



Evolving methodologies in the market development of BDS

Experience of the ILO FIT Programme

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An entry point for BDS market development

- BDS markets are at varying stages of development in different service areas, between countries and within countries.
- These different scenarios require different intervention strategies.
- The experience of the ILO FIT Programme suggests that, while it is best to work with existing commercial service providers, there are scenarios where it is appropriate to promote new service provider start up.

We should build on what already exists.

Commercial providers exist in most areas of BDS

- **Information :** Commercial media
Business networks
Embedded
- **Training :** Training businesses incl. micro
Embedded (buyers, suppliers)
- **Marketing :** Exporters, showrooms, sales companies
Supply chain (embedded)

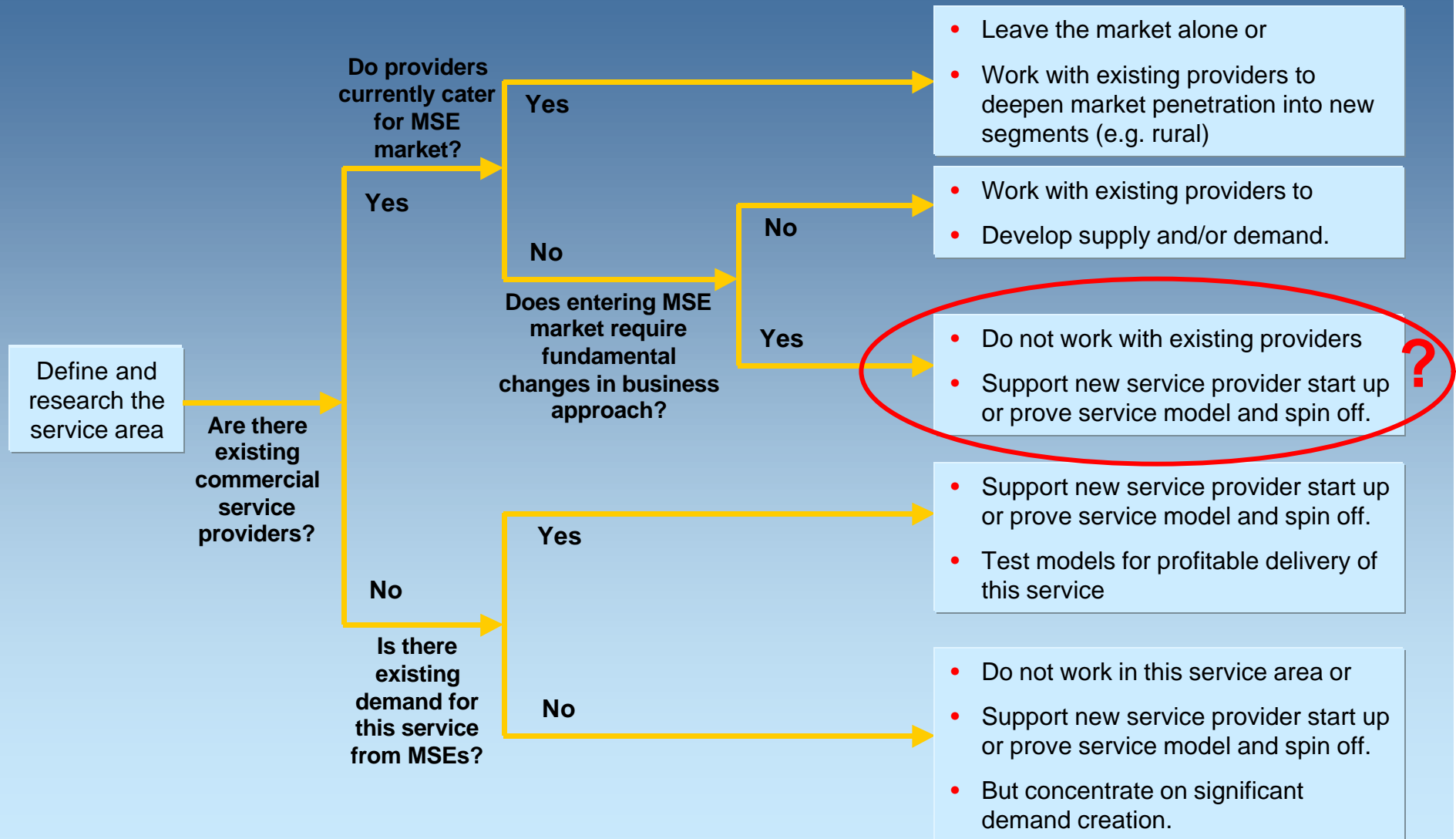
Although some segments of the market may not be effectively catered for.

FIT Experience

- Radio and TV for MSEs – Broadcasting and production companies
- B2B advertising papers - Publishing companies
- MSE publications - Publishing companies (newspapers)
- Business tourism - Tour agents
- Training – Training companies, individual commercial trainers
- Internet Services - Internet Service Providers
- Telecommunications - Telecom companies
- Export – ‘Suitcase’ exporters, export companies

But FIT experience indicates that there are scenarios where working with existing providers does not appear to be the best approach!

A decision tree



FIT Experience

Suggests 2 different approaches for service development

- 1) Building on existing service provision**
- 2) Supporting service provider start up**

1) Building on existing service provision

Scenario 1

- Multiple providers already exist.
- These providers are already penetrating the small business market.

Possible Actions

Leave the market alone or

Work with existing providers to deepen market penetration into new segments (e.g. rural)

FIT Examples: Telecommunications
 'Suitcase' exporters

1) Building on existing service provision

Scenario 2

- Multiple providers already exist.
- These providers are not penetrating the small business market but
- These providers can enter the small business market without the need to fundamentally alter their business model.

FIT Examples: Radio and TV programmes
 MSE newspaper supplement
 ‘Grassroots’ training

Scenario 3

Fundamentally alter their business model e.g.

From low client turnover / high per client margins

To high turnover / low margins (mass market)

With resulting need to change

Cost structures and overheads

Quality standards and priorities

Sales and marketing strategies

Market image etc.

Similar situation with.

- **Formal trainers with experience of training for large companies or donors.**
- **Mobile phone companies targeting elite users (e.g. Uganda pre 1998 and Ghana).**

2) Supporting service provider start up

Scenario 4

- Where existing providers do not exist
- Even though there is substantial demand from MSEs

Scenario 5

- Where existing providers do not exist
- There is little existing demand from MSEs

'don't give clients what they want, give them what they didn't know they wanted!'

Conclusion

- The concept of donors/SED projects ignoring existing service providers and becoming involved in service provider start up is dangerous.
- But practice shows that service providers targeting the top end of the market are often not able/willing to move down market or to the mass market.
- Even though this market can be a profitable one.
- Understanding existing service provision and the market dynamics required to reach small enterprises is therefore critical.
- But the basic principle of 'building on what already exists' should be followed wherever possible.

THANKS FOR YOUR ATTENTION