepal (1999), Swisscontact in Bangladesh (2000), Mercy Corps in Azerbaijan (2000), and six market assessments conducted as part of the Performance Measurement Framework field research (2000-2001): CECI/MARD in Nepal, FAIDA in Tanzania, IEDI in Nepal, SEEDS in Sri Lanka, Swisscontact in Peru and Swisscontact in the Philippines.

How developed are various BDS markets?

Market penetration is a bottom-line indicator of the level of market development. It shows how many enterprises have purchased services either in a given time period or ever. The studies show that there is a wide range of levels of market development; market penetration ranges from 0-77%. In some countries, such as Nepal and Thailand, enterprises have used a wide range of services. In others, such as Ghana and Cambodia, only a few services have been used by a reasonably large proportion of SEs.

Despite the differences, some generalizations are possible. Basic services such as telecommunications and product transport generally enjoy higher market penetration than higher-end services such as training and trade fairs. Most services have a market penetration of under 25% and the majority under 10%. Some countries have generally better developed BDS markets than others. However, a country with generally weak markets may still have one or two strong markets.

Comparing the markets for the same service across countries provides a frame of reference for judging market penetration of a particular service. For example, market penetration for technical training ranges from 1-15%; for advertising from 1-38% and for telecommunications from 6-66%. While market penetration of 15% might indicate a relatively strong technical training market, it would indicate a relatively weak telecommunications market.

What are the implications for programs? Understanding the level of market development can help with program design. Weaker markets will likely need longer, more intense and more multifaceted interventions than stronger markets. The level of market development must be the context for judging program performance. What can be considered good program outreach in a weak market might be considered modest in a stronger market. As more data is gathered, it may be possible to establish benchmarks for what constitutes a "strong" market in terms of market penetration based on the particular country, consumer group and service. This will help programs determine when to exit a market.

How can organizations assess the potential for development of a BDS market?

In order to determine which services to promote, organizations are interested in the potential for market expansion. Many of the market assessments conducted have attempted to quantify the gap between potential demand and current purchases. Potential demand has been determined in different ways, such as:

- The percent of SEs who say they would be willing to pay for a service.
- The percent of non-users who say a service is important for the competitiveness of their business.
- The percent of SEs who were made aware of a service through the market assessment survey and say they would now definitely buy it.
- The percent of SEs who said they would definitely or probably buy a service in the future.
- The percent of non-users whose reason for not purchasing the service can be addressed by the program.

Despite the different techniques used, several services emerge frequently as having potential for market expansion: management training, technical training, information and advertising. Services that help with marketing such as links to new customers, sales on commission and new product development also show potential in several countries. However, there are some services that appear to have strong potential in one or two countries but not others, such as internet access and legal advisory. While the techniques used have some limitations, they do provide managers with a starting point for choosing service markets on which to focus.

Are the common preconceptions about BDS markets valid?

Many BDS programs have been designed based on particular ideas about demand and supply in BDS markets. While more evidence is needed, the available studies provide some early indications about the validity of these preconceptions.

All BDS markets in developing countries are weak. While the BDS field does not yet have a complete picture of what is a "strong" or "weak" market, the wide range of levels of market development in the studies indicates that not all markets are weak.

There is a mismatch between demand and supply in most BDS markets. Based on the analysis of the potential for market expansion, there does appear to be unmet demand in many BDS markets.

Rural BDS markets are weaker than their urban counterparts. Available data indicates that rural markets are usually somewhat weaker than urban markets. There are exceptions, such as the markets for communications centres and package/parcel delivery in Indonesia.

SEs want management training and consulting services. These two services are often among the least purchased by SEs. Still, management training is one service with considerable unmet demand in a number of countries. Consulting services, to a lesser extent, have potential for market expansion in some countries. There are, however, several other services which SEs appear to demand as much or more than these two: advertising, information and technical training.

Women and microenterprises are the key underserved groups in BDS markets. Women-owned enterprises often acquire services to the same extent or only slightly less than those owned by men. While micro enterprises are underserved in some countries and markets, in others they access services to the same extent as other enterprises. However, more research is needed to determine if women and microenterprises are accessing a higher proportion of free and subsidized services. In many countries, particular sectors are underserved. For example, in Peru, manufacturing enterprises dominate the market for training while other sectors are underserved. In Bangladesh, traders are often underserved.

Most SEs are not even aware of many BDS. The studies show that awareness of BDS varies widely among countries. In some countries such as Thailand and Indonesia, awareness is generally high. In other countries, such as Ghana and Cambodia, awareness is low for many services.

BDS markets for SEs are characterized by low quality services. Based on the SEs own assessment of service quality, many BDS markets offer reasonable quality services. However, the data available is biased towards those services that SEs use more. Additional research is needed to assess the quality of services in weaker markets.

The main reason SEs do not purchase services is the price. SEs most often cited that a service is not needed or not relevant to their businesses as the reason for not using services. Other factors are expense, time and lack of information.

SEs' main criterion for their choice of service provider is price. The studies show that price is rarely a key criterion in SEs' choice of service provider. Rather the factors driving BDS markets tend to be quality characteristics such as providers' reputation, recommendations from others and the types of services available.

Information about BDS flows to SEs almost exclusively by word of mouth. This idea is generally supported by the studies. However, other sources of information are important in some markets, such as business associations, mass media and advertising.

What are the implications for program managers? It is important not to prejudge markets. While some of the traditional preconceptions are supported by the data, others are not. What may be true for most markets is not true for every market. Understanding the particular market a program is targeting will lead to more effective interventions.

What are the similarities and differences in BDS markets?

Four important challenges in BDS market development are: making SEs aware of services, helping SEs understand services, persuading SEs to try services and ensuring that SEs continue to use services. Market assessment data can provide information on which of these challenges to prioritise in a particular market. Comparing markets based on these four issues yields only a few similarities. "Reach," which indicates SEs propensity to try services once they understand them, is a common problem across many BDS markets. Beyond this, markets differ. While awareness is a key problem in some countries and markets, it is not in others. While understanding is frequently not a key problem, in Nepal it is a problem in many markets. There appear to be more similarities among markets within a particular country than there are among the same type of service market in different countries.

When designing a program, it is helpful not just to know if a market is strong or weak but if demand is strong or weak and if supply is strong or weak. For example, in a market with strong supply but weak demand, a voucher program is appropriate. But, in a market with weak supply and strong demand, technical assistance to suppliers, product development and/or efforts to help start up suppliers are appropriate. Categorizing markets based on demand and supply may provide managers with guidance on when a strategy that is successful in one country is applicable in another.

Using market assessment data, it is possible to plot markets on a matrix with demand on one axis and supply on the other. The results show that there are BDS markets in all four categories: strong demand and strong supply, weak demand and strong supply, strong demand and weak supply and weak demand and weak supply. A comparison of the markets in Thailand and Indonesia shows that the markets for the same service often fall in different categories between the two countries.

The comparisons in this paper show that market assessment results must be examined in the context of a country, a consumer group and a particular service. While there are some similarities among markets, there are many exceptions. Conducting a market assessment in the particular markets a program will target is essential to understanding those markets.

The next steps in using the growing number of market assessments to help program managers design effective programs are:

- Compare the results with formal sector data.
- Develop benchmarks for market penetration and other indicators of market development for various services in different country circumstances.
- Develop a framework that describes different types of markets from the perspective of demand, supply, and different market issues.
- Document what market development strategies work in markets with particular characteristics.

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ACRONYMS

BDS	Business Development Services
FAIDA	Finance & Advice in Development Assistance to Small Enterprise Promotion
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation)
ICT	Information and Communication Technology
IEDI	Industrial Enterprise Development Institute
ILO	International Labour Organization
MARD	Market Access for Rural Development Project (CECI)
MC	Mercy Corps
PMF	Performance Measurement Framework
SC	Swisscontact
SE	Small Enterprise (includes micro, small and medium scale enterprise)
USAID	United States Agency for International Development

I. Introduction

Over the last several years, the business development services (BDS) field has experienced a key shift in strategy. There is now a great deal of support for the idea that developing markets for business development services is the best way to enable a large proportion of small enterprises (SEs) to obtain the business services they need and want in a sustainable manner.[1] While there is still limited experience in developing BDS markets, a few programs have begun to demonstrate promising, if preliminary, results in improving both demand and commercial supply of business services for SEs.[2]

Several preliminary studies of business services markets in developing countries have shown that private-sector markets for a variety of business services often already exist.[3] Based on these findings, donors and practitioners have agreed that learning about these existing markets is an important first step in designing BDS programs. Assessing a BDS market provides helpful information for designing a program.[4] Using the information increases the chances that a program will effectively develop a BDS market for the benefit of SEs rather than distort it and possibly damage what is already working in the market. Assessing a BDS market also provides a baseline from which to measure changes in the market that may result from program interventions. With one or both of these aims, a number of organizations have conducted BDS market assessments.

While the assessments were conducted with the aim of designing or providing information for local programs, there is also value for the BDS field in comparing the results of the assessments. Examining a range of assessments from different countries, market circumstances, consumer groups and business services can help the BDS field address a number of practical questions in the design and implementation of BDS market development programs, such as:

- How can an organization decide in which BDS markets to intervene?
- How can a program manager determine the appropriate time at which to exit a market and leave it to develop in its own?
- When are strategies that have been successfully used in one market appropriate for another?

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[1] See the Committee of Donor Agencies for Small Enterprise Development, "Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention." 2001 Edition (The Blue Book). Website: www.ilo.org/employment/sedonors

[2] For example, see the ILO FIT project, the GTZ Private Sector Promotion Project in Nepal, the IADB and USAID supported voucher training programs in Latin America and the MPDF management training project in Vietnam.

[3] For example, see Gavin Anderson, "The Hidden MSE Service Sector – Research into Commercial BDS Provision to Small Enterprises in Vietnam and Thailand" for the International Labour Organization presented at the Donor Committee Conference in Hanoi, 2000. Website: www.ilo.org/employment/sedonors

[4] For guidance on how to conduct a BDS market assessment, see Alexandra O. Miehlbradt, "Guide to Market Assessment for BDS Program Design." A FIT Manual for the International Labour Organization. April, 2001.

This paper aims to contribute to answering these questions by comparing the data from a number of market assessments that have been conducted to date. Specifically, the paper addresses the following issues:

- **How developed are various BDS markets?** Comparing the level of development in different BDS markets contributes to the field's knowledge about what is a weak or a strong market. Using this information, it may be possible to establish benchmarks for a well-developed market for different services. This provides organizations with a frame of reference to judge how developed a given market is, helping them to determine whether to enter a market, when to exit a market and what intensity of intervention may be needed in a given market.
- **How can organizations assess the potential for development of a BDS market?** Determining which BDS markets have the potential to grow and develop for the benefit of SEs is one of the most critical and difficult program design questions. The paper illustrates several different techniques to assess the potential of a BDS market. As a design tool, there is the necessary caveat that assessing market potential by relying on current market data only provides a projection of the future—and projections are not always accurate.
- **Are the common preconceptions about BDS markets—on which many programs have been built—valid?** Many BDS programs have been designed based on certain preconceptions of demand and supply in BDS markets. Some of these have already been examined and shown false – such as the idea that private sector providers serving SEs with business services do not exist. Others have been less well examined, for example, the idea that all BDS markets in developing countries are weak or the idea that women and microenterprises are the key underserved groups in BDS markets.
- **What are the similarities and differences in a variety of different BDS markets?** If the BDS field can identify weaknesses common to many markets, efforts can be focused on developing interventions that effectively address these weaknesses. It would be helpful to develop a system to categorize markets with similar characteristics. Categorizing BDS market will help practitioners determine when there is potential for applying a particular strategy – such as vouchers or technical assistance to providers – in different markets. Some attempts have already been made to classify appropriate strategies for different market situations. Comparing actual market data and the success of programs implemented in these markets will begin to make these design tools more concrete and useful.

While not enough market assessments have been conducted to come to definitive conclusions on these questions, examining the available data provides helpful early indicators and lessons.

This paper draws on seven market assessments conducted for the purpose of program design and six market assessments conducted as part of program performance evaluation. These assessments are briefly described below and summarized in Table 1.

Market Assessments for Program Design:

International Labour Organization (ILO): From September, 2000 – February, 2001, the ILO conducted market assessments in four countries, **Thailand, Cambodia, Ghana and Indonesia**, under the FIT project. The assessments mainly relied on a quantitative survey of SE consumers with sample sizes from 300 to 500. The surveys investigated SEs' awareness, understanding, usage and opinions about a wide range of business services, such as telecommunications, training, various types of marketing assistance, courier and transport, information in the media and financial management services. From the surveys, the ILO aimed to get a basic understanding of the demand from SEs, a picture of supply from the consumer perspective and some indications about opportunities for market expansion. The surveys were supplemented by interviews with BDS suppliers and informal research on BDS markets.[5] The ILO is using the study results as input into the design of BDS market development programs in these four countries.

GTZ, Nepal: In 1999, GTZ conducted an assessment of BDS markets in urban areas of Nepal under the Private Sector Promotion Program. The assessment provided information for designing a BDS market development program. The formal assessment started with a consumer survey of 504 enterprises in Nepal regarding their knowledge, use and perceptions of thirteen types of business services. The survey was followed by fifteen focus group discussions on the nine services that GTZ was most interested in after seeing the results of the survey. Finally, GTZ conducted supplier diagnostics by visiting and interviewing a range of BDS suppliers. The assessment did not focus only on SEs but instead on all types of enterprises in Nepal. However, the vast majority of the enterprises included in the study were small as this is the nature of business in Nepal.[6]

Swisscontact, Bangladesh: In 2000, Swisscontact conducted an assessment of BDS markets in three urban areas of Bangladesh. The assessment provided the basis for designing a BDS market development program. The assessment started with a consumer survey of 410 small enterprises with 1-50 workers regarding their awareness, knowledge, use and perceptions of ten types of business services. The survey was followed by focus group discussions with both users and non-users of services to gain more information on the service markets and their potential for growth.

Mercy Corps, Azerbaijan: In November, 2000, Mercy Corps conducted an assessment of both rural and urban BDS markets in Azerbaijan. The assessment relied mainly on two surveys – one of SEs and one of BDS providers. The SE survey sampled 335 small enterprises regarding their use of and interest in a range of different business services. The provider survey sampled 121 private sector BDS providers regarding their businesses, products, clients and finances. The assessment was used to guide the design of three Mercy Corps funded BDS programs in Azerbaijan.

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[5] For more information, contact Jim Tanburn at the ILO in Geneva. Email: Tanburn@ilo.org

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

Market Assessments for Program Performance Evaluation

The Performance Measurement Framework (PMF) is a common performance evaluation system being developed for use in the BDS field under the auspices of the Committee of Donor Agencies for Small Enterprise Development. As part of the field research conducted on the PMF over the last 2 years, six organizations carried out abbreviated market assessments.[7] The aims of the assessments were to determine the status of the markets in which their programs operate and examine the interaction of programs and markets. Each assessment relied on a quantitative survey of SEs in the target market of the organization conducting the assessment. The assessments used a common questionnaire and methodology. The following are the six organizations that performed the assessments:

- CECI Market Access for Rural Development Project (CECI/MARD) in Nepal
- Finance & Advice in Development Assistance to Small Enterprise Promotion (FAIDA) in Tanzania
- Industrial Enterprise Development Institute (IEDI) in Nepal
- SEEDS in Sri Lanka
- Swisscontact in Peru
- Swisscontact in the Philippines

The thirteen market assessments were conducted with somewhat different goals. Not every assessment used exactly the same methodology. The paper examines those aspects of the studies that are comparable. However, it is important to keep in mind that the assessments examined different markets – bounded by a service, a consumer group and a geographic area. Therefore, this paper is not examining similar markets in different countries but different markets in different countries. For example, the assessments focused on somewhat different consumer groups: the ILO focused on micro and small enterprises, GTZ looked at all enterprises and Swisscontact looked at micro, small and medium enterprises. Some assessments were only in urban areas, other only in rural areas and others included both. None of the studies conducted captured the entire national market for BDS. Most of the studies are from Asia with four exceptions: Swisscontact in Peru, FAIDA in Tanzania, the ILO in Ghana and Mercy Corps in Azerbaijan.

