



PSME Stakeholder Workshop:

Welcome!



Workshop Outline

- Overall presentation of the PSME Project
- Support to BDS markets in the past
- BDS market intelligence
- 12:00 – 12:30 : Lunch break
- Proposed strategy to implement the BDS component of the PSME Project
- Open discussion



Expected Result of the BDS Component

The development and marketing of business-oriented and commercially viable services that facilitate access of MSEs to loans and other financial services has been supported.



Support To BDS Markets

Different actors:

- Donors
- Non-Governmental Organizations
- Government
- Other traditional sources of support



The Idea: Correcting the Imbalance...

... by:

Demand Side

- Increase quantity demanded by MSEs by decreasing price of product (e.g. by subsidizing it)

Supply Side

- Increase quantity supplied by increasing price



Underlying Assumptions of the Old Approach

- Supply and demand are elastic
- Service providers know what products enterprises will pay for
- Service providers have the capacity to supply what the enterprises will pay for
- When demand and supply increase, grant scheme would lapse



Business Development Services Market

Main effect:

BDS MARKET DISTORTED

Demand



Results of Interventions

- High fees charged
- Service providers highly dependent on grants for survival
- Lack of ownership of consulting projects by enterprises
- Divergent expectations
- BDS market distorted
- Small businesses left out



The PSME Project:

Time to try a new approach!



Market Intelligence

2 main sources of information for the development of the PSME BDS implementation strategy:

