

The SEEP Practitioner Learning Program in BDS Market Assessment

Case Study #2

Integrating Microenterprises into Markets

The Case of EDA's Leather Subsector Project in India

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Definitions

The following terms are defined as they are used in this case study. The definitions may vary from those used in other publications.

artisan. A microentrepreneur producer. In this case study, artisan refers to a producer who makes and sells leather sandals and other leather products and is used interchangeably with microentrepreneur.

business development services (BDS). Any nonfinancial service provided to businesses on a formal or an informal basis.

BDS market. BDS providers and enterprises and the exchange of business services among them. This exchange may be formal or informal and may include fee-based transactions for services and/or services provided as part of other commercial transactions.

BDS provider. A firm or institution that provides BDS directly to enterprises.

bundled services. Several business services provided together as part of a package, which may be offered independently or as part of another commercial transaction—for example, a transaction between a wholesaler and a producer.

embedded services. Business services provided as part of another commercial transaction; for example, when a trader provides market information and product design advice to a producer when the trader purchases the producer's products. Both the service provider and the service customer usually think of the services as a value-added feature of another product or part of their business relationships.

jootis. Traditional leather sandals made and sold in rural areas of India.

facilitator. International or local institutions, usually funded by governments or donors, that aim to expand and improve a particular market or markets for the benefit of specific target groups.

fee-based services. Services offered for a fee that generally are independent of any other transaction; also called stand-alone services. Fee-based services are usually offered by a provider as one of his or her core products rather than as a value-added feature of another product or service.

haat. Small village markets, usually organized on a weekly basis.

last. Wooden or plastic mold of a foot used to shape leather sandals and shoes.

market agent. A middleman or trader who purchases sandals and other leather products from artisans and sells them in markets or to wholesalers, retailers, and/or exporters. Market agents also provide embedded market information and sometimes other services.

market assessment. Market research and/or information gathering on markets and their context used to assist in program design, implementation, monitoring, and/or evaluation.

microentrepreneur. A small business owner with fewer than 10 workers. In this case study, microentrepreneur refers to the producers, generally working in family-based businesses, who make and sell sandals and other leather goods. Microentrepreneur is used interchangeably with artisan in this case study.

subsector. A network of related firms that transform raw materials into finished products and transmit them through vertical supply channels to consumers; the transactions among the firms.

training agent. An artisan who promotes training courses to others, recruits trainees, and arranges the courses in his or her own village and surrounding villages for a commission from the trainer.

value chain. An individual channel through which raw materials are transformed into finished products and transmitted to consumers; the enterprises in that channel and the transactions among enterprises and between enterprises and consumers in that channel.

Acronyms

BDS	business development services
EDA	EDA Rural Systems Pvt Ltd
FGD	focus group discussion
IICD	Indian Institute for Crafts and Design
MA	market assessment
NGO	nongovernmental organization
NLDP	National Leather Development Program
PLP	Practitioner Learning Program
RUDA	Rural Non Farm Development Agency
SEEP	The SEEP Network

Introduction

Over the past several years, nongovernmental organizations (NGOs), donors, and development practitioners have been grappling with methods to develop sustainable business service markets that will help small enterprises increase their profits and integrate on beneficial terms into local, regional, and global markets. Although it remains clear that microenterprises need services beyond training and access to credit, practitioners often struggle to develop sustainable service markets that include microenterprises, particularly in environments where product and business service markets are weak. In June 2002, The SEEP Network's Practitioner Learning Program (PLP) provided 10 organizations with grants to undertake market research in weak markets, and then pilot interventions to develop commercial and sustainable business service markets that would help microenterprises increase their profits. EDA Rural Systems Pvt Ltd, a private consulting company in Gurgaon, India, received a grant to research the leather footwear subsector in Rajasthan and pilot interventions to help artisan microentrepreneurs in this subsector increase their incomes.

As a central objective of the SEEP PLP, the purpose of this case study is to understand EDA's challenges and lessons learned in its leather subsector project and share them with the practitioner community. Although this case study is by no means exhaustive, it offers key insights into the process by which EDA gathered and analyzed market information and developed and promoted pilot business models for the delivery of services to microentrepreneurs and other market players in the leather subsector in Rajasthan.

The focus of this case study is the decision-making process that led EDA from pages of information on the leather subsector and supply and demand for related business development services (BDS) to identifying and supporting the creation of service business models that help leather microentrepreneurs access new markets and enhance incomes and profits. The case study describes the links between the market assessment (MA) findings, the project design, the pilot implementation, subsequent adjustments, and continuing challenges. This case study illustrates the deep involvement of the EDA staff, from the field personnel to the executive director, in continuously evaluating the project and making changes to improve the models. It presents the choices and decisions EDA made and the strategies

used, both those that have worked well and those that have been, or may need to be, adjusted.

At the time of the case study, EDA had finished its MA and had completed approximately six months of pilot interventions. Although EDA is several years away from being able to evaluate the success of the project, its story provides useful lessons for practitioners and donors on how to carry out an effective and integrated process of market research, project design, and pilot implementation.

The case study covers the following topics:

- Section 1 provides an overview of EDA's market research process, its findings on the leather subsector and supporting BDS markets, and its subsequent project design. The section describes EDA's objectives and rationale for undertaking the project.
- Section 2 describes EDA's intervention strategies—the activities aimed at stimulating specific business service markets. These activities are common across the three BDS markets on which EDA is focusing.
- Section 3 provides in-depth information on each of the three business service provision models that EDA is promoting for the supply of BDS. For each type of service, this section describes EDA's findings on the market, the service providers EDA chose to work with, the services they deliver, the business model for delivering those services, EDA's experiences in piloting the business model, the challenges encountered, and subsequent project adjustments.
- Section 4 highlights the lessons learned from the project thus far and describes how EDA's continuous efforts to gather feedback and make improvements have impacted its project. This section also describes how the services are bundled together and the benefit of linking different types of services and providers. Section 4 also outlines some of EDA's achievements to date in the project and its challenges going forward.