This paper does not aim to be a statistically technical comparison of the data. Instead, the aim is to identify key similarities, differences and trends that will help those in the BDS field implement the market development approach. For a more statistically rigorous analysis, assessments conducted with more similar strategies and methodologies are needed. The sources for the paper were, for the most part, secondary—the reports written about the assessments—rather than the raw data itself. Therefore, the paper is based on the data and analysis available in the reports.

[7] The PMF Field Research was supported by USAID under the Microenterprise Best Practices Project managed by Development Alternatives Inc. Reports from the field research are available on the MBP website: www.mip.org

This paper aims to be an overview of what we have learned from market assessments so far. For the most part, the analysis focuses on each service market as a whole, rather than examining and comparing different consumer segments. A more detailed analysis, which goes into greater depth on different consumer segments is possible, but it is not within the scope of this paper.

Table 1: Summary of Market Assessments

<table>
<tr><th>Organization</th><th>Country</th><th>Geographic Area</th><th>Consumers</th><th>Services</th><th>Methodologies</th><th>Sample Size</th></tr>
<tr><td>ILO</td><td>Cambodia</td><td>2/3 Urban (Phnom Penh)
1/3 Rural</td><td rowspan="4">SEs with 1-20 workers; all sectors</td><td rowspan="4">Telecommunications
Information from the Media
Product Transport and Courier
Advertising
Internet
Trade Fair/Product Exhibition
Management Training
Technical Training
Financial and Tax Advice
Accounting and Bookkeeping
Marketing and Sales
Business Travel</td><td rowspan="4">Consumer Survey

Informal Market Research</td><td>300</td></tr>
<tr><td>ILO</td><td>Ghana</td><td>Urban, Peri-urban, Rural</td><td>400</td></tr>
<tr><td>ILO</td><td>Indonesia</td><td>½ Urban
½ Rural</td><td>401</td></tr>
<tr><td>ILO</td><td>Thailand</td><td>Urban
(Bangkok and 2 smaller cities)</td><td>500</td></tr>
<tr><td>GTZ</td><td>Nepal</td><td>Urban</td><td>All enterprises; all sectors (except agriculture)</td><td>Accounting, Finance & Taxation
Computer-Related services
Planning & Mgmt Advice
Legal Advice
Production Advice
Management Training
Production Training
Technical Training
Communications/Correspondence
Secretarial
Trade Fairs
Advertising
Research</td><td>Consumer Survey

Consumer Focus Group Discussions

Provider Interviews</td><td>504</td></tr>
<tr><td>Swisscontact</td><td>Bangladesh</td><td>Urban</td><td>SEs with 1-50 workers; all sectors (except agriculture)</td><td>Accounting, Finance & Taxation
Planning & Mgmt Advice
Legal Advice
Production Advice
Management Training
Production Training
Technical Training
Communications/Correspondence
Trade Fairs
Advertising</td><td>Consumer Survey

Consumer Focus Group Discussions</td><td>410</td></tr>
</table>

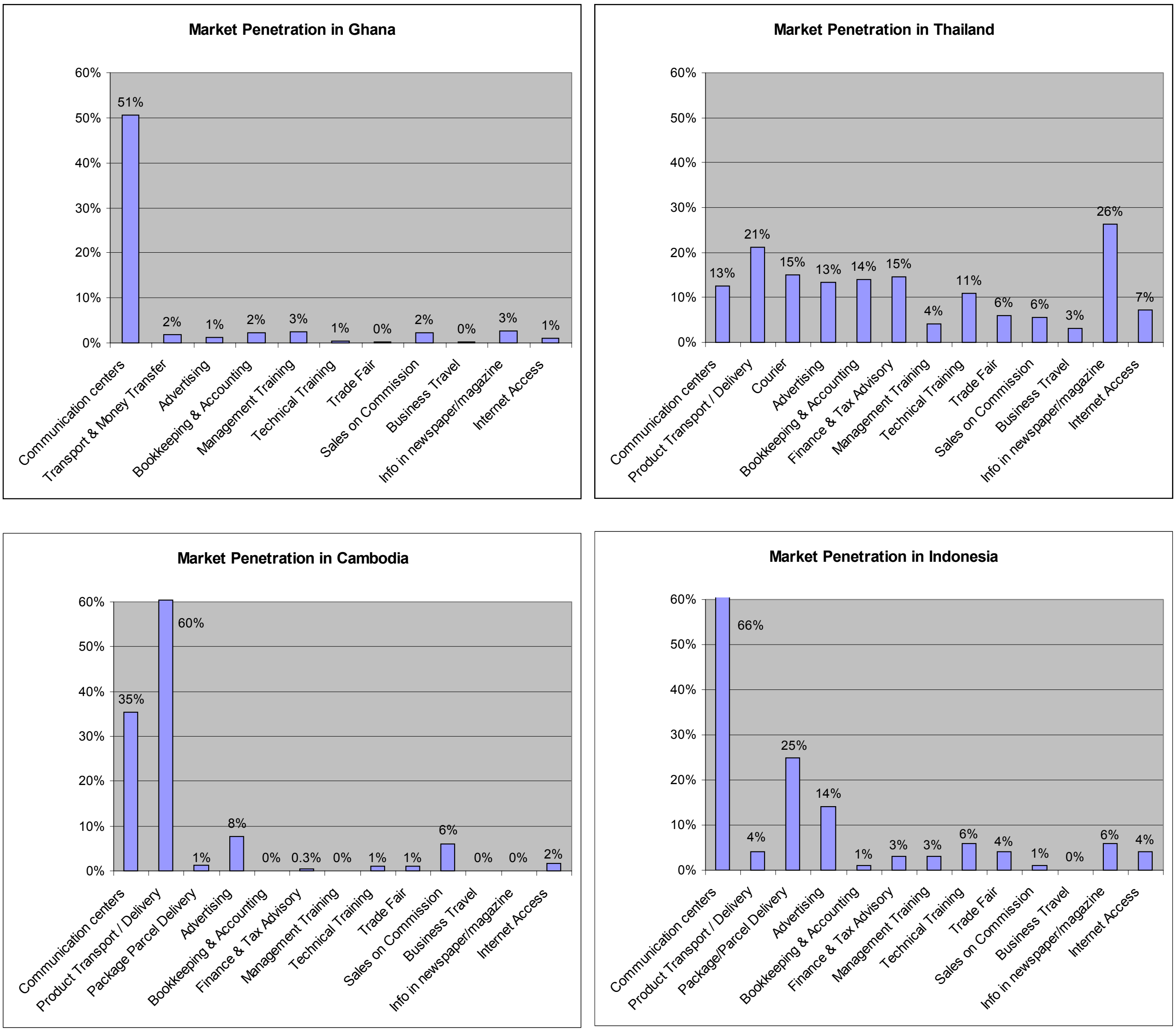
Organization	Country	Geographic Area	Consumers	Services	Methodologies	Sample Size
Mercy Corps	Azerbaijan	Urban, Peri-urban, Rural	SEs with 1-50 workers; all sectors	Production Technology Quality Improvement Transportation & Distribution Business Planning New Product Development Advertising Accounting & Bookkeeping Financial Analysis Legal/Tax Services Credit Info & Management Employee Recruiting & Training Secretarial & Translation Services Language Training Telecommunications Computer Related Services Internet Services	Consumer Survey Provider Survey	335 consumers 121 providers
CECI/MARD	Nepal	Rural	Micro enterprises with 1-10 workers; all sectors	Training Marketing Veterinary Technical Assistance with Credit	Consumer Survey	182
FAIDA	Tanzania	Urban and Rural	Micro enterprises with 1-10 workers; all sectors (except agriculture)	Business Awareness Training Business Management Training Advisory/Counselling Services Business Plan/Feasibility Studies	Consumer Survey	288
IEDI	Nepal	Urban, Peri-urban	SEs with 1-50 workers; all sectors (except agriculture)	Management Training	Consumer Survey	200
SEEDS	Sri Lanka	Rural	SEs with 1-50 workers; all sectors	Technical Training Business Management Training	Consumer Survey	100
Swisscontact	Peru	2 Urban areas	SEs with 1-50 workers; all sectors (except agriculture)	Training Technical Assistance	Consumer Survey	307
Swisscontact	Philippines		SEs with 1-50 workers; services and manufacturing	Business Development Training Market Access/Trade Fairs	Consumer Survey	110

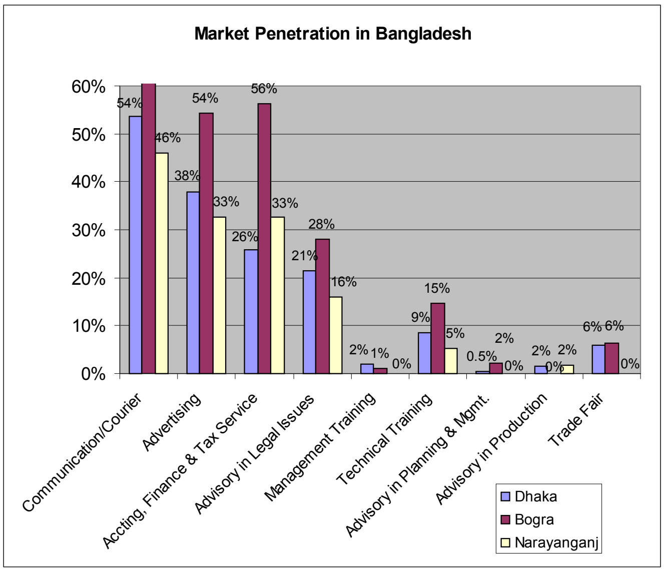
II. How developed are various BDS markets?

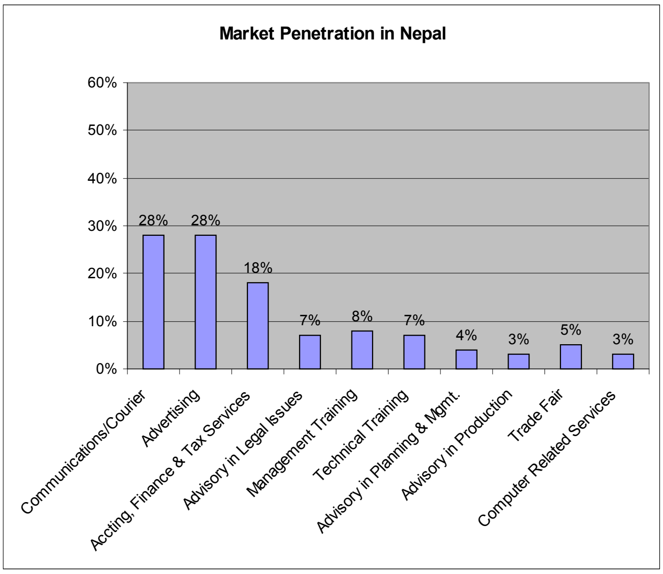
A. Comparison of Various BDS Markets by Country

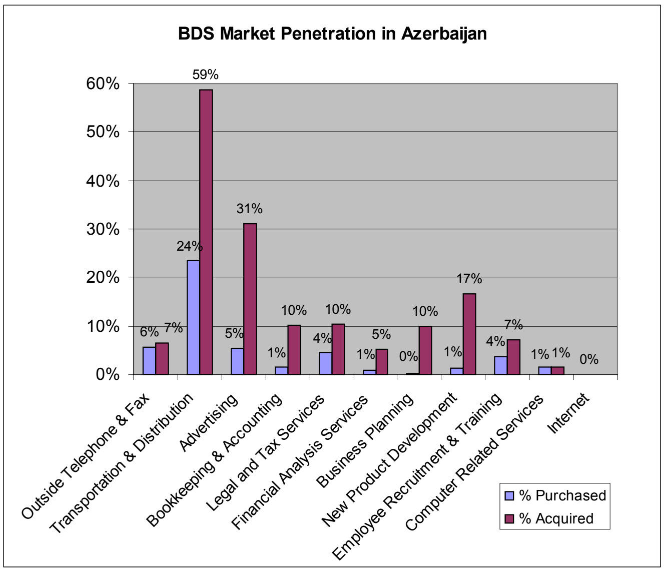
Market penetration is a bottom-line, basic indicator of the level of market development. It shows how many enterprises have purchased services either in a given time period or ever. The charts below show the market penetration of a similar group of services in seven different countries. It is important to keep in mind that each chart not only represents a different country, but also a different consumer group and geographical area. Slight differences in the way penetration has been defined also make some difference in the figures. Notes at the bottom of the charts explain the key differences in definitions.

Figure 1: Comparison of Market Penetration in Various BDS Markets









Notes:

Ghana: SEs that have purchased in the last 12 months only.

Thailand, Cambodia, Indonesia: SEs that have purchased in the last 2 years only.

Bangladesh, Nepal: Enterprises that have ever purchased the service.

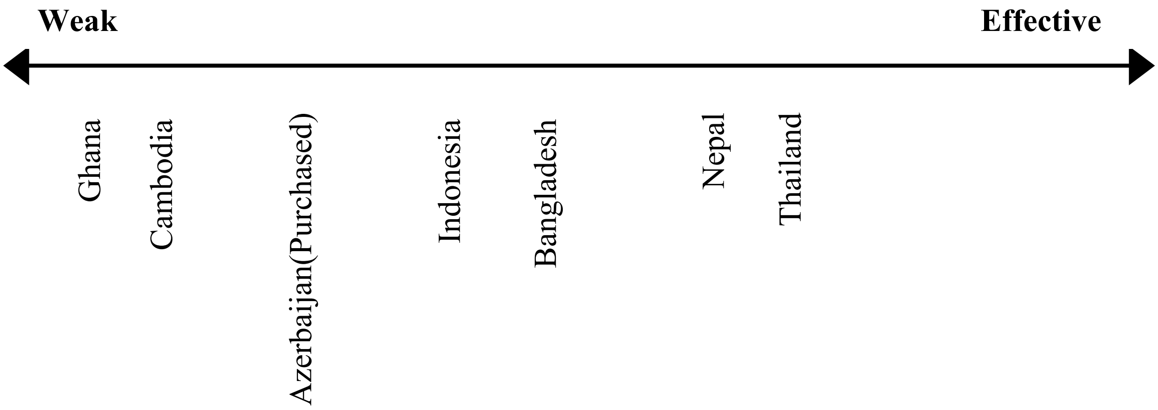
Azerbaijan: Purchased is SEs that have purchased the service from private or government sources. Acquired also includes SEs that have received the service through informal channels such as friends or other companies on a non-fee basis.

From the charts, it is clear that there is a wide range of levels of market development both among different service markets and among different country markets. Market penetration ranges from 0-77% (communications/courier in Bogra, Bangladesh). In some countries, such as Nepal and Thailand, enterprises have used a wide range of services. In others, such as Ghana and Cambodia, only a few services have been used by a reasonably large proportion of SEs.

Despite the differences, some generalizations are possible. Basic services such as telecommunications and product transport enjoy higher market penetration than higher end services such as training and trade fairs. Advertising, and in some countries accounting, finance, tax and/or legal services are examples of services that donors have not traditionally focused on, but that enjoy sizable market penetration compared to many other services. In general, SEs' use of most BDS is still modest; market penetration of most services in most countries is less than 20%.