ILO Study

PSME Focus Group Discussion

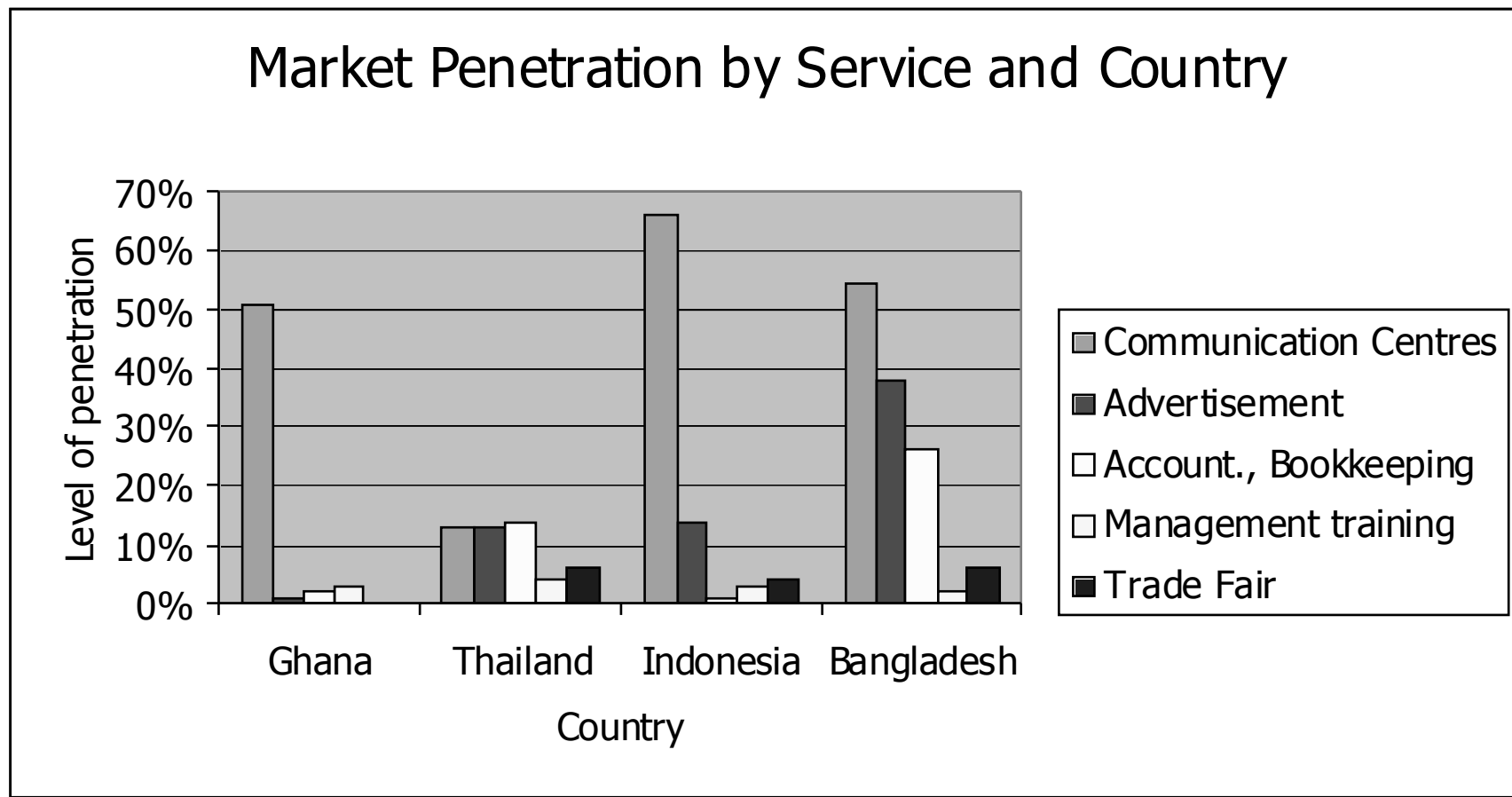


ILO UAI Study in 2001

- conducted in Ghana, Thailand, Indonesia, Bangladesh
- quantitative survey of SE consumers with sample sizes from 300 to 500
- SEs with 1-20 workers in all sectors
- investigated SEs' awareness, understanding, usage and opinions about a wide range of business services