Background on EDA

Established in 1983, EDA is a consulting firm that provides management support to development programs and organizations with the aim of improving their effectiveness in meeting the needs of

women and the poor. EDA works mainly in livelihood sectors with a focus on microenterprise development and microfinance. EDA's services include program support to NGO development programs (planning, needs assessment, monitoring, and evaluation), enterprise promotion, capacity building, training for management of microfinance programs, social/development audit, and policy studies and research (social analysis, economic appraisal, market research). EDA works throughout India and in Nepal, Bangladesh, Sri Lanka, Pakistan, Myanmar, Cambodia, and Indonesia.

EDA's Market Research

EDA decided to start a BDS project in the leather subsector in Rajasthan while working on a Rural Industries Program of the Small Industries Development Bank of India focused on credit linkages for enterprises. EDA found that leather microentrepreneurs were interested in receiving and being linked to services beyond credit. EDA believed that additional services might help these low-income microentrepreneurs substantially increase their profits.

EDA undertook two studies of the market before designing interventions. The first study was designed to verify EDA's decision to develop a BDS-related program in the leather subsector. The second study aimed to gather in-depth information that would help EDA choose appropriate services and design program interventions.

Preliminary Study

EDA's preliminary study focused on understanding the leather sandal subsector—the stakeholders, opportunities, and constraints—and determining if both a role and a demand for BDS existed. The study relied on secondary source research and interviews with a range of market players and key informants. EDA gathered information on the market for leather sandals and other leather goods, the scale of the leather subsector and number of microenterprises in it, the inputs required for production and where these inputs could be purchased, the production process and microentrepreneurs' constraints, and demand for business services.

The study showed that many microentrepreneurs were involved in the leather subsector in Rajasthan and other parts of the country. It also showed that although the market for jootis - traditional leather sandals - was declining, the market for more modern sandals and other leather products was

increasing, particularly in urban areas and export markets. The study showed that although appropriate inputs were available, most microentrepreneurs were not able to reach growing domestic and export markets due to the outdated designs of their products. The study also indicated that BDS markets in the leather subsector were weak, and most artisans had weak and limited links with market players outside their villages. A demand for business services came not only from microentrepreneurs, but also from other market players.

These findings confirmed for EDA that enabling artisans to produce sandals with more modern designs and other leather goods that would appeal to higher value markets could be an appropriate strategy for increasing returns to artisans. The findings indicated that BDS for microentrepreneurs and other players in the market chain could help artisans start producing modern sandals with appealing designs and also a variety of other leather goods that would meet the growing demand in domestic and export markets. EDA thought that it would be possible to improve the capacity of private suppliers who could provide quality BDS to leather artisans and other market players. Lastly, the scale of the subsector and the demand for BDS appeared to justify the investment in a project.

Secondary Study

The preliminary study provided EDA with an overall picture of the leather subsector and showed that demand for business services existed. EDA lacked detail on the demand and supply of various BDS in the leather subsector, however. It also lacked some information about the leather subsector itself and the relationships among various market players. The secondary study focused primarily on BDS in the leather subsector but also gathered additional information on the subsector itself, particularly the relationships among market players in the subsector.

In the secondary study, EDA explored in depth the relationship between the leather artisans and all the other market players and stakeholders in the subsector. EDA gathered detailed information on the provision of BDS in these relationships, the demand levels for various BDS, and the perception of the artisans about the quality and availability of the BDS. EDA also gathered specific information on BDS providers—the market players who offered embedded services and private and government/NGO providers who were offering stand-alone services. This information helped EDA assess the potential for