Looking at the charts, it is possible to make a rough estimation of the relative level of market development of the different country markets – taking into account the basket of BDS studied.

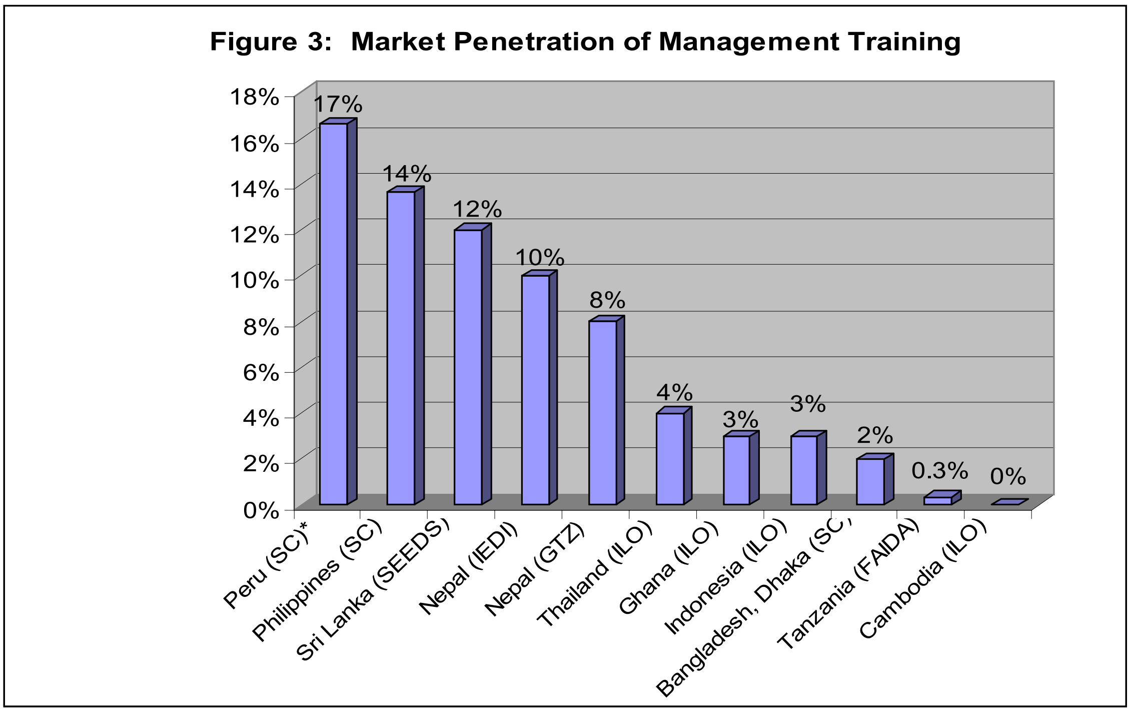
Figure 2: Relative Effectiveness of BDS Markets

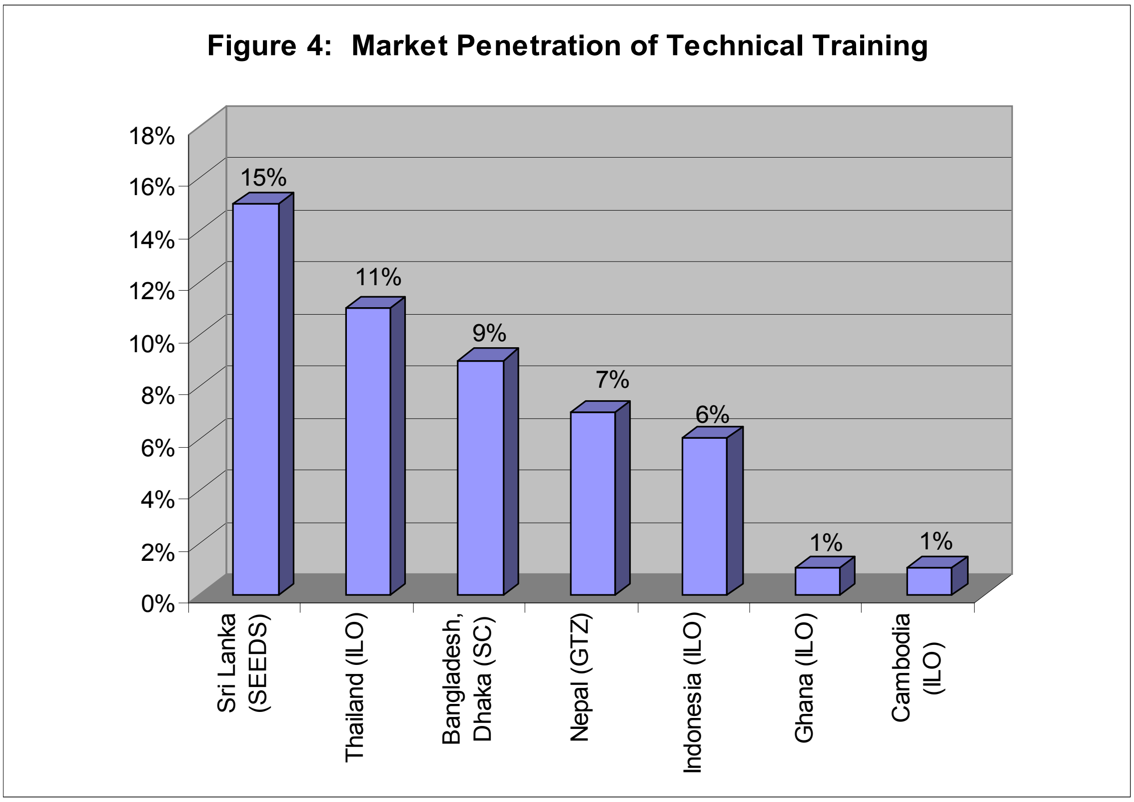


What are the implications for programs? It is likely that the markets in Ghana and Cambodia are characterized by quite a few market weaknesses, whereas the markets in Nepal and Thailand have a fewer number of weaknesses. In Nepal and Thailand there is already some culture of purchasing services established. In Ghana, Cambodia and, to a large extent, Azerbaijan, this culture has yet to be established. Therefore, it is likely to take a longer, more intense and more multifaceted effort to develop the BDS markets in Ghana and Cambodia than in Nepal and Thailand. A program in Ghana or Cambodia might need a particular focus on payment mechanisms, embedded services and other strategies for reducing or eliminating the up front costs for SEs. A program might also need to help start BDS suppliers and/or conduct intensive demand generating activities. In Nepal and Thailand, program managers must tread carefully to ensure that they do not distort what is already working in those markets. It is likely that suppliers exist and a program can focus primarily on expanding the existing market. What can be deemed good program performance in Ghana or Cambodia in terms of program outreach, might be considered modest in Nepal or Thailand.

B. Comparison of the Same Service Market by Country

This type of analysis can also be applied productively to individual service markets across countries. The figures below show the market penetration of management training (Figure 3) and technical training (Figure 4) in a variety of country markets. Only purchases have been considered in the figures. It is important to keep in mind that most of the PMF assessments (Peru, Philippines, Sri Lanka, Nepal-IEDI) were conducted in areas where programs were selling services, where as the other assessments were conducted in broader areas where programs may or may not have been operating. This may partly explain the higher penetration in most of the markets assessed as part of the PMF field research.





Notes to Figures 3 and 4:
Peru: Swisscontact considered all training, not only management training.
Philippines: The service category was defined as "Business Development Training."
Ghana: SEs that have purchased in the last 12 months only.
Cambodia, Indonesia, Thailand: SEs that have purchased in the last 2 years only.

Looking at these charts provides a frame of reference for judging the relative level of development of management training and technical training markets. For example, a training market with over 15% market penetration can be considered relatively well developed. It would be helpful to compare these figures with the market penetration of management and technical training in countries and markets which are considered well developed, for example medium-sized enterprises in urban areas of developed countries. This comparison, as well experience in developing markets, will begin to show at what point a training market can be considered reasonably well developed and thus donors should exit.

A comparison of these service markets with those for advertising and telecommunications is useful. Figures 5 and 6 show the market penetration in a variety of countries for the advertising and telecommunications markets. While "telecommunications" was defined somewhat differently in different countries and so the comparisons should be treated as approximate, the difference between this market and the training markets above is pronounced. In almost every country, more SEs use telecommunications and advertising services than training services. A relatively well-developed market in advertising might be one with over 25% market penetration and in telecommunications one with over 50% market penetration. This shows that the level of market development that would signal a donor to exit the market may be different for different services. It also shows that cross country comparisons for the same service can be helpful in establishing benchmarks for market development.

Figure 5: Market Penetration of Advertising

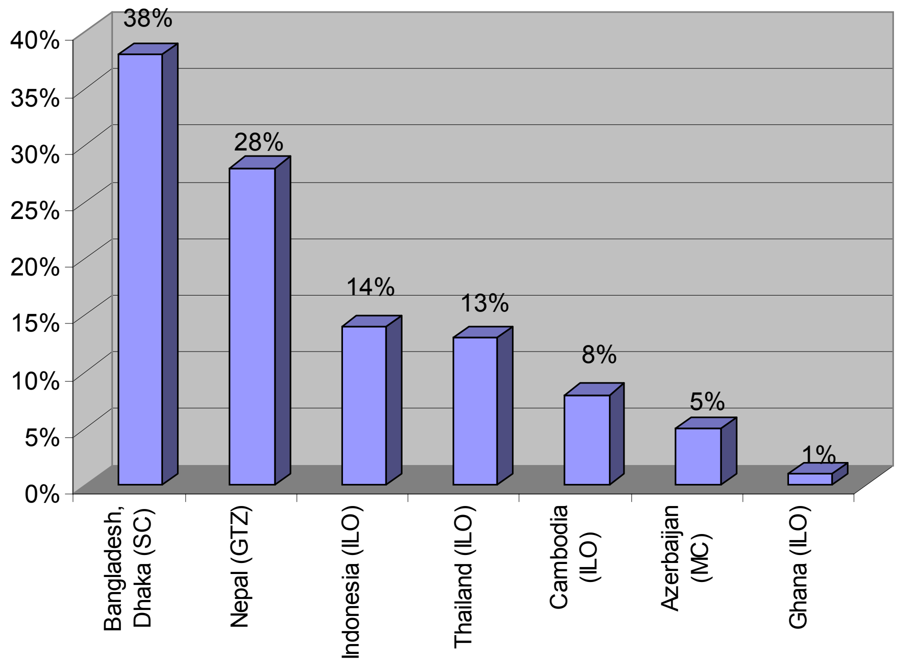
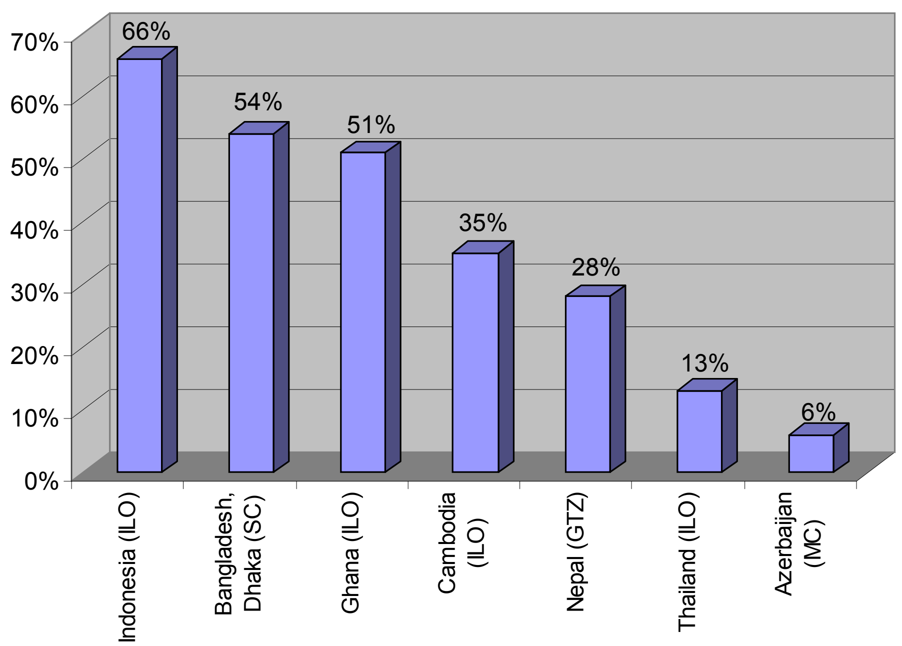


Figure 6: Market Penetration of Telecom Services



Looking across all four services: management training, technical training, advertising and telecommunications, shows that while a country may be weak in one service market, it might not be weak in another. For example, Dhaka has the most developed advertising market of those studied. The Dhaka market for telecommunications and technical training is also relatively well developed when compared to other countries. However, the market for management training is relatively weak compared to other countries. It is possible to have several strong service markets in a country with generally weak markets.

While market penetration is the most basic indicator of market development, it is by no means the only one. Other parameters of market development include:

- SEs' awareness and understanding of services
- SEs' propensity to try services once they understand them
- The quality of services in the market
- The depth of the market in terms of reaching a range of consumer segments and, particularly, typically underserved SEs

These other measures of market development are discussed in the sections below.

III. How can organizations assess the potential for development of a BDS market?

One of the first program design decisions that organizations face is on which BDS markets to focus. It is difficult to determine which services SEs demand most. Market penetration may not be a good indicator of the potential demand because many factors might be suppressing SEs actual purchase of services. For example, there might not be appropriate services for SEs available in many service categories. Merely asking SEs what services they want often leads to a large, un-prioritised list. So, how do organizations determine in which BDS markets to conduct programs? Many of the market assessments conducted have attempted to determine the potential for market expansion of various business services by quantifying the "gap" between potential demand and current purchases. Potential demand has been determined in different ways, such as:

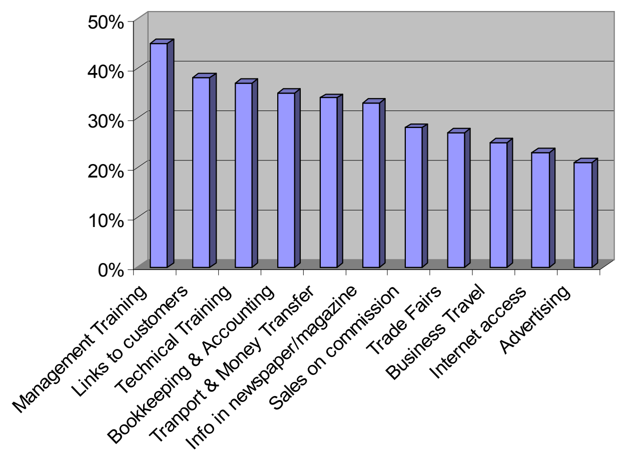
- The percent of SEs who say they would be willing to pay for a service.
- The percent of non-users who say a service is important for the competitiveness of their business.
- The percent of SEs who were made aware of a service through the market assessment survey and say they would now definitely buy it.
- The percent of SEs who said they would definitely or probably buy a service in the future.
- The percent of non-users whose reason for not purchasing the service can be addressed by the program (such as a lack of knowledge about suppliers or the high cost of the service.)

Several examples of this type of analysis are described below.