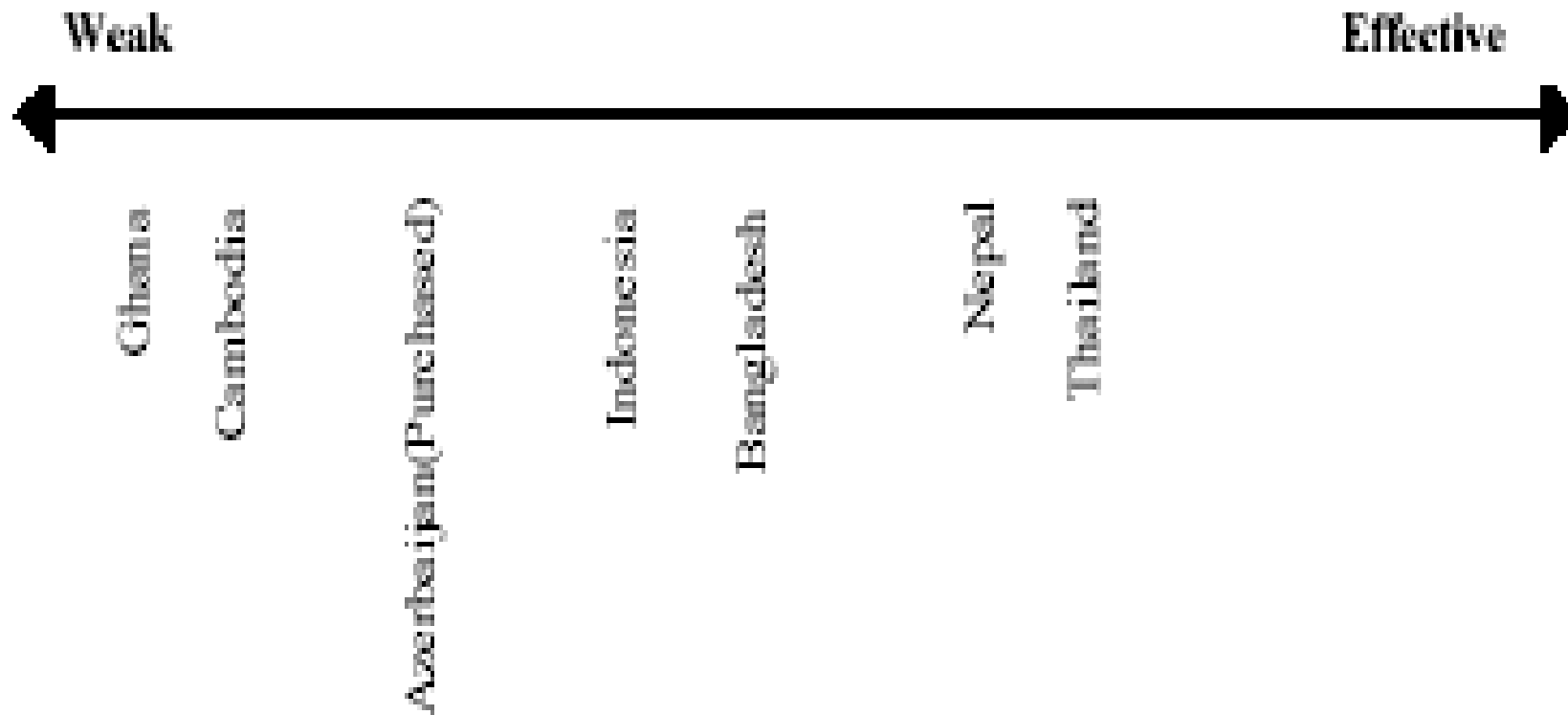


ILO Study: Selected Findings





Relative Effectiveness of Markets





Key Market Issues

Ratio Name	Definition	Question the ratio addresses	Possible market weaknesses
Awareness	The percent of MSEs of all MSEs aware of the service	What proportion of MSEs know that a particular service exists	<ul style="list-style-type: none">■ Suppliers are not marketing product adequately■ MSEs not interested enough to seek info on service
Understanding	The percent of MSEs who can correctly define a service out of all MSEs who understand it	Even if MSEs are aware of the service, do they understand what it is?	<ul style="list-style-type: none">■ Suppliers marketing tools do not convey meaning and benefits of services■ MSEs do not see the value in seeking info about services



Key Market Issues

Ratio Name	Definition	Question the ratio addresses	Possible market weaknesses