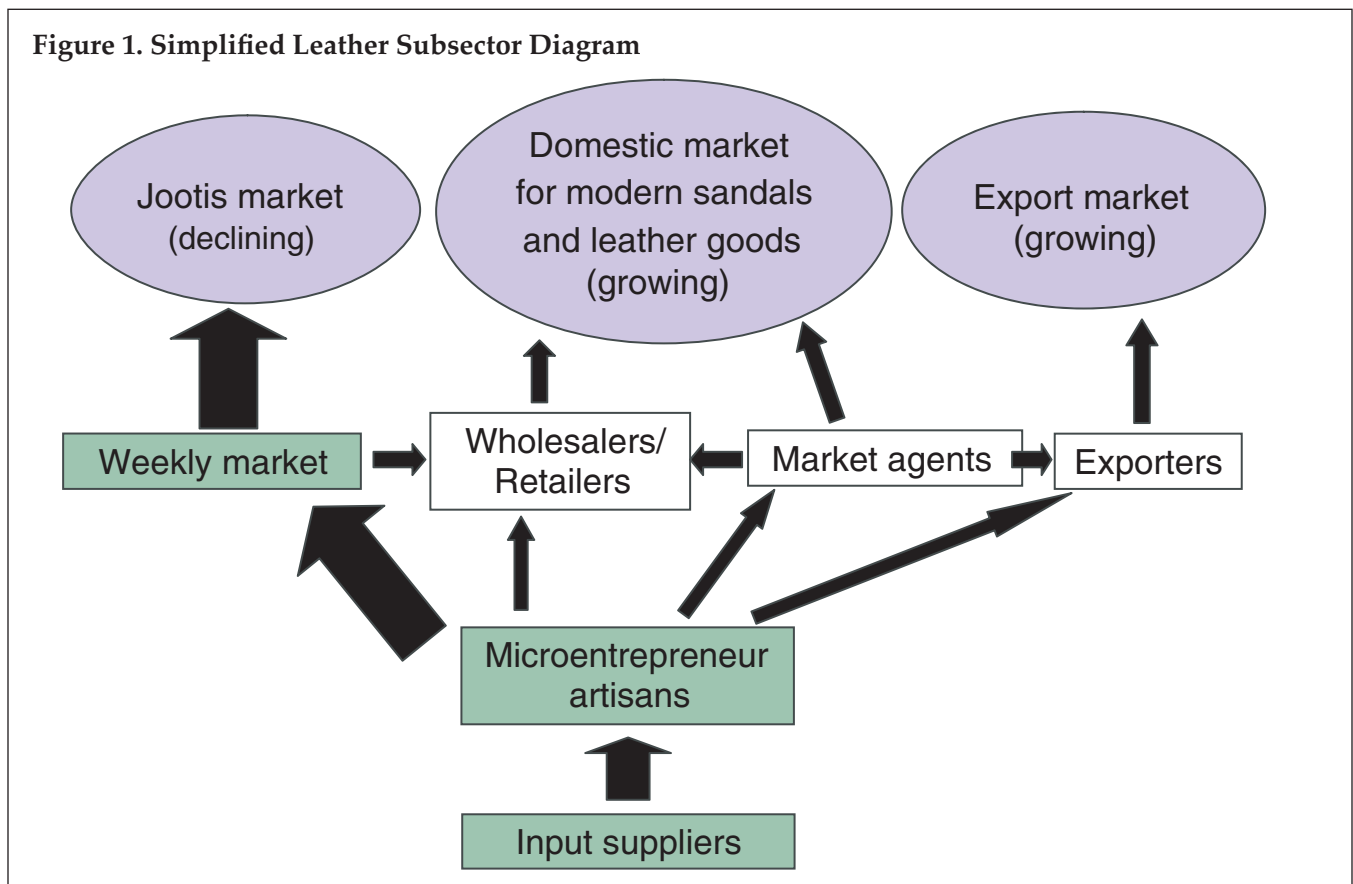
providing various BDS to artisans on a commercial basis. EDA also gathered additional information on the market for leather sandals and other leather goods and the weekly markets, wholesalers, retailers, exporters, middlemen, and institutions supporting the subsector.

EDA's second study consisted of in-depth interviews, focus group discussions (FGDs), and direct observation of business transactions. EDA staff individually interviewed 134 microentrepreneurs living in 12 rural villages and sponsored an FGD in each village with a group of 7 to 10 microentrepreneurs involved in traditional sandal production. EDA also interviewed a total of 50 BDS providers, both public and private, including input suppliers, exporters, and wholesalers who offer embedded BDS.¹ EDA staff visited local haats—small village markets, usually organized on a weekly basis—to observe artisans purchasing inputs and selling finished sandals to buyers. The second MA was carried out by one field staff member on a full-time basis and a team leader devoting approximately 30 to 40 percent of

his time to the MA over four months. EDA's director also provided guidance on the design of the MA and reviewed the findings.

Overview of the Leather Subsector and Supporting BDS

Overall, the Indian leather industry has grown tremendously over the past several decades. Since 1990, leather exports have grown at a nominal rate of 13 percent per annum (equal to a real growth rate of 4 percent per annum). Today, the industry ranks eighth in the country's exports. Over the past three decades, India has shifted from exporting raw materials to finished products, which now constitute 81 percent of the total leather exports of the country. The exports include leather footwear and garments, footwear components (for example, soles), and other leather goods. Although relevant data is not available specifically for sandals, major stakeholders, including exporters and wholesalers, believe that the domestic and export demand for leather sandals with modern designs is increasing. Similarly, the



¹For more information on EDA's market assessment methodology, see Ashok Kumar, "Methodology to Interview Respondents To Assess the BDS Market for the Leather Sub-Sector, Rajasthan, India," 2004, <http://www.bdsknowledge.org/dyn/bds/docs/131/EDA%20India%20BDS%20MA%20Methodology.pdf>, accessed on 16 February 2005.

demand for leather goods and leather garments is increasing in domestic and export markets. Figure 1 shows a basic diagram of the leather subsector.

Market Players

Leather artisans work in family microenterprises, usually with two to three workers, in peri-urban and rural villages. Traditionally, they make basic leather sandals, called jootis, mainly for the rural market. These artisans are considered to belong to the lowest level of the caste structure, and their incomes are approximately US\$30–40 per month. The areas where they live and work are drought-prone and lack many basic services, such as health care and education as well as good infrastructure.

Input suppliers are small shops, producers, or vendors in Jaipur and sometimes peri-urban towns that sell raw materials (such as leather and material for sandal soles), accessories for decorating the sandals, machines for stitching and buffing, and spare parts and lasts, which are wooden or plastic molds to shape the shoes. Some specialized raw materials, such as particular types of leather, are made in modern, medium-sized enterprises and are not widely available.

Retailers are shops or vendors in Jaipur and other urban centers, such as Delhi, that sell sandals or leather goods directly to consumers.

Wholesalers are enterprises that purchase sandals and/or leather goods at weekly markets or from market agents and sell them to retailers or exporters.