A. Ghana

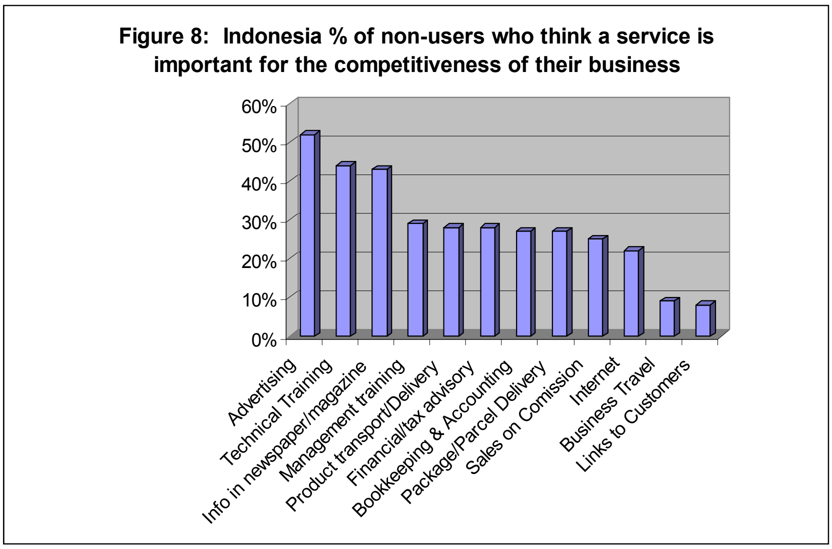
In Ghana, the awareness of many services was quite low. Many SEs were made aware of services through the market survey itself. Once they were aware that the service exists and is available, some SEs said they would purchase it. The study quantified the percent of those SEs previously unaware of each service who said that they would definitely purchase it as a way of measuring potential demand. The results, shown in Figure 7, indicate that there is considerable potential demand for some services, particularly training, marketing assistance, accounting, money transfer and information.

Figure 7: Ghana
% of unaware SEs who said they would definitely buy



There are, however, several limitations to this type of analysis. First, marketing research has shown that consumers stated intention to "definitely" buy yields figures which are higher than those who actually will buy, particularly when no prices are mentioned. Second, this analysis only considers as potential buyers those that were unaware of the service. Those SEs who are aware of the service but are not purchasing it for other reasons are not included in this analysis. Never the less, this is a helpful analysis, particularly for countries with low awareness of services.

B. Indonesia



In Indonesia, awareness of services is reasonably high for most services, but usage is still modest. In order to determine the potential demand for services among the non-users, the survey asked SEs which services they thought were important for the competitiveness of their businesses. As a way of determining potential demand, the study quantified the percent of non-users who said that a service was important for the competitiveness of their business. The results, shown in Figure 8, indicate potential in a wide range of services. Those with the most potential are advertising, technical training and information. The fact that an entrepreneur thinks a service is important to the competitiveness of his/her business is no guarantee that s/he will purchase it. Never the less, when combined with market penetration figures, it does provide a starting point for judging the relative demand for different services.

The study went on to draw a detailed profile of these potential users in order to provide the program with information on what types of SEs to target in each service market. The results for the three services with the most potential are shown in Table 2. Based on this data, the potential market for advertising and technical training seems broadly spread across many market segments. Therefore, these might be services which could reach a significant scale by targeting multiple consumer segments. While print information is also applicable for many market segments, the highlighted data shows that this service might be particularly applicable for typically underserved SEs: women-owned micro enterprises with 1-5 employees in rural areas.

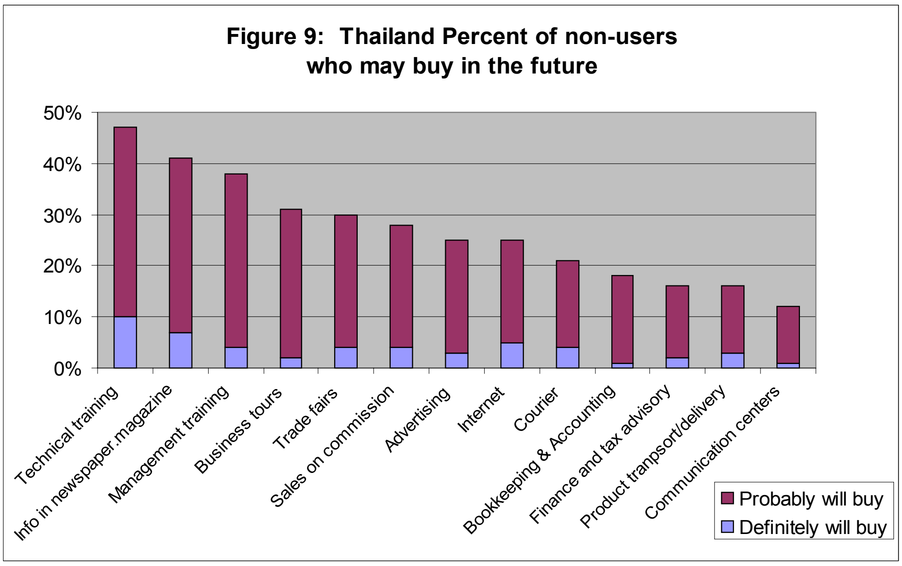
Table 2: Profile of Potential Service Users in Indonesia

	Total Sample	Advertising	Technical Training	Info in Print
Sector				
Manufacturing	31%	34%	33%	34%
Agribusiness	5%	4%	5%	5%
Trading	33%	31%	29%	31%
Services	32%	30%	34%	31%
Size by # of employees				
1-5 employees	37%	34%	36%	41%
6-10 employees	38%	40%	37%	34%
11-15 employees	13%	13%	13%	12%
16-20 employees	12%	13%	13%	13%
Size by turnover				
Below Rp.2.5m	23%	21%	21%	20%
Rp.2.5m - Rp.5m	18%	17%	19%	21%
Rp.5m - Rp.10m	20%	20%	22%	21%
Rp.10m - Rp.20m	16%	16%	19%	18%
Above Rp.20m	21%	24%	17%	18%
Sex of owner				
Male	67%	67%	70%	62%
Female	33%	33%	30%	38%
Geographical location				
City	50%	52%	48%	46%
Rural	50%	48%	52%	54%
Owner's Age				
18-30 years old	22%	24%	23%	22%
30-40 years old	31%	30%	35%	31%
40-50 years old	29%	30%	26%	27%
over 50 years old	18%	16%	16%	20%
Owner's Education				
Primary level	11%	12%	8%	8%
Secondary level	57%	59%	56%	56%
Tertiary level	32%	29%	35%	36%

C. Thailand

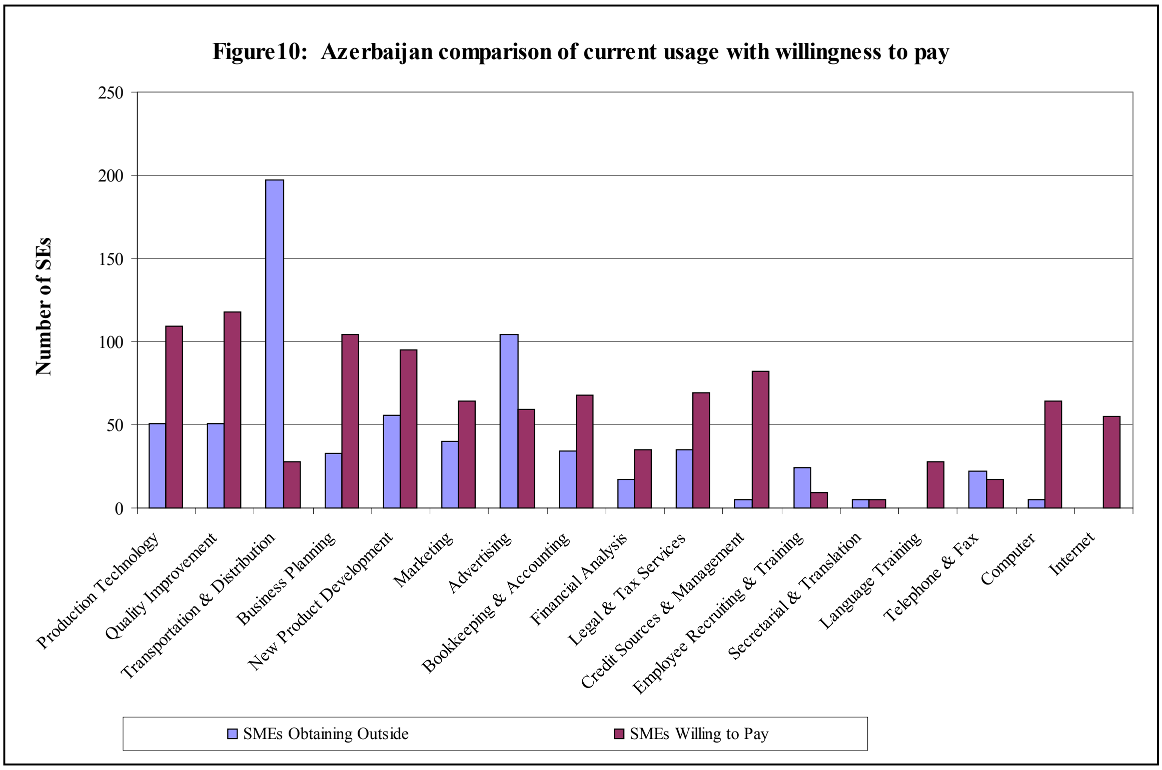
Thailand enjoys relatively high market penetration for a range of services. In order to identify service markets with potential for expansion, SEs who do not use each service were asked if they might purchase it in the future. The results, shown in Figure 9, indicate that there are several service markets in which a program may be able to induce non-users to try services. Based on this analysis, those services with the most potential are technical training, information, internet and management training.

However, the basis for this analysis is somewhat problematic. Marketing research has found that entrepreneurs' stated intention to purchase a product or service only loosely correlates with actual future purchase. However, if taken as a measure of the relative potential of different markets rather than an absolute measure of market potential, this type of analysis may be helpful as input in program design.



D. Azerbaijan

In order to determine the potential for market expansion in Azerbaijan, Mercy Corps compared the current purchase of services with the number of non-purchasers who said that they would be willing to pay for the service. The results are shown in Figure 10. Note that the results are expressed as the number of respondents, not a percent. Those services where a high number of non-purchasers expressed a



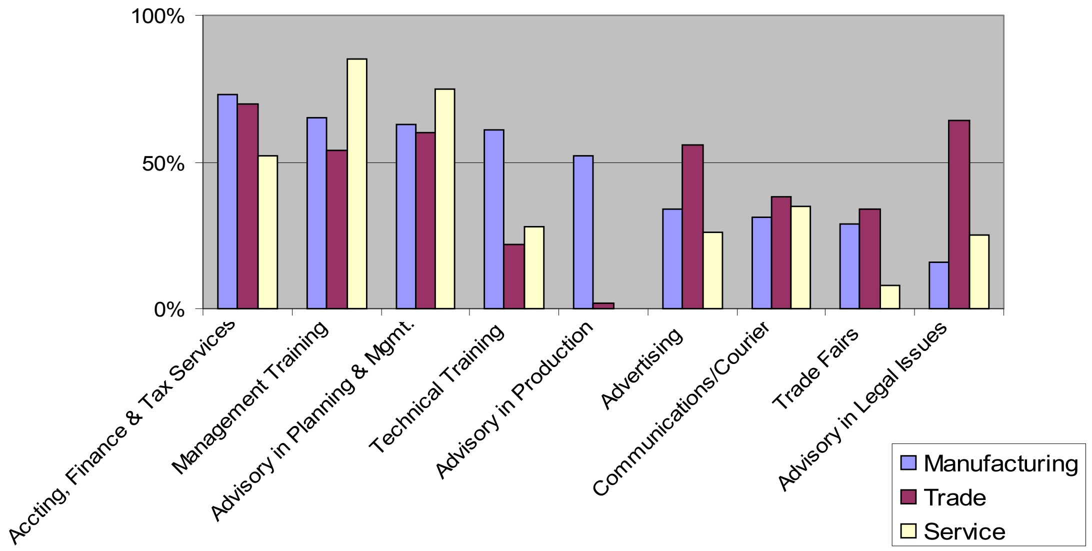
willingness to pay may have potential for market expansion. In particular, production technology services, quality improvement services, business planning services and new product development all show good potential. In addition, those services which already have a relatively high number of purchasers as well as a relatively high number of other SEs willing to pay for the service may be good choices for a program focus. In particular, advertising shows these characteristics.

One limitation of this analysis is that the price of the services was not discussed. However, like other methods, it provides program managers with a starting point for choosing service markets on which to focus.

E. Bangladesh

Like the ILO in Indonesia, Swisscontact in Bangladesh identified not only what services to focus on but also for what consumer groups. The analysis of the potential for market expansion was done in two steps. First the researchers determined the percent of SEs who thought each service was important from those SEs who were aware of the service but had not used it. The results were disaggregated by sector: manufacturing, trade and services. The results for Dhaka only are shown in Figure 11. Those service-segment combinations with over 50% incidence were considered to have good potential for market expansion. The result showed that three services had good potential in all sectors: Accounting, finance and tax services, management training and advisory in planning and management. For the manufacturing sector, technical training and advisory in production also showed potential. For the trade sector, advertising and advisory in legal issues also showed potential.

Figure 11: Percent of aware non-users who think service is important



Then the researchers considered the reasons that SEs stated for not purchasing services. They decided that the following reasons could not be addressed by the program:

- Do not require that function in my business.
- I get it done in-house.
- I got it for free.

They decided that all other reasons for not purchasing services could possibly be addressed by the program. These reasons included:

- It is too expensive to purchase.
- I have yet to face any problems with that function in my business.
- I don't know where to get that service.

Those service/segment combinations out of the above that had at least 30% incidence of "actionable" reasons for non-purchase were considered to have good potential for market expansion. The resulting list was:

Manufacturing:

- Management
- Technical training
- Advisory in planning and management

Trade:

- Management training,
- Advisory in planning and management,
- Advisory in legal issues
- Advertising

Services:

- Management training
- Advisory in planning and management

While this analysis was not the only input into the choice of services, it did provide guidance to the program manager.

Despite the different techniques used to identify unmet demand in each of the studies, it is interesting that several services are shown to have market potential across the five studies above. Those that came up most frequently among the top few services are management training, technical training, information and advertising. Several studies also indicated that services that help in marketing such as links to new customers, sales on commission and new product development also have potential for market expansion. However, there are other services that appear to have strong market potential in one or two countries but perhaps not in others, such as internet and legal advisory.

As these studies were only recently completed, there is no available data yet to establish how helpful these types of analysis are in determining the potential for market expansion. Never the less, they do providing a starting point for managers to make better informed decisions about in what markets their programs can have the most impact. Each analysis has its own limitations. Further experimentation may lead to more sophisticated techniques that consider the potential for market expansion among different groups of SEs: those currently unaware of services, those aware but not purchasing and those that already purchase who might increase their purchases. Experience in program implementation will begin to show what types of problems programs can actually address and, therefore, what is the potential demand for services that a program could help realize.

IV. Are the common preconceptions about BDS markets valid?

For years, BDS programs were designed based on the premise that there were no suppliers serving SEs with business services. Or, if there were any, the services they offered were of such poor quality that it was not worth working with them. The BDS field now knows that this is not true. There are a range of other preconceptions about demand and supply in BDS markets that still form the unspoken basis for many programs. As the field gathers more data on BDS markets, it is increasingly possible to test these preconceptions with empirical information. While the thirteen studies covered in this paper do not provide conclusive evidence, they do offer emerging indications of the validity of common preconceptions about BDS markets. Below some of these preconceptions are examined in the light of the data available.