Reach	The percent of MSEs who have tried a service out of all those who understand it	Even if MSEs understand service, do they try it?	<ul style="list-style-type: none">■ Suppliers are not offering products that MSEs want■ Suppliers do not have adequate marketing to induce trial■ MSEs are too risk averse to try service
Retention	The percent of MSEs who have used a service more than once out of those who have ever used it	Once MSEs have tried a service, do they come back for more?	<ul style="list-style-type: none">■ Products in the market are poor in quality■ There is not sufficient range of products in the market to encourage repeat purchase



Market Issues in Ghana

	Awareness	Understanding	Reach	Retention
Communication Centres	98%	92%	56%	76%
Advertising	86%	78%	2%	n/a
Bookkeeping & Account.	40%	71%	8%	n/a
Management Training	38%	65%	10%	n/a
Technical Training	40%	68%	2%	n/a
Trade Fair	46%	68%	1%	n/a
Info in				
Newspaper/Magazine	42%	77%	8%	n/a
Internet Access	39%	51%	5%	n/a



Focus Group Discussions

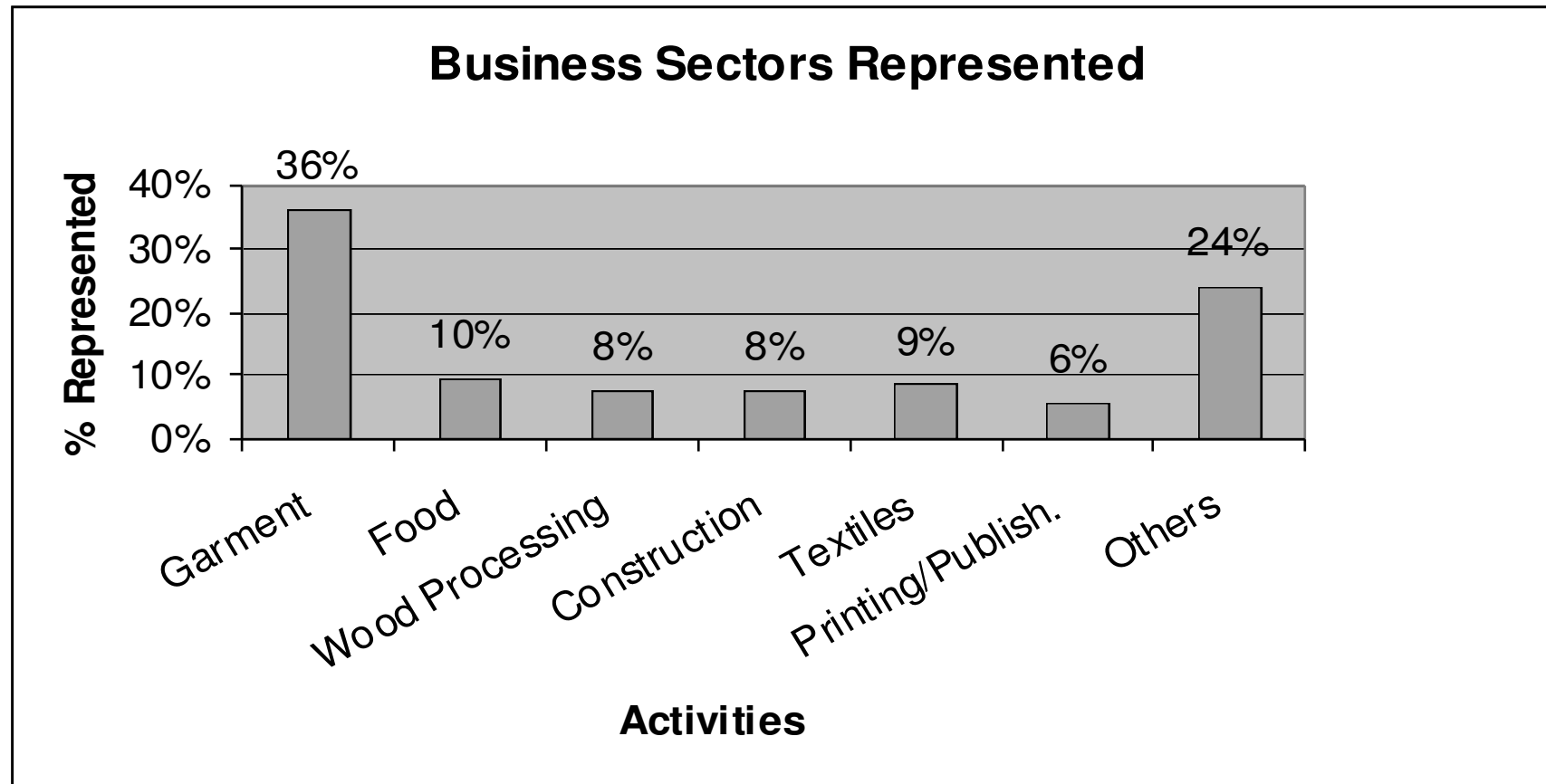
Carried out in 3 major cities of Ghana with 53 participants