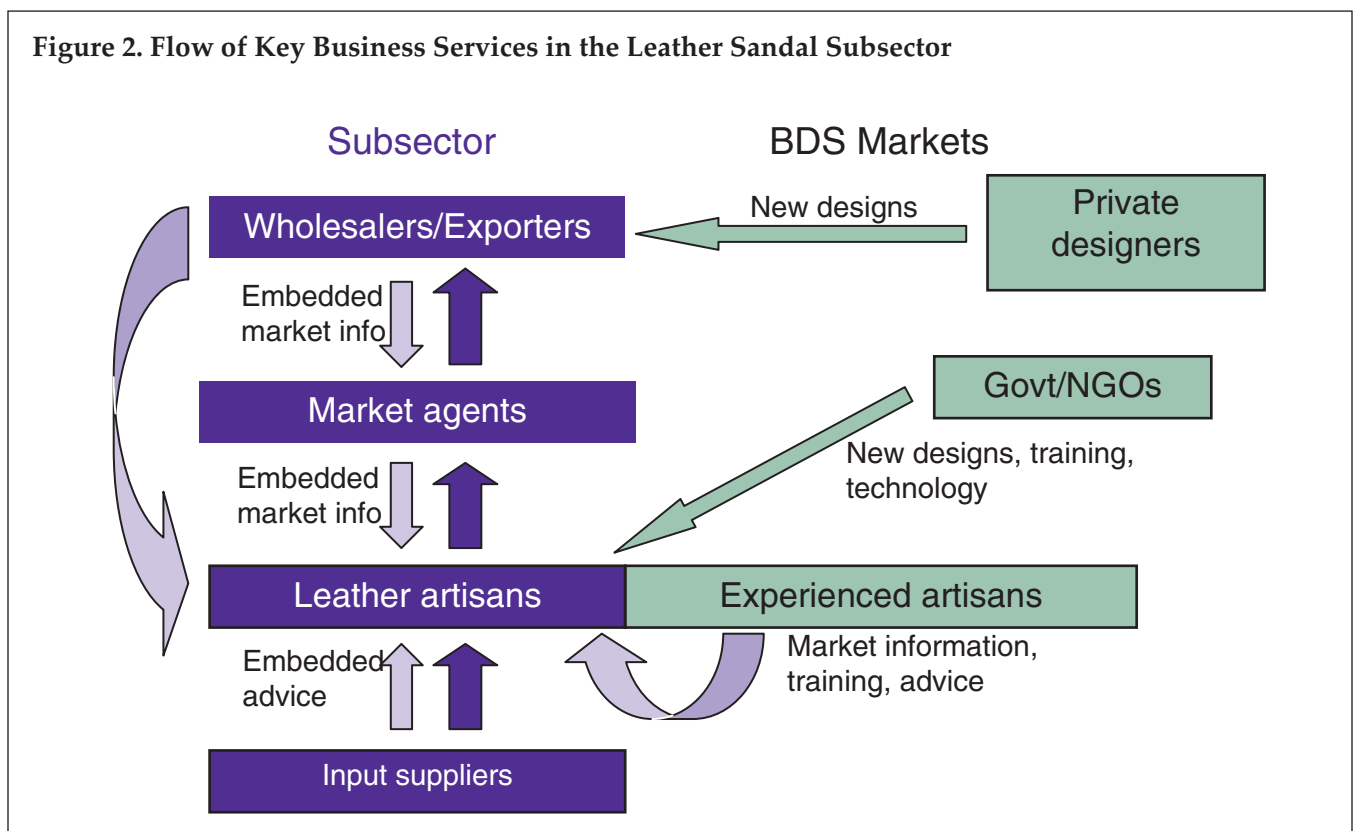
Market agents are traders who purchase shoes from leather artisans and sell them in markets or to wholesalers, retailers, and exporters. Some of them are microentrepreneur artisans themselves and purchase from other leather artisans in their villages. Others operate from urban-based weekly markets.

Exporters are larger enterprises that export a variety of goods from India to other countries. Some specialize in leather; others sell a wider range of items.

Weekly markets, called haats, operate in Jaipur and other small and large urban centers, including Delhi. They host a wide variety of products.

Market Channels

The predominant market channel is the micro-entrepreneur artisans who sell traditional jootis to the rural market through the weekly Jaipur haat and other similar smaller haats and purchase their



needed inputs at the same time. At the market, their products are purchased by consumers and also market agents, wholesalers, and retailers. To a lesser extent, leather microentrepreneurs sell directly to wholesalers, retailers, market agents, or exporters who supply the urban and export markets.

Key Opportunities and Constraints

Demand for jootis in rural areas is declining in favor of substitutes, such as plastic sandals. Demand for modern sandals and other leather goods, however, is increasing in urban markets (such as Delhi), export markets, and, increasingly, in rural markets as well. Rural leather artisans lack new designs appropriate for these markets, the technical skills to produce products that appeal to these markets, and links to the growing markets.

Supporting Business Service Markets

BDS Demand. EDA found that, in general, artisans are aware of new market opportunities. Those artisans who have some contact with exporters, urban wholesalers, or government/NGO programs in the subsector are more aware of new market opportunities and what they need to reach them than are artisans who have no contacts outside rural markets. EDA found that microentrepreneurs, particularly those with greater market exposure, have an understanding of and value BDS and are willing to pay for quality services. Because of the prevalence of government and NGO programs offering free or highly subsidized services, however, the artisans are not accustomed to paying for BDS. The services in highest demand are training, market links and information, technology for better designs, and new products. The microentrepreneurs need new designs, the technical skills to produce the designs, and access to markets to sell their products. Together, these services enable microentrepreneurs to reach new markets.

BDS Supply. The MA indicated that subsidized (government/donor-funded) and commercial BDS (although in a very limited way) currently exist in the subsector. Figure 2 summarizes the flow of key business services in the subsector. EDA found that for most leather artisans, their strongest links are with other artisans. Most business services to artisans, particularly training and market information, are provided from other artisans informally and for free. A very few artisans have managed to develop links with market agents, wholesalers, retailers, or exporters and receive embedded services, including market information, new designs, and sometimes training from these enterprises. In addition, a small number of artisans travel to urban centers beyond Jaipur to sell their products to wholesalers or retailers and gather market information and ideas for new designs. To a very limited extent, some artisans receive basic advice from input suppliers on what types of materials and accessories are most popular or appropriate for specific types of sandals.