A. All BDS markets in developing countries are weak.

Is it valid to intervene in any BDS market in developing countries because they are all weak and need outside assistance to develop? The BDS field does not yet have a complete picture of what a "strong" or "weak" market is. Never the less, it is clear from the data on market penetration discussed in Section II that there is a wide range of levels of market development in different countries, for different services and for different consumer groups. It would be hard to call a market with over 50% penetration, such as the SE market for advertising in Bogra, Bangladesh or the SE market for communications centres in Indonesia, weak. Therefore, it is fair to say that not all BDS markets in developing countries are weak. What about the majority of other markets which have a penetration level of less than 30%? It is difficult to judge how weak or strong these markets are until we have benchmarks from those markets considered developed to compare them against. However, the considerable differences among markets show that assessing BDS markets before starting a program is important and can provide information on where programs might have the most impact.

B. There is a mismatch between demand and supply in most BDS markets.

A key rationale for organizations to intervene in markets is that there is a gap between the demand and supply of services. Is this in fact the case? As the analysis in the section above shows, it is difficult to quantify unmet demand for business services. Yet the analysis above shows that when quantified by a variety of different mechanisms, it does appear that there are SEs who are not getting the services they want. There are a variety of reasons for this. Some are unaware that services to address their business problems exist. Some do not like the services available. Some may think the services available are too expensive. These SEs represent unmet demand for business services.

All of the techniques above use the thoughts, perceptions and intentions of the SEs to estimate potential demand. Marketing researchers have found that estimates based on intentions usually overestimate the actual market potential. Therefore, it is likely that the figures above overestimate the number of SEs that may purchase services in the future. However, even if 50% of those SEs classified as potential users in the various analysis above are not, there is still significant unmet demand for many services. This suggests that there is a gap between supply and demand of appropriate services for SEs in many markets.

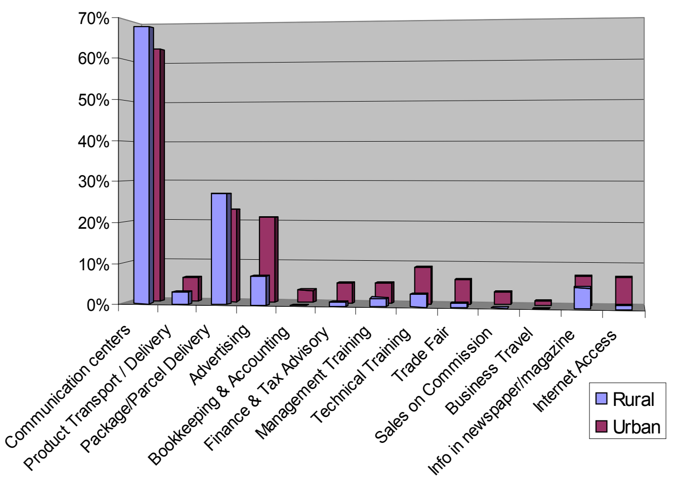
The BDS field must be careful, however, not to assume that all SEs are potential users of any given service. The analysis above also shows that in most, if not all, cases, the potential users of a given service are less than 50% of the current non-users.

C. Rural BDS markets are weaker than their urban counterparts.

It is often stated that providing SEs with access to business services is more difficult in rural areas than in urban areas. Are rural markets less developed than urban markets? Only two studies provided comparative information on urban and rural markets. Both found that urban BDS markets were somewhat stronger than rural BDS markets. Although when individual service markets are considered, this did not hold true in every case. While the case studies are instructive, more data is needed for definite conclusions.

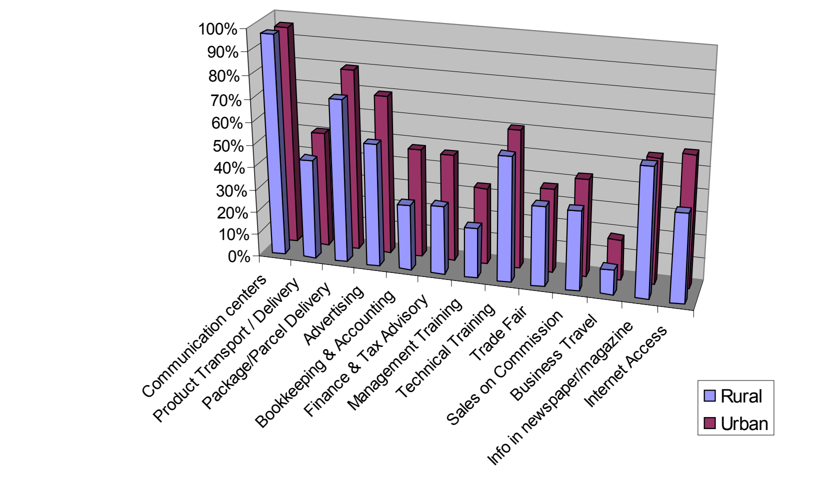
The Azerbaijan study looked at the number of BDS providers found in urban and rural areas. In the two geographic areas of the study where both urban and rural areas were considered on an equal basis, Mercy Corps found that 25-30% of BDS providers were in rural areas. While the result means that the majority of BDS providers found in the study were located in urban areas, it also shows that a significant proportion of providers are in rural areas. The study did find that many providers in rural areas catered to farm businesses by providing production technology (agronomists) or packaging services.

Figure 12: Indonesia Market Penetration by Geography



The ILO's study in Indonesia compared rural and urban BDS markets on a service-by-service basis. The results, shown in Figure 12, indicate that, judged by market penetration, most urban BDS markets are more developed than their rural counterparts. Notable exceptions are the markets for communication centres and package/parcel delivery services. It is possible that these services are needed more by SEs in rural areas because fewer SEs have their own telecommunications equipment and lower population density results in a greater need to send packages. In some markets, such as print information and product transport, the rural market is only slightly less developed than the urban market. While in other markets, such as trade fairs, the rural market is much less developed than the urban market.

Figure 13: Indonesia Full Awareness by Geography



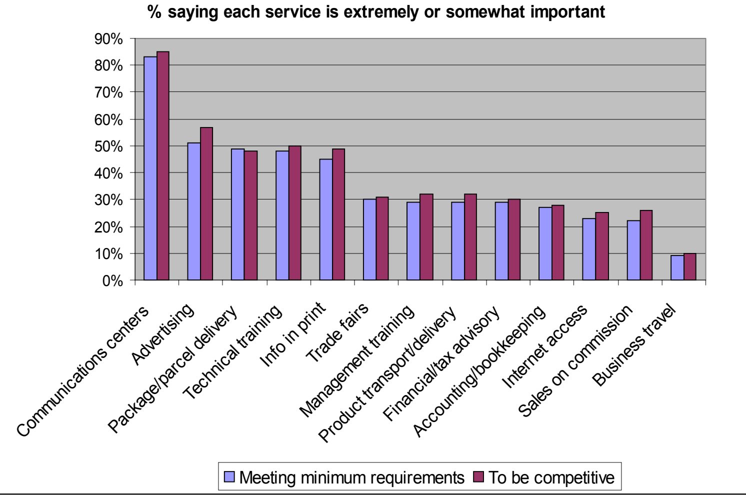
It is likely that there are several reasons why the rural markets in Indonesia are less developed than the urban markets. One of these reasons is that SEs in rural areas generally have a lower awareness level about services than SEs in urban areas. Figure 13 compares SEs' "full awareness" about services in rural and urban areas. "Full awareness" is defined as being aware that a service exists, having some basic knowledge about what the service is and knowing where it can be obtained. The data shows that awareness of many services, such as internet access, management training, bookkeeping and accounting, finance and tax advisory, is much lower in rural areas than urban areas. Building awareness would be one of the first issues to address when developing rural BDS markets in Indonesia.

D. SEs want management training and consulting services.

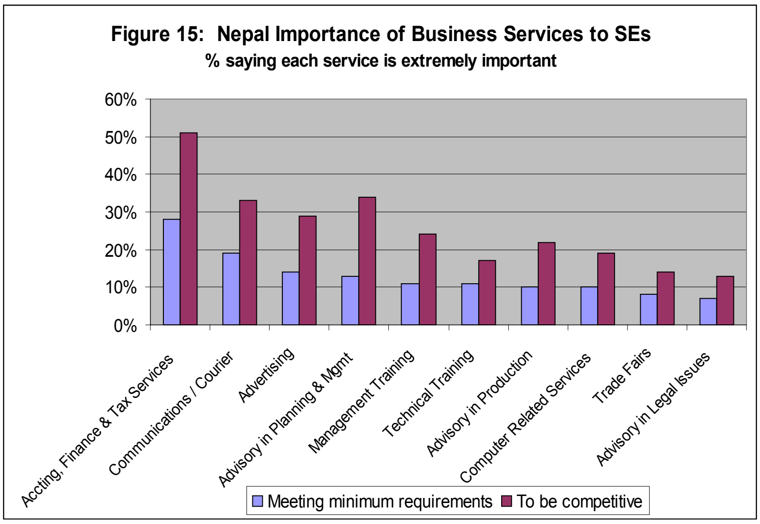
For many years, the services most often sponsored by donors and government agencies were management training and consulting services. These are still commonly the services many organizations first think of when considering what services to promote. Do SEs actually want these services more than others? The evidence from the studies is conflicting.

It is clear from the figures in Section I on market penetration, that SEs are purchasing management training and consulting in much fewer numbers than some other services. In several of the country studies, management training is one of the least purchased services. Advisory in business planning and management is also one of the least purchased services in those country studies that included this as a service category.

Figure 14: Indonesia Importance of Business Services to SEs
% saying each service is extremely or somewhat important



But perhaps there is unmet demand for these services. The various analyses in Section II do consistently point to management training as one service with potential for market expansion. In the Bangladesh study, advisory in business planning and management shows one of the highest market potentials. In the Azerbaijan study, business planning shows considerable market potential.

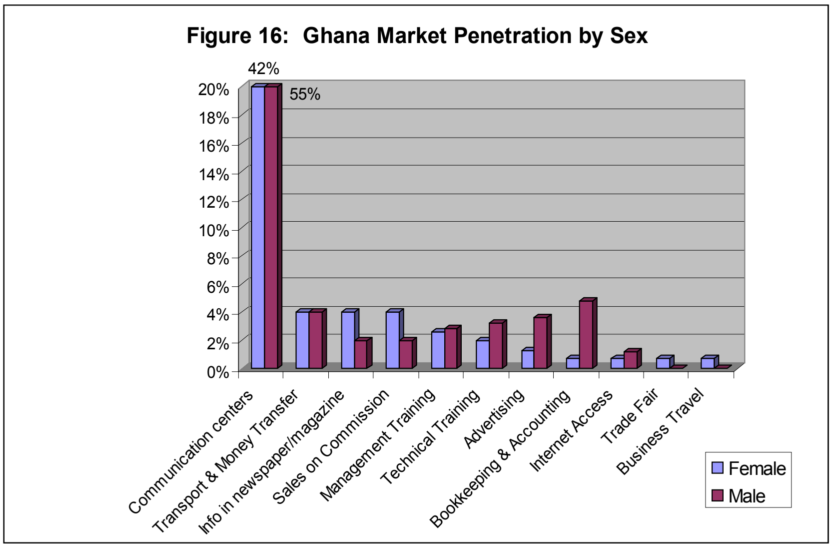


Another measure of the demand for services is how important SEs say the services are to their businesses. Several of the studies asked SEs to rate the importance of each service to meeting the minimum requirements of their businesses and to being competitive. The results for Indonesia and Nepal are shown in Figures 14 and 15. In both of these countries, management training ranked only in the middle of the services studies in terms of importance. In Nepal, advisory in planning and management ranked fourth in terms of service importance.

Taken together, these results appear to indicate that management training and to a lesser extent consulting are services in demand by SEs. However, in many countries there are other services that are in higher demand. Based on these studies, advertising, information and technical training are services that may be in equal or higher demand.

E. Women and microenterprises are the key underserved groups in BDS markets.

Many donors and governments aim to help those SEs who are typically underserved gain access to business services. A common assumption is that those groups who are most underserved and therefore most in need of targeted programs are women and microenterprises. Are these two groups the key underserved populations that the BDS field should target?



Looking first at women-owned enterprises. Figures 16 and 17 show the

Figure 17: Indonesia Market Penetration by Sex

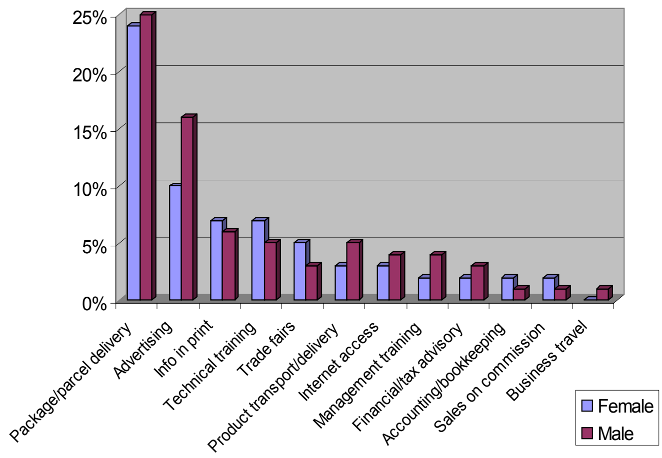
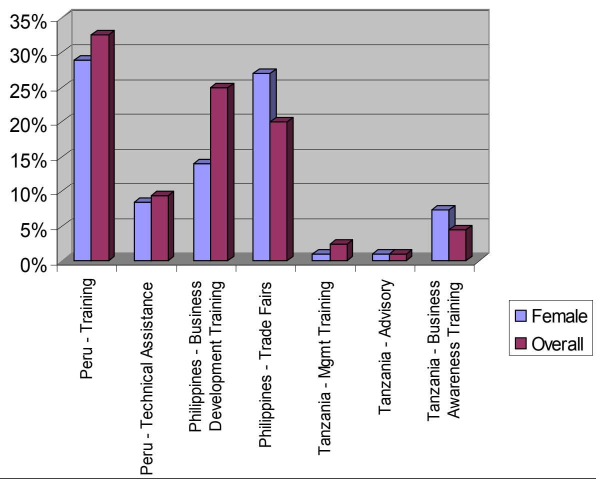


Figure 18: Percent Acquired Service by Sex



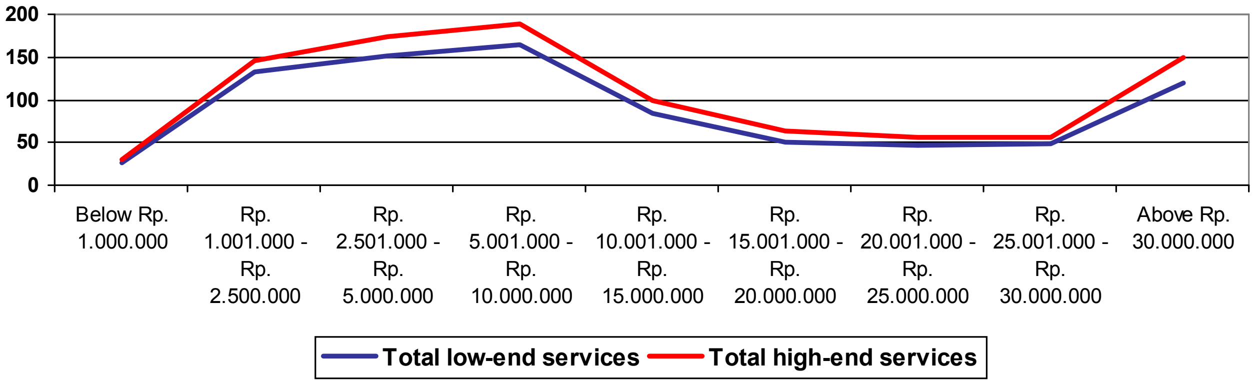
difference between market penetration for women and men in Ghana and Indonesia. Figure 18 shows the difference in the acquisition of services in some other markets around the world. Note that Figure 18 includes free as well as purchased acquisition. These figures show that women are underserved in some markets but not in others. For example, in Ghana women use significantly less communications centre services, advertising and bookkeeping and accounting services. In Indonesia, women use less advertising and management training services. In the Philippines, women use less business development training.