Purpose: Obtain a broader and an in-depth understanding and appreciation of the need and use of BDS by MSEs

- The proportion of MSEs that have used BDS in the past
- MSEs that have paid for these services
- Prices paid for BDS
- Benefits obtained from the use of BDS

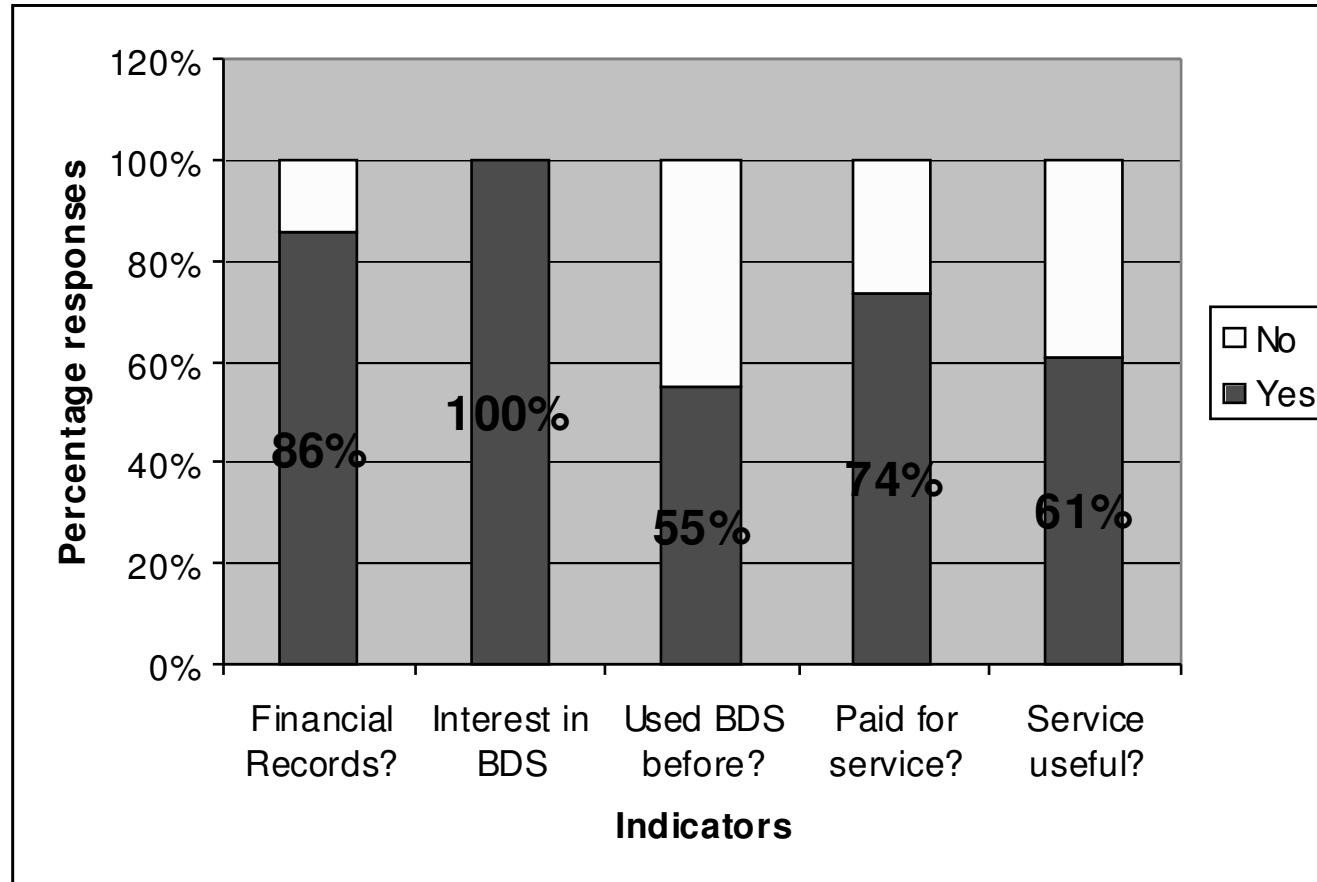


Focus Group Discussion Findings



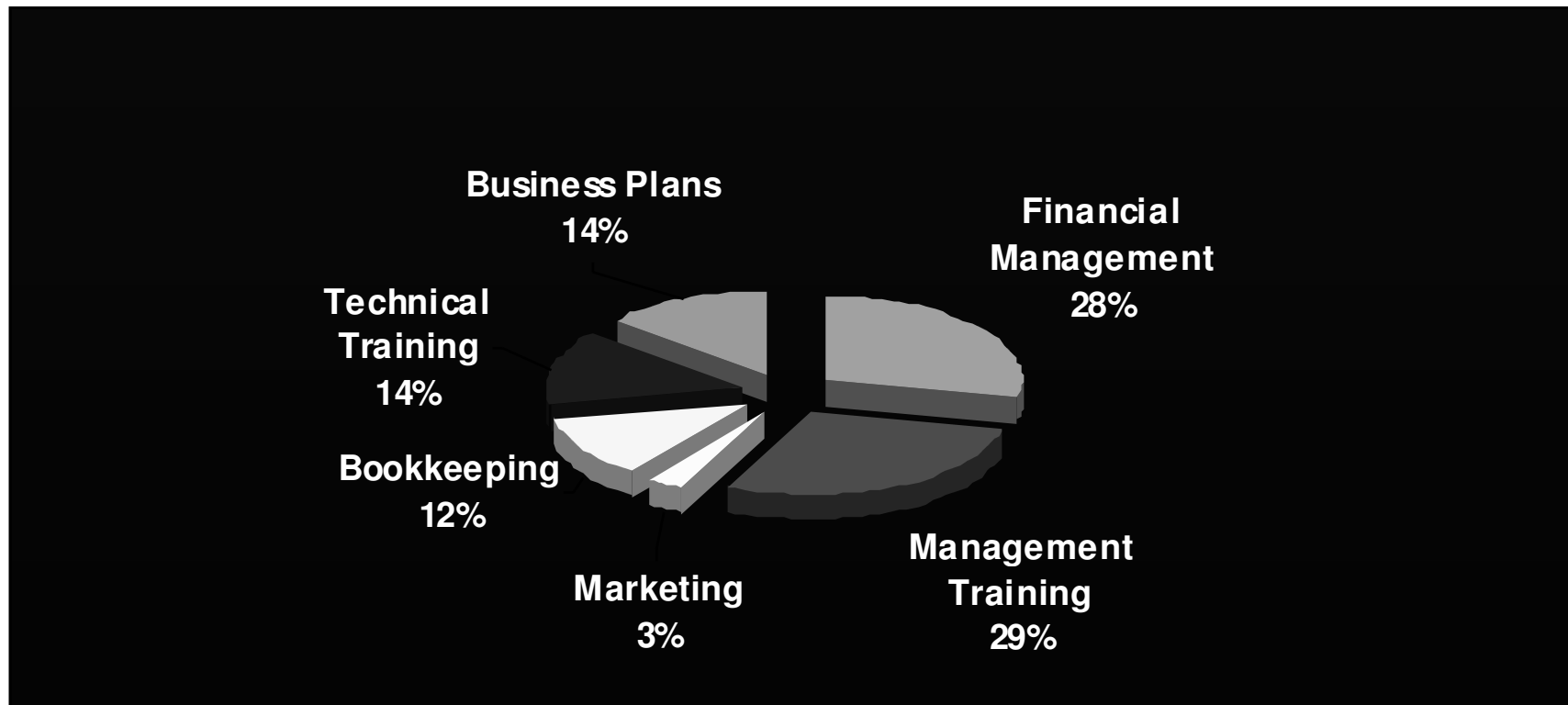


FGD Findings



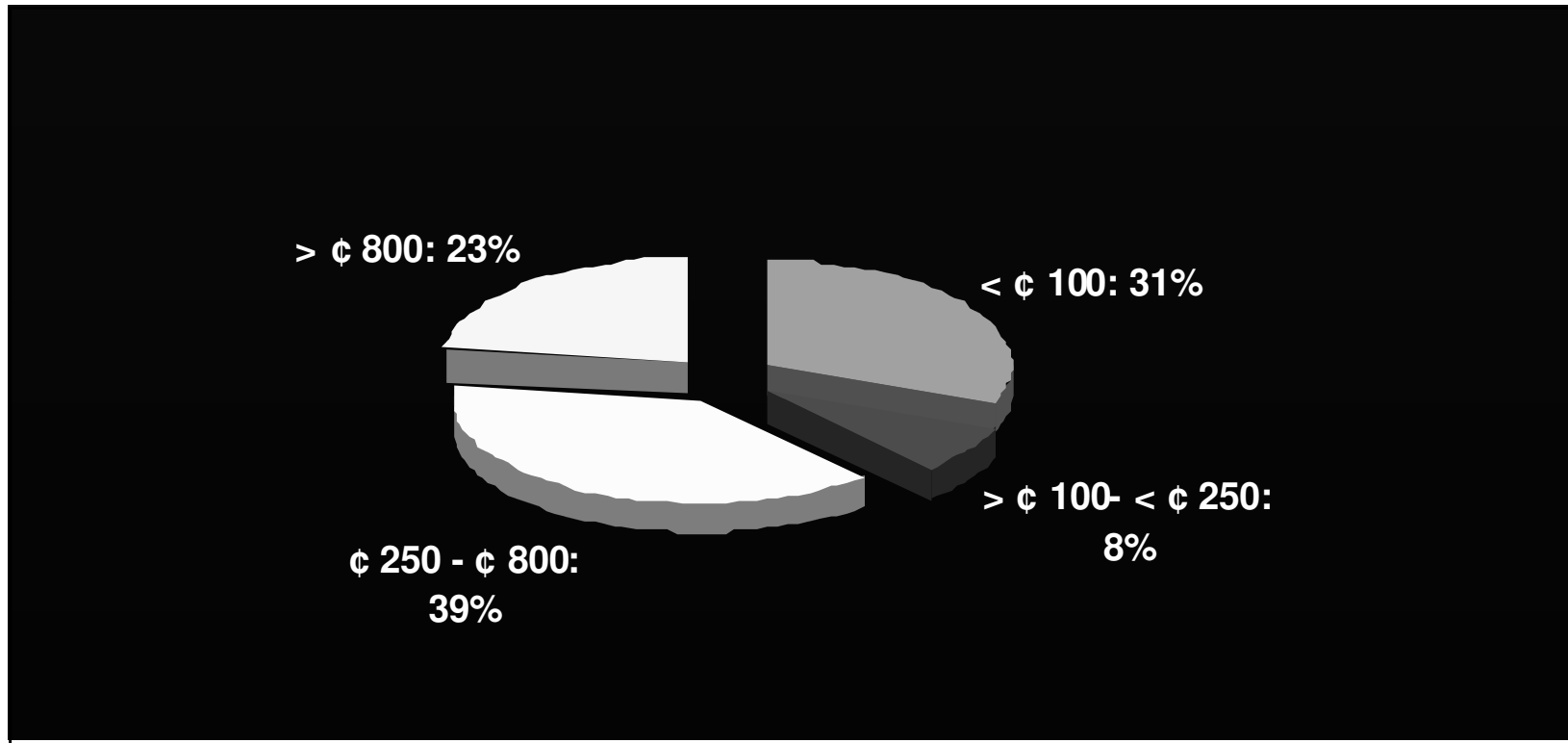


Type of BDS Used





Payment for BDS Used (¢ '000)