The MA indicated that the existing BDS and government programs are not consistently enabling entrepreneurs to gain the expected benefits, including increased revenue from creating market-demanded designs, connecting the entrepreneurs with exporters and wholesalers, and upgrading their skills. They are not meeting the demanded quality, have limited outreach, and are predominantly provided by the government programs. Table 1 summarizes the supply of services.

At least four government agencies and a number of NGOs operate programs to help microentrepreneur artisans. Most, if not all, services from government and NGOs are free or highly subsidized. Banks and financial institutions also specifically target microentrepreneurs with credit and other financial services.

The most prominent government program is the National Leather Development Program (NLDP) sponsored by the United Nations Development Program in association with the Government of

Table 1. Summary of BDS Supply in the Leather Sandal Subsector

Who?	How?	Scale	Satisfaction
Government and NGOs	Free; stand-alone	Limited	Low
Exporters, wholesalers, input suppliers	Embedded; bundled	Limited	Good
Fellow artisans	Informal	High	Mixed

India. NLDP operates in a number of states, including Rajasthan. To widen the market base for leather sandals, the program has taken on a number of initiatives, including introducing new patterns and mechanizing the production process by introducing machines for leather stitching, buffing, punching, and dyeing. In addition, the NLDP offers some BDS, including skill development training, market links, and design inputs. The program has been able to make positive changes at some of the places it reaches. Leather artisans in these communities generally place greater value on services such as design inputs and marketing. Some leather artisans who received training through NLDP are making better designed, modern sandals. The program has relatively limited outreach, however, in terms of the numbers of artisans receiving their services. Furthermore, a good number of artisans receiving the services are not able to use them efficiently and effectively in the absence of complementary services. Similarly, the skill development training programs in shoe production by Khadi and Village Industry Commissions, another government program, have had little impact because the instructors are not invested, the training is not particularly relevant, and the trainees do not receive other services, such as links to new buyers and information on sources for appropriate raw materials and accessories.

Leather Subsector Program Summary

EDA's goal for its project in the leather subsector is to increase the incomes of leather artisans by enabling them to increase their business profits. EDA aims to achieve this goal by promoting the development of a commercial BDS market in the leather subsector that helps microentrepreneurs access new, more lucrative markets and/or decrease costs.

The project is being implemented in Jaipur and Dausa districts of Rajasthan in northern India. In Jaipur district, EDA's project includes nine villages with 2,250 small enterprises, of which 815 are involved in sandal making. In Dausa district, EDA's program includes three villages with 315 small enterprises, of which 155 are involved in sandal making. Three staff members are devoted to this project: a team leader who oversees the project and two field staff members. The project budget for the MA and pilot interventions over two years is US\$66,597.

EDA decided which services to pilot based on the following criteria:

- Microentrepreneurs' demand for services;
- Potential for services to help microentrepreneurs reach new markets;
- Potential for reaching significant scale; and
- Existence of service providers and potential for commercial service provision.

The services EDA chose to pilot are training, design services and market linkages, and information on consumer markets.

The overall strategy for the interventions includes initial demand stimulation, supply through local service providers, building on existing supply, and increasing service outreach. The interventions include identifying and building the capacity of providers, developing business models for the supply of services, stimulating demand, and linking providers with each other and the leather artisans. The interventions are described in detail in Section 2.