However, in a number of other markets, women use the same or more services than men. For example, in Ghana women use more print information and sales on commission services than men. In Indonesia, women use more print information, technical training and trade fairs than men. In the Philippines as well, women use more trade fairs than men and in Tanzania women use more business awareness training than men. Examining awareness levels shows a similar picture. In both Ghana and Indonesia, awareness levels of women and men are similar with women being significantly less aware in only a few markets.

Although the data above appears to show that women are often not an underserved group, it may be necessary to look deeper before making a final conclusion. Several of the PMF field research organizations found that although women are getting services to the same extent as men, a greater proportion of their usage is free or subsidized services. Further research is necessary to determine if women and men are accessing full-cost services from private providers at similar levels.

What about microenterprises? Figure 19 shows the number of enterprises in the Indonesia survey who have used business services by the size of the enterprise (measured by sales). Low-end services are those that generally have a low unit cost such as communications centres, information and accounting and bookkeeping. High-

Figure 19: Indonesia Usage of Business Services by Size of Business



end services are those that generally have a high unit cost such as training and trade fairs. Figure 19 shows that in this Indonesian market, microenterprises do not use fewer services than larger enterprises.

Figure 20: Thailand Amount of Services Used by Enterprise Size

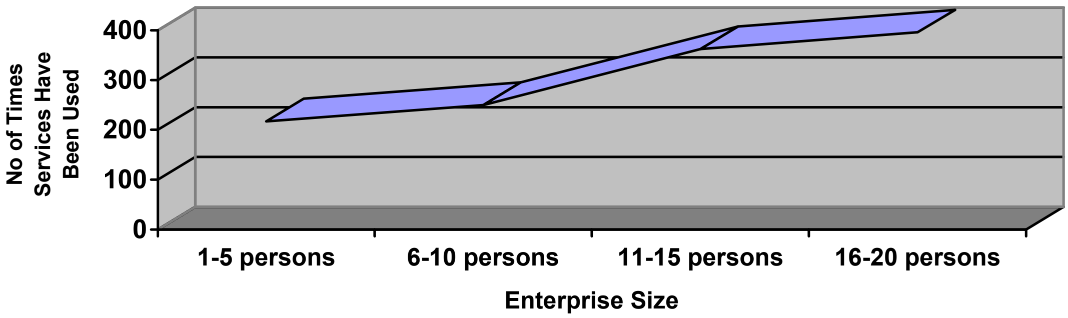
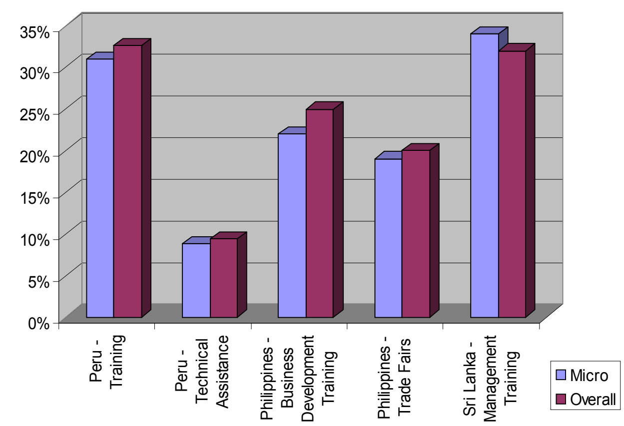


Figure 21: Percent Acquired Service by Enterprises Size



In Thailand, the survey showed that smaller enterprises did use services less than larger enterprises. Figure 20 relates the amount of services used with the size of firm (measured by the number of workers). The graph shows that in Thailand, microenterprises generally use fewer services than small enterprises.

Figure 21 compares the percent of microenterprises that have acquired services with the overall percent of SEs that have acquired services in various markets from different countries. All the markets show similar acquisition levels indicating that microenterprises are not using services to a lesser extent than other SEs. However, as with women-owned enterprises, several PMF field research organizations found that a greater proportion of microenterprises were using free or subsidized services rather than full-cost commercial services.

The data above indicates that the BDS field should be careful in assuming that women and microenterprises are always underserved. However, more depth of research needs to be conducted to explore the issue. It may be more important to compare how women-owned and micro enterprises are getting access to services rather than if they are. For example, do women-owned and micro enterprises use more donor-subsidized services? More embedded and third party paid-for services? Do they purchase services less frequently than other enterprises? Exploring these questions will give the field a more nuanced view of the importance of singling out these groups for program focus and more information on how to target them effectively.

Are there other groups of enterprises that typically are underserved with business services? Many of the studies disaggregated their results by enterprise sector. The results showed that some sectors use services to a greater extent than others. For example, in Peru, Swisscontact found that a higher proportion of manufacturing enterprises were both aware of and had used training services as compared to service enterprises. Those enterprises in trade had even lower awareness and usage of services. The survey in Nepal found that spending on business services was dominated by the manufacturing sector. This suggests that the trading sector and to a lesser extent the service sector may be underserved in these countries.

However, manufacturers are not always the largest share of BDS consumers. In Thailand, spending is dominated by the trading sector (Figure 22). When the services are considered individually, it is not clear that any particular sector is underserved (Figure 23). Market penetration for the agro-processing sector is low for a number of services, such as finance and tax advisory, bookkeeping and accounting and advertising. But agro-processors use other services, such as technical training and print information, in the highest proportion.

Figure 22: Thailand Spending on BDS by Sector

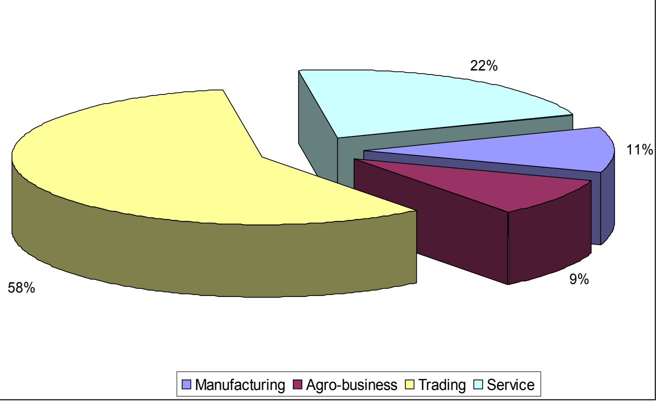


Figure 23: Thailand Market Penetration by Sector

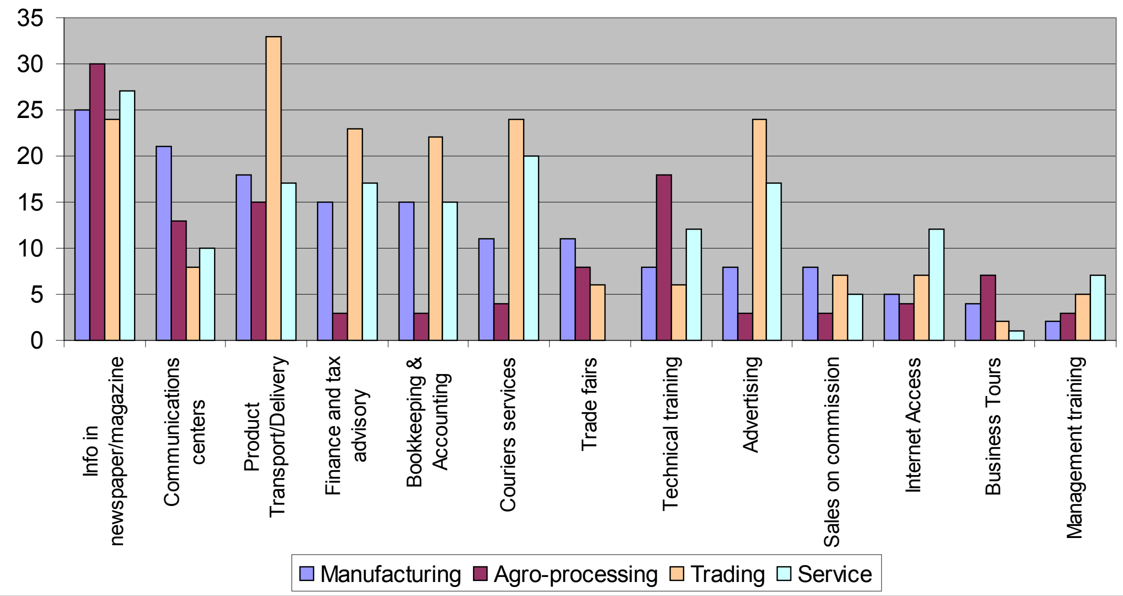
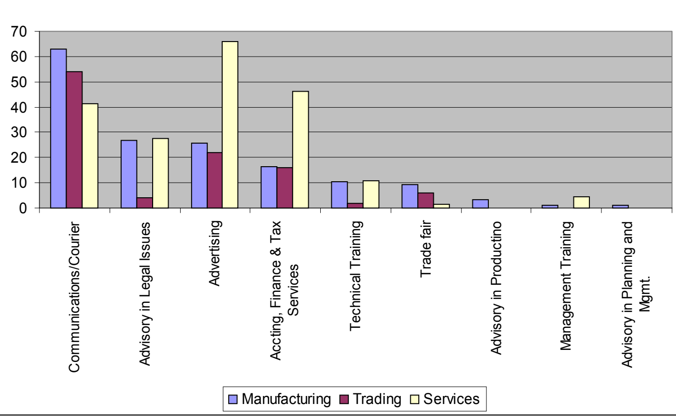


Figure 24: Bangladesh Market Penetration by Sector



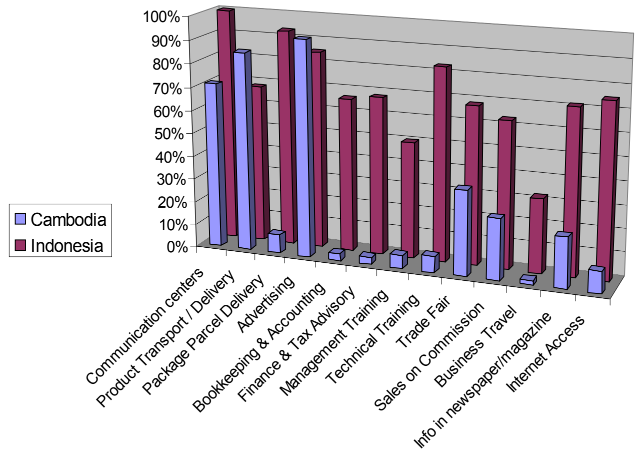
In Bangladesh, it appears that traders are often underserved. (Figure 24) For a number of services, such as advisory in legal issues, technical training and management training, the trading sector has lower market penetration than other sectors.

More research may show that some sectors are generally underserved for particular services in most countries. The implication for program managers is that it is important to assess the market before assuming any particular group is underserved. A market assessment can provide information on which types of enterprises tend purchase a particular service and which do not. Whether a program manager chooses to promote services for those that are already purchasing or to target those sectors with less penetration, the information is useful for program design.

F. Most SEs are not even aware of many BDS.

In the past, many programs have assumed that most SEs are not aware that many business services exist. This assumed lack of awareness was attributed both to a lack of suppliers as well as the focus of SEs on day-to-day business survival rather than business development. Are SEs generally aware of business services? Or do programs usually need to conduct awareness raising activities as one component of market development?

Figure 25: Cambodia - Indonesia Comparison of Awareness



The studies show that awareness of business services varies widely among countries. In some countries, such as Thailand and Indonesia awareness is generally high. In other countries, such as Ghana and Cambodia, awareness is low for many services. To illustrate, Figure 25 compares the awareness of services in Cambodia and Indonesia.

For program managers, this means that awareness-raising activities are essential in some countries but not others. When disaggregated by sex, geographical location and sector, awareness is often much higher among some consumer groups than others. When designing and targeting awareness raising activities, it is important to have a clear idea about which groups lack awareness.

G. BDS markets for SEs are characterized by low-quality services.

In the past, the rationale that many programs used for starting new BDS providers was that any existing services were of very poor quality. It is difficult to make an objective assessment of the quality of services. Therefore, one method now common is to use SEs' own assessment of service quality. There are two ways this is currently being measured: SEs' stated satisfaction with services and SEs' repeat purchase of services. Because of cultural differences, satisfaction may not be comparable across countries. Based on the recent PMF field research, repeat usage or "retention" does, however, appear to be comparable across countries. Retention relies on the assumption that if an SE is satisfied with a service s/he will purchase it again. While this may not be true for a few service categories, it appears to be applicable for many service categories.

Figure 26: Thailand Service Retention Rates

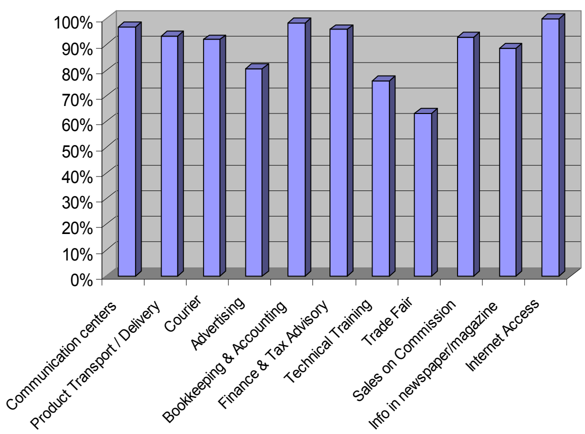


Figure 27: Service Retention Rates in Various Markets

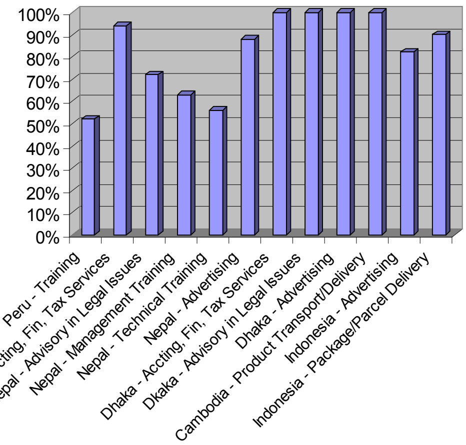


Figure 26 shows the retention rates for a variety of services in Thailand. Figure 27 shows the retention rates for various other service markets in different countries. The diagrams show that retention is high almost across all services. Training and trade fairs are the only services that show somewhat lower retention. This appears to indicate that SEs are, on the whole, happy enough with the BDS they purchase to purchase them again. However, in order to get statistically significant figures, retention has only been calculated for those services that enjoy reasonably high usage. Therefore, the sample of services shown is biased towards those services that SEs use more than others. Additional research is needed on those services that SEs use less. Despite the bias, the data seems to indicate that many services are of reasonable quality in the eyes of the SE customers. For program managers, this means that it may often be worth working with existing suppliers of services, rather starting new suppliers.

H. The main reason SEs do not purchase services is the price.

In the past, many programs assumed that the main reason that SEs did not use business services was the price. The assumption was that if payment were removed by offering free services, SEs would automatically line up to use the service. Program experience has shown that this is not the case and “recruiting participants” has become a major activity of many programs offering free services. Is price in fact a key deterrent to purchasing services? What are the other factors inhibiting purchase?