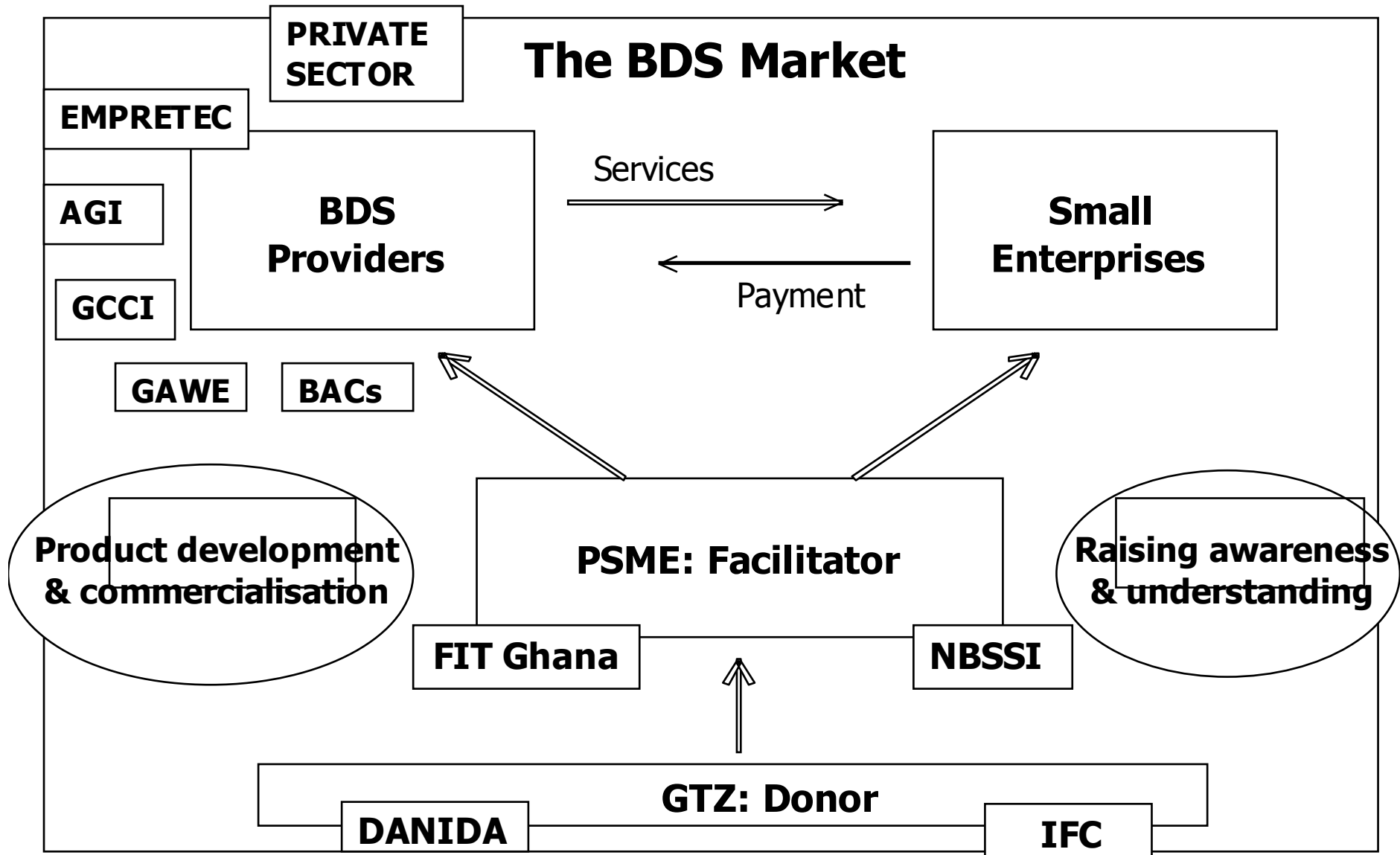


Proposed Strategy to Implement the BDS Component of the PSME Approach



General Principles of the PSME Approach

- Target group: SEs with around 20 employees
- Main area of activities: Development and commercialisation of products for SEs
- Transactional subsidies will be reduced to a minimum, focus of PSME's support is on TA
- Regions: selected main commercial areas of Ghana in urban and rural communities





Product Development & Commercialisation

Private sector firms often are unable or reluctant to do it :

Benefits of a new product are not exclusive for developer, others easily can copy it

Suppliers often are not skilled innovators, lacking both knowledge and experience

Prices of products for MSEs must be low; incorporation of development costs will blow them up



Product Development & Commercialisation

- Market research
- Defining the product concept
- Creating awareness and understanding among consumers about a new product
- Conducting marketing trials, support introduction of new product by marketing measures
- Building supplier capacity to research, deliver and market new products
- Customer satisfaction research



PSME's Focus

- Accounting services
- Marketing
- Management training: Financial/Cash management
- Improved understanding of Bank procedures
- Improved access to information



Accounting/Bookkeeping Services

Suppliers' point of view:

- MSEs are not able to pay; market is not attractive for suppliers
- > no products on the market that are affordable and appropriate for MSEs



Accounting/Bookkeeping Services

- MSEs have no resources to hire permanent personnel to keep records
- MSE owners/managers think they do not have time to keep records
- Service is needed for taxation, or when a credit is asked for
- MSEs do not use/value the financial information for planning or strategizing



Accounting/Bookkeeping Services

UAI - Study results:

- Awareness of service: 40 %
- Understanding of service: 71 %
- Reach: 8 %
- Retention: n/a

Most important reason (stated by 20% of MSEs) for not buying the service:
it is too expensive



Accounting/Bookkeeping Services

- Only 2 % of the surveyed enterprises ever bought accounting services in the last 12 months: Market penetration is very low!
- 35 % of those previously unaware of the service said, now that they know about the service, they would definitely buy it: High market potential!