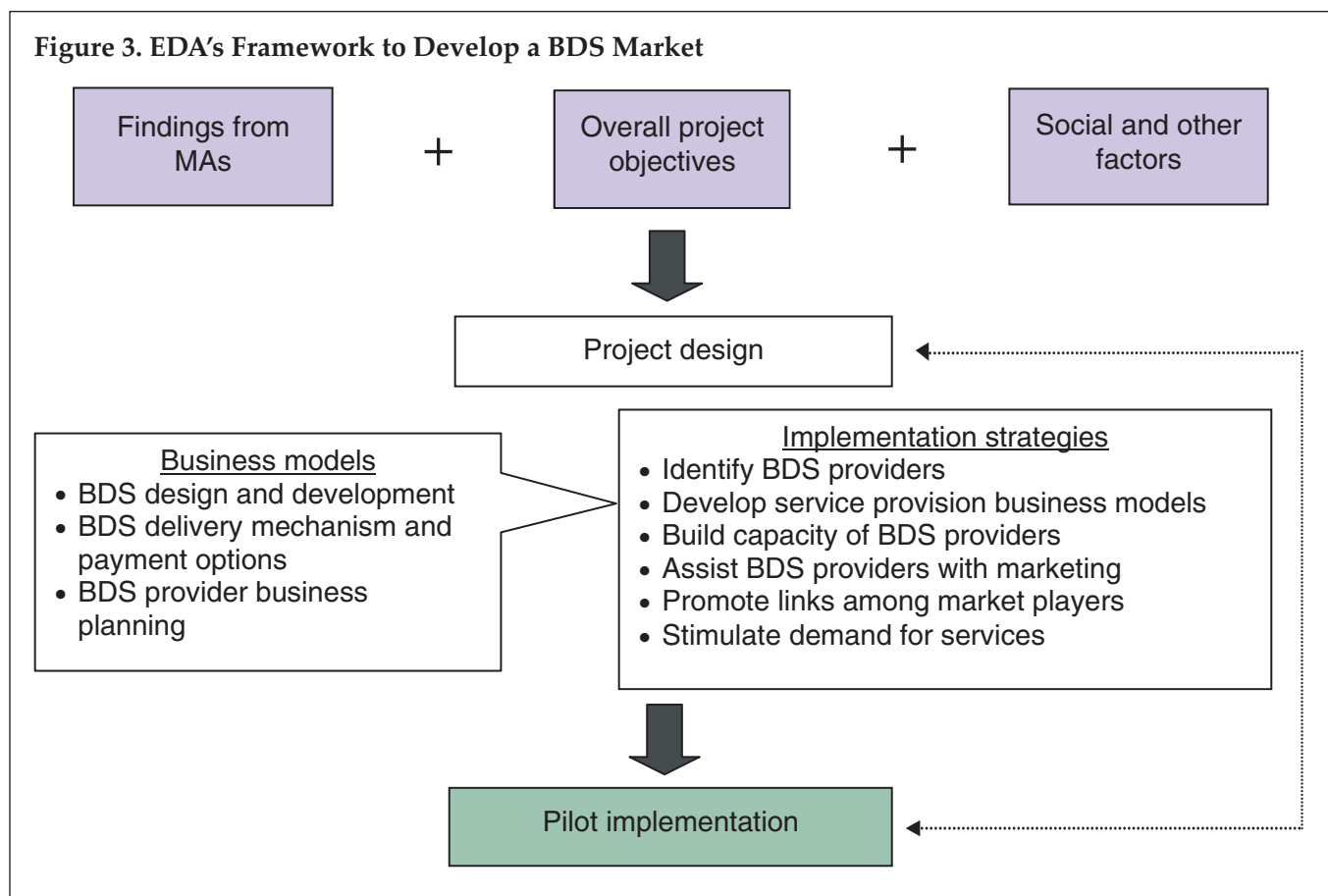
Section 1

EDA's Interventions

Based on the findings from its market research, its project goals, and the social, cultural, and economic context of the leather artisans and relevant markets, EDA Rural Development Pvt Ltd (EDA) developed the following intervention strategies for the three business service markets on which it is focusing:

1. Identify business development services (BDS) providers who could add or intensify BDS provision in their existing businesses and who live in and/or understand the communities in which the leather artisans live.
2. Develop business models for the provision of services together with the identified providers.
3. Build the capacity of the identified providers to understand and meet demand for services and manage their BDS activities profitably.
4. Assist BDS providers in promoting their services among leather microentrepreneurs and other potential customers in the leather subsector.
5. Promote links among market players to get the market moving and so that BDS providers can offer microentrepreneurs a bundle of services to help them reach new markets.
6. Conduct some direct demand stimulation among leather artisans.

For all three services—training, design services and market linkages, and information—EDA has played a large role in stimulating demand for and supply of services with the aim of integrating microentrepreneurs into markets. Initially, EDA was intensively involved with market players to stimulate transactions and ensure that the links between artisans and providers were forming. Already, EDA has



been able to reduce this involvement somewhat. As EDA observes key market activities occurring with less help from its staff, it will continue to gradually decrease its involvement.

EDA's experience in piloting illustrates that market interventions are a continuous learning cycle that requires the staff to consistently gather feedback and implement changes while at the same time teaching the providers how to do the same independently. This section describes the activities across all the service markets that EDA is implementing to reach its objectives.

Identify Service Providers

The BDS market assessment (MA) provided a detailed analysis of the existing and potential providers of different services. While interviewing the existing BDS providers, EDA discovered their views on how BDS markets in the leather subsector could be made more vibrant and include leather micro-entrepreneurs. While interviewing leather artisans, EDA gained some understanding on how these micro-entrepreneurs wanted to receive particular BDS.

EDA learned that most of the leather artisans prefer interacting with service providers from the leather artisan community because these entrepreneurs are accessible, approachable, and understand the artisans' businesses. Therefore, EDA decided to try to identify and work with service providers from the leather artisan community when possible. Promoting providers from the leather artisan community would avoid discrimination because the leather micro-entrepreneurs belong to the lowest level of the Indian caste structure. Local providers are comfortable interacting with those who belong to their own community and speak the local language.

Further, EDA determined that staff from institutions and larger private sector providers, who tend to have their operating base in cities, would not want to stay in villages to provide training and to collect and/or buy finished products from artisans while providing market-related services. Providers from the cities would incur higher costs because they would have to recruit trainers and personnel to visit villages, which would increase the price of these services, making the services less attractive and accessible to micro-entrepreneurs. On the other hand, providers from the leather artisan community would tend to price services lower because they would have to invest less initially, and they would not have very high expectations in terms of profit. They

would be glad to generate incomes on par with or a little higher than their present earnings from making sandals. EDA also thought that the providers from the community would have more accountability to the leather artisans because of the peer pressure and local goodwill that might not apply to providers from cities. Only when local service providers could not be identified would EDA consider promoting larger service providers from the cities.

During the MA, EDA gained information on the other skills and activities of individual artisans. It found some leather artisans with greater exposure to markets and some with experience in training fellow artisans. EDA developed an idea of the characteristics of micro-entrepreneurs who might be able to take on particular service delivery roles and identified specific artisans with these characteristics. For example, a few micro-entrepreneurs were skilled in making modern sandals and leather goods and had previously acted as government trainers but had never thought of selling training services on a commercial basis. After EDA explained the market potential for the training service to these artisans, they showed great interest in becoming commercial trainers.

For each service, EDA identifies service providers that are either already offering a modified version of the service or have a sufficient revenue stream from other business activities to be able to add service provision to their existing businesses. Particularly when considering leather artisans as service providers, EDA consciously chooses entrepreneurs with the potential to increase their income incrementally by gradually adding service provision. EDA does not want the micro-entrepreneurs to abandon their production activities; rather, they can slowly build the additional service provision into their existing businesses and eventually, if their income from the new services exceeds their normal income, focus completely on delivery of the new services.

Based on its market research and regular interaction with artisans' communities, EDA identifies leather artisans who can offer training or market linkage services. Field staff discuss the possibility of providing services with each artisan individually. If the artisan agrees, EDA staff develop a plan with the artisan to help him or her start offering services, initially on a trial basis. Much time is spent at first clarifying expectations and discussing how EDA will assist the artisan. EDA makes sure that the artisans understand that the service provision will be their

business, and that EDA will help them but neither subsidize their costs nor guarantee customers. At the time of writing, five or six service providers for training services and five or six providers for market linkages had been identified from the leather artisan community. EDA decided to work with formal institutions or larger private providers for design services because greater skill and interaction with markets is required. At the time of writing, EDA had started working with one institution in Jaipur, the Indian Institute for Crafts and Design (IICD), as a provider of design services. EDA is continuing to identify more service providers.