Many of the studies asked non-purchasers why they had not purchased various business services. In general, the most often cited reason is that they do not need the service or the service is not relevant to their businesses. For example, in the Ghana survey, this reason was sited most often for ten out of fourteen services. This may result from a combination of two factors. First, many business services may, in fact, be irrelevant to some SEs. Second, some SEs may not understand how a particular business service could be helpful to them.

There are a variety of factors that inhibit purchase of services:

- Expense is an important factor in some markets. For example, in Ghana the most often sited reason for not purchasing information in print, bookkeeping and accounting services, technical training and trade fairs was expense.
- Time can also be a factor. In the Philippines survey, 33% of non-users stated a lack of time as the key reason that they did not purchase training services. In the Thailand survey, the most often sited reason for not using information either in print or through radio and television is that it is too time consuming.

This may show that appropriate information services which provide important or tailored information in small, easy to use quantities is not available.

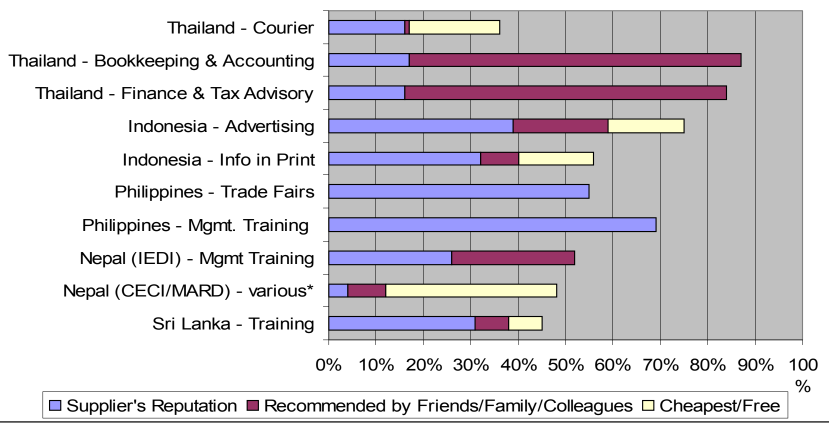
- Lack of information is an important constraint in some markets. For example, in Peru, 28% of SEs stated that they did not use technical assistance services because they did not know any providers.

The implication for program managers is that it is important to find out the key reasons why SEs do not purchase services in a particular market in order to target those reasons with program activities. While it would be foolhardy to ignore price as an important issue in SEs' decisions to purchase services, it is not the only factor or often even the key issues in SEs' purchase decisions. It is also important to realize that not every SE needs or wants the particular service a program is promoting. Identifying appropriate segments to target will increase the effectiveness of programs in expanding the use of BDS.

I. SEs' main criterion for their choice of service provider is price.

Once an SE has decided to purchase a service, is price an important factor in choosing a provider? The studies show that price is rarely the key criterion in an SEs' choice of service provider. Rather, the factors driving BDS markets tend to be quality characteristics such as providers' reputation, recommendations from others and the types of services available. Figure 28 compares three reasons for choosing a supplier: the supplier's reputation, recommendations from friends, family or colleagues and price. The data shows that price is almost always stated less often than other reasons.

Figure 28: Key Reasons for Choice of Supplier



* CECI/MARD aggregated their answers for three services: training, marketing and veterinary services.

Several other factors play an important role in some markets. Satisfaction with previous use of the service is often important. For example, 27% of SEs who use trade fairs in the Philippines survey and 11% of SEs who use management training services in IEDI's survey in Nepal stated this as the most important reason for their choice of supplier. Interestingly, advertising is also important in some markets. For example, 29% of SEs who use advertising services in the Indonesia survey and 7% of SEs who use training services in the Sri Lanka survey stated a convincing advertisement as the most important reason for their choice of supplier. In some cases, a lack of choice drives the market. For example, only one choice of service provider is a key factor in many markets in Thailand, including communications centres, technical training, courier and trade fairs.

Does this mean that free services offered by donors and government are not distorting the markets for BDS? Not necessarily. When non-purchasers were asked their reasons for not purchasing various services, often the fact that free services are available is a factor, if not a major one. For example, in Nepal, a country with a long history of donor and government involvement in training services, IEDI found that 31% of non-purchasers stated being able to get management training for free as a key factor in their choice not to purchase it. Similarly, SEEDS found in Sri Lanka that 43% of non-purchasers stated this as a key reason for not purchasing training services. It appears that once an SE decides to pay for a service, price is usually not the key factor in choosing a supplier. However, if free services are available, they do depress the demand for paid services.

What are the implications for program managers? While prices in the market are clearly not irrelevant, product offers, suppliers' reputations and the quality of services are the more important factors in developing vibrant markets. Unfortunately, efforts to develop private-sector markets for BDS can be undermined by programs offering free services. A legacy of free services, such as those in training markets, may affect SEs' willingness to purchase services.

J. Information about BDS flows to SEs almost exclusively by word of mouth.

Convincing SEs to try services is an important part of building BDS markets. What channels are appropriate for convincing them? The common perception is that information about BDS flows to SEs largely by word of mouth. This perception is generally supported by the studies. In most BDS markets, SEs' key sources of information about business services are friends, family, colleagues and businesses associates. Personal contacts by suppliers themselves are also an important source of information in some markets. For example, in Thailand 48% of SEs who have used management training in the last two years were contacted directly by the provider.

Does this mean that other sources of information are unimportant? Not always. Business associations are a source of information in some markets. For example, 57% of customers in the Philippines survey and 14% of customers in IEDI's Nepal survey got information about management training from a business association. Mass media and advertisements provide information in some markets. For example, 22% of courier users in the Thailand study got information from an advertisement. In Peru, where there is a large voucher program in place, 48% of users in the survey got information about training services from newspapers, magazines, radio, TV and pamphlets. Generally, the more developed the market, the more mass media and advertisements play a role in providing information to SEs about services.

What are the implications for program managers? In order to reach SEs with information about BDS, it is important to use word of mouth. For example, programs can help suppliers develop sales forces that work on commission or referral systems where current customers get a bonus for brining in new customers. But promoting other sources of information can be useful in some markets. Where business associations are important, they can play a useful role in providing information to SEs. Mass media is most relevant in more developed markets. However, the Peru program may indicate that using media to provide information to SEs is a way of developing the market both by getting information to SEs and by promoting diverse mechanisms for information provision.

V. What are similarities and differences in BDS markets?

Are BDS markets very different? Or are there common issues that run across many BDS markets in developing countries? Identifying similarities and differences in the strengths and weaknesses of BDS markets may begin to help the BDS field develop profiles of various markets. This will help practitioners determine when a strategy that has been successfully implemented in one country is applicable in another country and when it is not.

Four important challenges in developing BDS markets are:

- Making SEs aware of services. This can involve direct awareness-raising activities or working with suppliers to improve their marketing.
- Helping SEs understand services. As above, this can involve interventions on both the demand and supply sides.
- Persuading SEs to try services. This means helping suppliers both to offer products that SEs want and find ways to get SEs to try services for the first time.
- Ensuring that SEs continue to use services. This involves helping suppliers learn to satisfy SEs so that they come back for more services.

Not all of these issues are present in every BDS market. In some markets, the primary problem is lack of awareness. In others, the primary problem is getting SEs to try a service. Market assessment data can help pinpoint which of these issues exist and their relative severity. This information can help a program manager target program activities to address the key problems in a market. There are four ratios in use by the private sector to pinpoint these market issues. They are described in Table 3 below.

Table 3: Key Market Issues

Ratio Name	Definition	Question the Ratio Addresses	Possible Market Weaknesses
Awareness	The percent of SEs aware of a service out of all SEs.	What proportion of SEs know a particular service exists?	▪ Suppliers are not adequately marketing their products. ▪ SEs are not interested enough to seek information on services.
Understanding	The percent of SEs who can correctly define a service out of all those who are aware of it.	Even if SEs are aware of the service, do they understand what it is?	▪ Suppliers' marketing does not convey the meaning and benefits of services. ▪ SEs do not see value in seeking information about services.
Reach	The percent of SEs who have tried a service out of all those who understand it.	Even if SEs understand a service, do they try it?	▪ Suppliers are not offering products that SEs want. ▪ Suppliers do not have adequate marketing to induce trial. ▪ SEs are too risk averse to try services.
Retention	The percent of SEs who have used a service more than once out of those who have ever used it.	Once SEs have tried a service, do they come back for more?	▪ Products in the market are poor quality. ▪ There is not sufficient range of products in the market to encourage repeat sales.

A. Market Issues Across Services and Countries

Are BDS markets similar with respect to these four issues? Table 4 shows the awareness, understanding, reach and retention for a variety of services in Thailand. Note that data that is not statistically significant has been omitted. The chart shows that almost all the markets have a common problem: low reach. This means that SEs are reluctant to try services. While it can be expected that reach is lower than the other ratios, the levels here indicate that increasing trial among SEs is a market development priority. This may mean helping suppliers to offer products more appropriate to SEs as well as offer inducements for first time users.

Table 4: Market Issues in Thailand

Service	Awareness	Understanding	Reach	Retention
Communication centres	64%	75%	26%	97%
Product Transport / Delivery	82%	84%	30%	93%
Courier	89%	88%	19%	92%
Advertising	84%	74%	22%	81%
Bookkeeping & Accounting	71%	71%	28%	99%
Finance & Tax Advisory	69%	69%	31%	96%
Management Training	43%	55%	18%	*
Technical Training	64%	69%	25%	76%
Trade Fair	74%	68%	12%	63%
Sales on Commission	51%	47%	24%	93%
Business Travel	44%	50%	14%	*
Info in newspaper/magazine	75%	76%	46%	89%
Internet Access	59%	55%	22%	100%

Note: Awareness = Aware / Total
Understanding = Understand / Aware
Reach = Use / Understand
Retention = Repeat Use / Use

The table also shows that most BDS markets have a common strength: good retention. For most services, SEs that try the service once keep using it. This is likely to indicate that suppliers are providing good quality services. There are notable exceptions. Retention for trade fairs is only 63%, meaning that over a third of SEs who tried exhibiting at a trade fair did not find it useful enough to do again in the short term. The relatively low retention rate for technical training may indicate that there is not a sufficient range of services to encourage repeat purchase. Because the survey only looked at the last two years, the low retention rate for these two services may also be partly due to the infrequency with which trade fair and technical training services are generally used.

While in general, awareness and understanding are not key problems in BDS markets in Thailand, it would be important to address these issues in a few markets. For example, developing the market for business tours would require a focus on increasing awareness and understanding of this service. The markets for sales on commission and management training would also benefit from efforts to increase awareness and understanding.

Is this same pattern of issues repeated in markets in other countries? Tables 5-8 show the awareness, understanding, reach and retention for various services from four of the other country studies. Data that is not statistically significant has been omitted. The tables show that low reach is a common problem across most BDS markets. Therefore, developing ways to improve product offers and promote effective trial inducing marketing strategies are key challenges for the BDS field. To help with that challenge, it would be useful to study more closely those markets that have a relatively high trial rate. For example, the markets for sales on commission in Cambodia and advertising in Nepal both show unusually high reach rates. Learning why SEs are willing to try these services and identifying the mechanism used to persuade them may help BDS practitioners improve reach in other markets.

The tables also show that, apart from this key similarity, BDS markets are quite different across countries. For example, in Cambodia, the priority for a program in most markets must be increasing awareness of services. For seven out of thirteen services, awareness is below 10%. Even in the market for communications centres, awareness is far below that of other countries. The exceptions are the markets for product transport and advertising. The low awareness may also reflect a lack of suppliers. If this is the case, a program needs to work simultaneously on increasing awareness and increasing supply.

In Ghana, programs need to focus on both awareness and trial. Although much higher than in Cambodia, awareness in Ghana is still below 50% for many services. Raising basic awareness is a bigger issue than increasing understanding. The data shows that most of the SEs who are aware of a service also understand what it is. Additional data is needed to fully understand the reasons for the low trial rates. Is it because there are only a few suppliers? Is it because products are not appropriate for SEs? Is it because SEs are very risk-averse to trying services? Once the problem has been pinpointed, a program can address the key issues.

In Nepal and Indonesia, basic awareness is rarely a problem. This indicates that there are suppliers in the market and that information about the existence of services is flowing to SEs. In Indonesia, understanding of services is also relatively high. However, reach for most services is still low. Interviews or focus group discussions with potential users might uncover the key reasons why SEs are reluctant to try services. For example, perhaps suppliers are not conveniently located or do not offer low-priced introductory services. Because use is too low for many services to determine retention rates, it is not possible to assess product quality using this data. It is important to learn if low product quality, which SEs learn about through word of mouth, is contributing to the low reach.

In Nepal, all the ratios tend to be higher. It is likely that this is at least partly due to the inclusion of larger enterprises in the sample. Unlike the other country studies, a key market problem in Nepal is a lack of understanding. For example, more than half of the entrepreneurs who are aware of technical training services do not really understand what they are and what they offer. Therefore, in Nepal, it is important for a program to improve suppliers' abilities to effectively communicate with potential buyers about their services. The training markets in Nepal also suffer from low retention. When interviewed, suppliers in Nepal thought that this was due to the prevalence of generic training courses, often sponsored by donors, which did not address the key concerns of enterprises. Enterprises are generally not very satisfied with these training courses and so do not try other courses.

Table 5: Market Issues in Indonesia

Service	Awareness	Understanding	Reach	Retention
Communication centres	100%	98%	67%	95%
Product Transport / Delivery	68%	81%	7%	88%
Package/Parcel Delivery	93%	88%	30%	90%
Advertising	85%	86%	19%	82%
Bookkeeping & Accounting	66%	76%	2%	*
Finance & Tax Advisory	68%	75%	6%	*
Management Training	50%	78%	8%	*
Technical Training	83%	84%	9%	*
Trade Fair	68%	72%	8%	*
Sales on Commission	63%	78%	2%	*
Business Travel	32%	66%	0%	*
Info in newspaper/magazine	71%	86%	10%	*
Internet Access	75%	75%	7%	*

Table 6: Market Issues in Nepal

Service	Awareness	Understanding	Reach	Retention
Communications/Courier	98%	75%	56%	96%
Advertising	100%	75%	58%	88%
Accting, Finance & Tax Services	99%	69%	47%	94%
Advisory in Legal Issues	94%	61%	25%	72%
Management Training	88%	60%	28%	63%
Technical Training	82%	47%	23%	56%
Advisory in Planning & Mgmt.	94%	54%	13%	*
Advisory in Production	81%	45%	15%	*
Trade Fair	96%	58%	27%	*
Computer Related Services	79%	58%	35%	*

Table 7: Market Issues in Ghana

Service	Awareness	Understanding	Reach	Retention
Communication centres	98%	92%	56%	76%
Transport & Money Transfer	72%	82%	3%	*
Advertising	86%	78%	2%	*
Bookkeeping & Accounting	40%	71%	8%	*
Management Training	38%	65%	10%	*
Technical Training	40%	68%	2%	*
Trade Fair	46%	68%	1%	*
Sales on Commission	30%	70%	11%	*
Business Travel	18%	66%	2%	*
Info in newspaper/magazine	42%	77%	8%	*
Internet Access	39%	51%	5%	*

Table 8: Market Issues in Cambodia

Service	Awareness	Understanding	Reach	Retention
Communication centres	71%	88%	56%	100%
Product Transport / Delivery	86%	85%	83%	100%
Package Parcel Delivery	8%	*	*	*
Advertising	93%	82%	10%	*
Bookkeeping & Accounting	3%	*	*	*
Finance & Tax Advisory	3%	*	*	-
Management Training	6%	*	*	*
Technical Training	7%	*	*	*
Trade Fair	37%	56%	5%	*
Sales on Commission	26%	76%	30%	*
Business Travel	2%	*	*	*
Info in newspaper/magazine	22%	58%	0%	*
Internet Access	9%	*	*	*

When developing a program in a particular country, it is also important to look at these market issues for particular consumer groups. This analysis helps identify priority market issues for particular groups of SEs. For example, in Nepal, GTZ found that the lack of understanding of services was particularly acute among smaller enterprises. In countries where awareness of services is generally not a problem, it still may be a problem for specific consumer groups. For example, in Indonesia awareness among traders about some services such as management training, advertising and business tours, is less than among other sectors. Awareness about internet services is low among agribusinesses. Awareness about finance and accounting services as well as advertising is lower among women than men.