Accounting/Bookkeeping Services

PSME strategy:

Development of a simple, low-cost accountancy tool (computer-based)

DS: raising of awareness of benefits of keeping proper records e.g. through radio programs, info seminars etc.; assistance of bus. associations to disseminate information about suppliers

SS: sensitisation for MSE mass market; capacity building in market research, supplying new product and marketing, especially for product introduction



Accounting/Bookkeeping Services

Product example:

MSE collects on paper inflows and expenditures per period

Service provider processes data with simple software and gives feedback to client

At the same time service provider coaches client in using software and to interpret data for planning and strategizing

Costs: 100.000 cedis /month



Marketing Services

Suppliers' point of view:

- MSEs are not able to pay; market is not attractive for suppliers
- > no products on the market that are affordable and appropriate for MSEs



Marketing Services

MSEs' point of view: Reasons for not buying the service:

- it is too expensive: 50 %
- it is not relevant for business: 23 %: MSEs often do not see improved marketing and sales activities as a means to address their business problems



Marketing Services

UAI - Study results:

- Awareness of service: 86%
- Understanding of service: 78%
- Reach: 2%
- Retention: n/a



Marketing Services

- Only 1 % of the surveyed enterprises ever bought marketing services in the last 12 months: Market penetration is very low!
- 20 % of those previously unaware of the service said, now that they know about the service, they would definitely buy it: Reasonable market potential!



Marketing Services

PSME strategy:

Development of a short training course on marketing

DS: raising of understanding of benefits of marketing e.g. through radio programs, etc.; linking MSEs with suppliers

SS: sensitisation for MSE mass market; capacity building in new training product, marketing for product introduction, market research



Marketing Services

Product example:

- 8 hours (2 x 4 hrs in the evening) of training
- 1 trainer, no meals, only tea/coffee
- Price: 120.000 cedis
- Course content:
 - Principles of marketing (4 Ps...) and how to put them into practice (incl. simulation exercises)
 - How to do a market research (incl. fieldwork after 1st session)
 - How to develop a marketing strategy
 - Product presentations of different marketing providers



Financial Management Training

Suppliers' point of view:

- MSEs are not able to pay; market is not attractive for suppliers
- > no products on the market that are affordable and appropriate for MSEs



Financial Management Training

MSEs' point of view: Reasons for not buying the service:

- too expensive: 18 %
- not relevant for business: 9,3 %



Financial Management Training

UAI - Study results:

- Awareness of service: 38 %
- Understanding of service: 65 %
- Reach: 10 %
- Retention: n/a



Financial Management Training

- Only 3 % of the surveyed enterprises ever bought management training in the last 12 months: Market penetration is very low!
- 45 % of those previously unaware of the service said, now that they know about the service, they would definitely buy it: High market potential!



Financial Management Training

PSME strategy:

Development of short training courses

DS: raising awareness of benefits of proper financial management e.g. through radio programs, dissemination of information etc., linking MSEs with providers

SS: sensitisation for MSE mass market; capacity building in new training products, marketing for product introduction, market research



Financial Management Training

- Product costs include only direct material cost and some direct expenses, not overheads etc.
- Labour cost seen as effort of owner / manager, not included as part of product cost by MSEs
- Product pricing usually based on prices of competitors
- **Product example: “How to make profits - costing and pricing of products and services”**: 4 hours training course in the afternoon @ 80.000 cedis



Financial Management Training

- Many MSEs own bank accounts, but few operate them
- Use of cash for private and enterprise affairs is not differentiated
- Funds often locked up in fixed assets, insufficient working capital to run enterprise
- **Product example: “No problem with my cash”:**
4 hours training course in the afternoon @ 80.000 cedis



How to Deal With Banks

PSME strategy:

Development of short information seminars (4 hours @ 100.000 cedis)

Contents: General service offer of banks for MSEs; How to talk to bankers; presentation of resource persons from Banks: requirements for getting a credit; dissemination of information on available service providers

To be implemented (sold) by banks and service providers/facilitation partners



Further Activities

Initiating deeper market analysis and feasibility studies for further products:

- local newspaper with advertisements of service providers and relevant information for MSEs: e.g. information on regulations and procedures, access to raw materials, etc.
- enhancing outreach of leasing programs: access to tools and equipment is needed



Performance Measurement

(Preliminary) Indicators for the BDS Component:

- At least 3 service products/areas have been commercialised by the end of the project phase
- Number of professional providers of selected services increased by at least 10 by the end of the project phase
- At least 70% of all clients rate the service that was delivered to them as satisfactory
- Further indicators to be discussed