Develop Service Provision Business Models

EDA works with identified providers to develop service provision business models. Field staff start by discussing with each provider the market information related to the service they will offer. For example, EDA told potential training service providers that leather artisans wanted training in their villages and at times that allowed them to keep their businesses going during the training. Then, staff discuss the three following aspects of service provision with each provider.

BDS Design and Development. EDA staff discuss with each provider what the service will include and help design the service components and features. For example, EDA discussed with IICD what would be included in the designs it would sell, such as templates and information on raw materials.

BDS Delivery and Payment Options. Staff discuss with providers how services can be delivered. For example, EDA discussed with potential market agents how they could embed market information in their relationships with their artisan suppliers. EDA staff explained the benefits of various delivery mechanisms. For example, EDA staff explained to potential market agents that providing artisan suppliers with market information would help them produce sandals that would meet market demand. This would benefit the artisan suppliers and the market agents. EDA staff also talk about payment options with providers. For example, EDA discussed with potential providers of exhibition information and linkage services that they could receive fees in several ways for arranging artisans' participation in trade fairs—commissions from the trade fair organizers, fees from artisans, or both.

BDS Business Planning. Typically, the providers that EDA works with try out service provision on a small scale first before they do any business planning. The providers want proof that customers exist for their services, and that they can make money. After they have started service provisioning, EDA helps some providers develop business plans. For example, EDA helped IICD develop a business plan to expand provision of its design services.

The service provision business models and how they were developed and tested are discussed in detail in Section 3.

EDA found that it had to work intensively with the first few providers to develop viable business models. Helping the first few providers to start service provision took three to four months. After a few providers had started offering services, however, the process became less intense. New providers see how existing providers operate and adopt the existing business model. The process has now become one of adaptation rather than developing models from scratch.

Build Capacity of Service Providers to Meet Demand

Despite the leather artisans' general understanding of business concepts, EDA spends a good deal of time working with them and other providers to understand a commercialized approach to offering services. For the training and market linkage services, EDA focuses on educating the providers on product development, pricing, marketing, and service delivery. EDA helps the providers improve and/or create services that are tailored to meet the demands of the market through appropriate payment mechanisms, flexible scheduling, and tailored offerings.

The MA, to a great extent, generated information about the areas of capacity building required by potential artisan providers. For example, the existence of different categories of artisans in different villages prompted EDA to help service providers develop differentiated products to meet the requirements of different sets of microentrepreneurs. Because most of the service providers being promoted are new to service provision on a commercial basis, EDA uses its own understanding of the functioning of the service market to develop the providers' capacities.

EDA also helps the service providers to increase their professionalism through their appearance and the marketing of their services. For example, some of

the areas that EDA covers with new market agents include the following:

- How to interact in a professional manner with wholesalers and exporters;
- How to dress for business meetings; and
- In what packaging they should carry samples to wholesalers and exporters.

Some of the areas that EDA covers with new trainers are as follow:

- How to promote their services; and
- How to choose the appropriate training course to market according to the level of potential microentrepreneur customers.

After they have started service provision, EDA helps the providers translate feedback on their services into actions to improve their services. EDA also helps the providers address a range of business problems as they arise (see Box 1). Additional specifics on EDA's capacity building for each service are provided in Section 3.

Assist Service Providers to Market Services

The MA indicated that although leather artisans are willing to pay for services, many of them are unaware of services, including the different offerings, the benefits, and the existence of markets outside their region. Furthermore, the MA indicated that while the artisans identified as service providers had a relatively good level of overall business understanding, they had minimal knowledge of developing appropriate services (in particular, training services) that can meet the demand of different sets of clients, their costing and pricing, and how to promote and market their services.

EDA works with the service providers in marketing their services in the following ways:

- Assistance in developing the design and contents of promotional materials, including pamphlets, business cards and catalogues, and links to printers;
- Teaching them how to present their services when meeting with clients;
- Linking them with potential clients through visits to villages and markets; and
- Educating them on marketing concepts, including pricing and negotiating to ensure that their services are in line with market expectations.

Link Market Players

A major role of EDA is linking service providers with clients and each other. EDA brings the providers and clients together to convince both parties that the service is worthwhile. For example, if artisans in a village show some interest in buying a service, this information is passed on to the respective BDS providers. If needed, the EDA team accompanies the BDS providers to meet the potential clients and facilitates the discussions between them.

EDA introduces and builds business relationships between the BDS providers. This makes it easier for artisans to get a bundle of services that they need to access new markets. For example, when IICD held a reception to introduce its designs, EDA ensured that the trainers and market agents were invited. The objective was to have the trainers and market agents purchase the designs and teach them to other artisans.

EDA also facilitates links between market players when significant gaps are identified. EDA locates suppliers for selected inputs and materials that the service providers and the artisans need to produce

Box 1. EDA Helps a New Market Agent with Legal and Banking Issues

Prakash, a new market agent working with EDA, perceives government regulations as the largest obstacle for his business endeavor. To avoid being stopped by the police while transporting large orders, Prakash must pay US\$50 to register his business, which still does not guarantee that he will not be harassed on the road. In addition, he must open a bank account because the exporters prefer to pay using checks or through bank transfers. EDA helped Prakash find information on how to register his business and open a bank account and assisted him to manage these procedures. EDA also offers Prakash support by trying to foresee what other obstacles he might encounter and helping him to develop a plan to overcome them.

new products. For example, EDA is working with a local last maker to ensure that all artisans can access this input. Previously, the government had provided lasts in a sporadic fashion, leaving some microentrepreneurs with a plethora of lasts while others had none. Lastly, EDA introduces market agents to wholesalers and exporters who might purchase their products.