B. Market Issues for the Same Service Across Countries

As with market penetration, it would be useful to BDS practitioners to have benchmarks or ranges per service for these ratios in order to judge the levels in their particular markets. Looking at the same service across countries can also show if the markets for a particular service in different countries have similar weaknesses.

Table 9 compares awareness, understanding, reach and retention for technical training services in different countries. This chart shows few similarities among countries for technical training markets. While reach is the key problem across countries, it varies from 2-25%. Awareness is a key problem in Ghana and Cambodia. In Nepal, the key problem is understanding.

Table 9: Issues in Technical Training Markets

Market	Awareness	Understanding	Reach	Retention
Indonesia (ILO)	83%	84%	9%	*
Nepal (GTZ)	82%	47%	23%	56%
Thailand (ILO)	64%	69%	25%	76%
Sri Lanka (SEEDS)**	60%		25%	*
Ghana (ILO)	40%	68%	2%	*
Cambodia (ILO)	7%	*	*	*

** Understanding was not calculated. Reach is use / aware.

Table 10 compares awareness, understanding, reach and retention for advertising markets in five countries. For these markets, there are clear similarities. Awareness varies from 85-100%. The rates of understanding are similar, ranging from 74-86%. While only available for three countries, the retention rates are similar, ranging from 81-88%. However, the reach rates vary widely from 2% in Ghana to 58% in Nepal. While the high reach rate in Nepal rounds out a relatively effective market, the low reach rate in Ghana results in a few users despite the strengths in other areas of this market.

Table 10: Issues in Advertising Markets

Market	Awareness	Understanding	Reach	Retention
Nepal (GTZ)	100%	75%	58%	88%
Cambodia (ILO)	93%	82%	10%	*
Ghana (ILO)	86%	78%	2%	*
Indonesia (ILO)	85%	86%	19%	82%
Thailand (ILO)	84%	74%	22%	81%

Taken together, these tables show that even for the same service, markets may be different across countries. A program strategy that effectively develops a market in one country may not be appropriate for the same service market in another country. Instead, a more detailed profile of a market must be drawn before it can be determined if a strategy that is effective in one country is appropriate for another.

C. Categorizing BDS Markets

When designing a program, it is helpful to know not just if a market is weak or strong but also if demand is weak or strong and if supply is weak or strong. Being able to categorize the market both by demand and supply can help with program design. For example, in a market with strong supply but weak demand, a voucher program is appropriate to help persuade SEs to try the service. But in a market with weak supply and strong demand, technical assistance to suppliers, product development and/or efforts to help start up suppliers are appropriate to increase and improve available product offers. Table 4 provides some suggestions for the types of interventions that might be appropriate in the four different types of markets: strong demand and strong supply, strong demand and weak supply, weak demand and strong supply and weak demand and weak supply.

Table 11: Interventions in Different Types of Markets

Supply / Demand	**Strong**	**Weak**
Strong	▪ No intervention	▪ Technical assistance to suppliers ▪ Product development ▪ Help start new suppliers ▪ Promote supplier franchising
Weak	▪ Voucher program ▪ Provision of information to consumers ▪ Promote "third-party paid-for" services ▪ Promote trial inducing marketing (e.g. coupons, one free trial, demonstrations) ▪ Promote customer referral marketing	▪ Multiple interventions on both demand and supply side ▪ Promote embedded services

In the sense used here, "weak" demand means that only a few SEs are currently ready to purchase service. The reasons why many SEs are not ready to purchase services may be different in different markets. For example, SEs may not be aware of services, may not think the services are important or may not have information about suppliers. "Weak" demand may be the result of a few or many factors. When analysing why demand is "weak," it is important to determine what aspects of demand a program can address, such as lack of information, and what aspects a program can not address such as many SEs do not want the service or find it irrelevant to their businesses. Markets can work when only a few SEs want the service; they can become niche markets served by a few suppliers. However, in order to achieve outreach, many programs may want to focus on markets with higher demand – where SEs may want the service—but demand is weak due to other factors such as lack of information or difficulty paying up front.

In the sense used here, "weak" supply means that supply is not responding to demand. Again, this may be for a variety of reasons. There may not be enough suppliers. Suppliers may not be offering products that SEs want. Suppliers may not be marketing their products effectively or may not be running their businesses well. As with demand, it is important for a program to pinpoint why supply is weak before designing a program.

Market assessment data can provide the information for categorizing market demand and supply as strong or weak. When determining the level of demand and supply, the more assessment information available the better. The most accurate categorization will result from a market assessment that includes both quantitative and qualitative consumer research as well as supplier interviews or other research targeted at the supply side. However, it is possible to roughly categorize markets based solely on quantitative consumer research. Figure 29 plots the markets in Indonesia on a demand and supply grid. Market penetration for each service is provided for reference.

The level of demand relies on the following three variables:

- SEs' awareness of services
- SEs' assessment of how important each service is for their business to be competitive
- The percent of non-users whose reasons for not purchasing the service are potentially "actionable" by a program (i.e. responses other than "Do not feel the need" and other "non-actionable" responses)

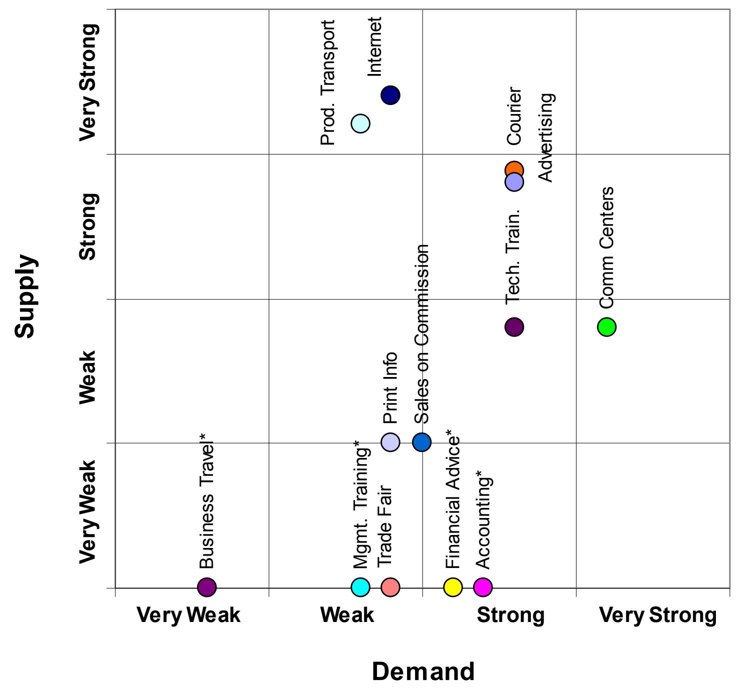
The level of supply relies on the following three variables:

- Each service's retention rate (the percent of SEs that use a service more than once out of those that use it once)
- SEs' stated satisfaction level with services
- The percent of SE users that said they choose their supplier because it was the only one they knew; this is a negative point because it shows a lack of choice and a lack of competition among supplies

Based on these variables, a rating was calculated for demand and supply in each market.

The graph illustrates a characterization of each market in terms of the level of demand and supply. It shows, for example, that there is strong demand for technical training but somewhat weak supply. Therefore, this market could benefit from interventions such as product development and technical assistance to suppliers. While the supply of internet access services is very strong, demand at the time of the survey was somewhat weak. Therefore, this market could benefit from interventions to stimulate demand such as demonstrations, coupons and free trial offers.

Figure 29: Indonesia Categorizing BDS Markets



Market Penetration

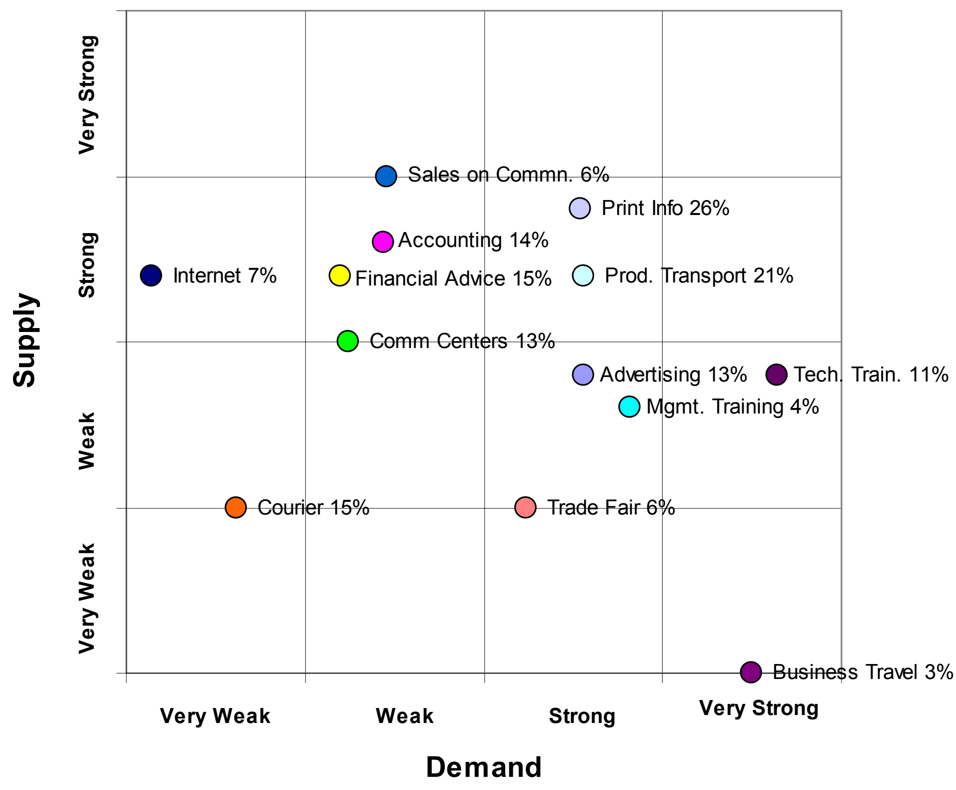
Comm Centers	66%
Courier	25%
Advertising	14%
Tech Training	6%
Accounting	1%
Finance Advice	3%
Sales on Commission	1%
Internet Access	4%
Print Info	6%
Trade Fair	4%
Product Transport	4%
Mgmt Training	3%
Business Travel	0%

* Data on supply is not statistically significant and therefore, these markets have not been given a supply rating.

Conducting this analysis on individual consumer segments adds additional useful information. For example, communications centres are mainly useful to smaller enterprises that lack their own telecommunications equipment and to traders who are frequently away from their place of business. These consumer groups ranked the importance of communications centres as higher than other consumer segments. If demand were examined only for these consumer segments, the demand rating would increase. Trade fairs are demanded more by small enterprises than micro enterprises. Both the awareness and the importance ratings for small enterprises are higher than micro enterprises. If only this consumer group is considered, the demand rating is in the strong category. Women entrepreneurs think that information in newspapers and magazines is more important than men entrepreneurs do. If only women were considered, the demand rating for print information would be higher. This kind of analysis can help a program choose services that are appealing to specific groups as well as to target program activities toward those consumers groups where demand is strongest.

Are the same services usually in the same category in different countries? Figure 30 categorizes the markets in Thailand by demand and supply. Market penetration is provided for reference. While the ratings for demand and supply are based on the same variables as those for Indonesia, the two graphs are not completely comparable in an absolute sense. Slight adjustments were made in the calculation methods to account for different ways the data was gathered in the two countries and cultural differences in the way respondents answered questions. In addition, the ratings were considered in relation to one another only within each country. Therefore, the categorization is based on the context of BDS markets in each country.

Figure 30: Thailand Categorizing BDS Markets



The two graphs show that most service markets are not in the same category in Indonesia and Thailand. For example, print information (from newspapers and magazines) is in the low demand/weak supply category in Indonesia, but in the high demand/strong supply category in Thailand. Communications centres are in the very high demand/weak supply category in Indonesia but in the low demand/moderate supply category in Thailand. In fact, only two services, technical training and internet access are in the same quadrant in both countries. More research to compare additional countries and markets is needed to determine if there are any common similarities in the categorization of BDS markets across countries. However, the comparison of Indonesia and Thailand shows that practitioners cannot assume that a market development strategy that worked for a particular service in one country will work for the same service in another country. It may be more helpful to consider the application of a strategy that worked for a market with similar demand and supply characteristics, even if it is for a different service.

It is helpful to use a matrix like the ones above together with first-hand knowledge of the market. The matrix is not meant to provide a formulaic prescription for interventions but rather to be used as an aide, together with other information, in program design.

VI. Conclusion

The comparisons in this paper show that market assessment results must be examined in the context of a country, a consumer group and the particular service. There are often similarities among BDS markets in a single country, such as low awareness or poor understanding of services. The comparisons also show that there are some similarities among BDS markets in different countries. For example, services with a low unit cost are generally used more than services with a high unit cost. Looking at data for the same service across countries as well as different services in the same market can provide a useful context for judging the level of development of a market. For example market penetration of 15% for a training market in a country with relatively weak BDS markets can be considered high. However, market penetration of 15% for a courier market in a country with relatively strong BDS markets can be considered modest.

The comparisons also show, however, that there are many exceptions. A country with generally weak BDS markets may have one or two strong markets. A service that enjoys high use in many countries may have very low use in a few countries. In fact, when markets are categorized by demand and supply and market issues are analysed, a service market often looks very unlike a market for the same service in a different country. Overall, comparisons of market assessments can be useful to program managers in highlighting issues to look out for and providing a frame of reference. However, it cannot replace conducting a market assessment in the market where the program will operate. Although some similarities exist, the data from the studies covered in this paper show that BDS markets are too different to pre-judge them.

What are the next steps in using the growing number of market assessments to help program managers design effective programs?

- **Compare the results with formal sector data.** Various private-sector and government players regularly gather market information on formal sector business service markets in both developed and developing countries. Comparing the market assessment data from the BDS field with this data will help develop practitioners' understanding of what level of performance might be expected in business services markets.
- **Develop benchmarks for market penetration, awareness, understanding, reach and retention for various services in different country circumstances.** Although there are clearly exceptions, enough similarities among markets exist that benchmarks based on a wide variety of markets would be useful. These benchmarks can help managers determine when to enter and when to exit a market.
- **Develop a framework that describes different types of markets from the perspective of supply, demand and different market issues.** Characterizing markets by the level of supply and demand as well as the major market issues is useful to determining the appropriate market development strategy. A strategy that works in a market with particular characteristics might also work in a market with the same characteristics in another country.

- **Document what market development strategies work in markets with particular characteristics.** In order to provide practitioners with useful information about what works and what doesn't, these strategies must be described in the context of the markets in which they were implemented. Ultimately, it would be most helpful to practitioners to have a framework that describes what strategies have worked in markets with various profiles.

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