Stimulate Demand for Services

EDA started its demand stimulation during the MA, through which, EDA was able to introduce and contextualize the value of paying for BDS rather than receiving free services. Through simple analogies, EDA explained to the producers the idea of paying for improved quality and relevant services and the impact these services would have on the microentrepreneurs' incomes and businesses. Two examples of the analogies follow.

- *“To ensure quality education for your children, where would you prefer to send them: a government school that is cheaper but the quality of education is perceived to be below average or a more expensive private school with a perceived higher quality of education?”* Most of the artisans responded that they would like to send their children to a private school.
- *“When you or your family members become sick, where do you prefer to go for treatment: a government hospital with cheaper fees but poorer medical service or a more expensive private hospital with higher quality of treatment?”* Most of the artisans responded that they would prefer a private hospital.

After EDA had an artisan respondent following this line of thinking, it applied this rationale in the context of services for his or her business. For example, EDA would ask the microentrepreneurs this question: *“In the same way, if a supplier provided training, design inputs, or marketing support of higher quality that would yield results, would you be willing to*

pay a fee for this service?” In most cases, respondents said that they would be willing to pay a fee for such services because they would expect an increase in their incomes as a result.

Several of the microentrepreneurs had received subsidized training services through the government and thought that the quality was subpar, and the content was not relevant to their specific needs. Therefore, through the microentrepreneurs' previous experiences with subsidized services and EDA's ability to explain the benefit of paying for services, EDA planted the seeds for developing a commercial BDS market.

EDA continues to stimulate demand for services informally through discussions with microentrepreneurs during its regular visits to villages and in meetings with other market players. EDA also encourages leather artisans who are thinking about purchasing a service to talk with those who already have. EDA plans to decrease its active demand stimulation as more artisans acquire services and demand begins to grow through word of mouth referrals.

Monitoring the Program

EDA has found no substitute for continuous interactions in the field to monitor the program. During the pilot phase, staff intensively monitors progress by making daily trips to the villages and local markets. EDA anticipates that after the pilot phase, it will continue to check on the progress of the market but on a less frequent basis. EDA recognizes, however, that it currently plays a vital role in the development of the market by acting as the link and the method of communication between providers, artisans, and other market players. It anticipates spending two to three additional years focused on promoting additional providers and services and addressing additional areas for improvement identified in the MA that it did not decide to pursue initially.

Box 2. EDA Links a New Trainer with Artisan Customers

During a visit to Bishunpura village in Dausa district by the EDA staff members, some of the leather artisans showed a keen interest in obtaining training in modern sandals with new designs but did not know who could provide this service. This information was passed on to the training service provider, Kaislash. Kailash had a brief discussion in the Jaipur haat with a few of the microentrepreneurs from Bishunpura who visited the haat to sell their products. Subsequently, Kailash requested EDA to accompany him to the village for further discussions with the artisans, and EDA complied. EDA helped to facilitate the discussions between Kailash and the Bishunpura artisans. After some time, the deal was finalized. Ten microentrepreneurs received training, paying fees that allowed Kailash to make a profit.

The field staff and team leader regularly visit the villages and markets to gather feedback on the program. The staff use this feedback to improve their interventions and determine how to expand service provision. They are constantly sharing ideas with the providers and working to facilitate relationships between market players. For example, during some training sessions on sandal production, the trainer orally provided the participants with information on materials suppliers. The information was delivered on an ad hoc basis, however, and the trainees did not have paper and pens to record the information. The participating artisans requested an improved method of receiving this valuable information. EDA helped the trainers to print the information on paper, and the trainers agreed to offer this information on a regular basis, thus providing the trainees with tangible information that they can refer to when needed.

Through regular interactions with providers and microentrepreneurs, EDA is constantly trying to understand how many BDS providers have emerged and are offering commercial services. It also tries to understand how many artisans and other market players are buying the services, and why they decided to purchase them. EDA follows up with the providers and service buyers to understand how the services can be improved and how EDA can help the providers to implement the suggested improvements. EDA also attempts to understand the additional initiative the providers are making to develop their services and their business on their own. Understanding how much the providers are willing to do on their own helps EDA to gauge the sustainability of the model.

Quantitatively, EDA gathers information on the following issues:

- Number of service providers in the market;
- Total number of buyers of the services;
- Perceived quality of the services;
- Development of new service products by the providers based on feedback from the buyers; and
- Number of new villages and markets receiving services.

As for the broader vision of the project, EDA revisits its objectives and their progress every three to four months. With a finger on the pulse of its

project through regular interactions and monitoring, the quarterly review allows EDA to think broadly about the project and to ensure that it is continuing to move towards its overall goals.

Section 2

Service Provision Business Models

The development, testing, and refining of appropriate business models for the delivery of services to artisans and other market players is one of the most challenging parts of market development programs in weak markets. EDA Rural Systems Pvt Ltd (EDA) worked with providers to pilot three main business models through the interventions outlined above. This section shows how the business development services market assessment (MA) findings led to the design of each model. Each model is described and outlined in a diagram. This section discusses EDA's role in facilitating the development of each business model, the challenges faced, and the adjustments made. It also provides examples of actual service providers and microentrepreneurs who have purchased each service.

Design-Related Services Business Model

The urban and export markets constantly demand new designs catering to consumers' changing tastes. Design-related services help artisans and the entire subsector meet this demand.

EDA's Findings on the Market

EDA found no formal, commercialized design service for microentrepreneurs. Artisans received information on designs from government agencies or fellow artisans. Some microentrepreneurs learned basic design skills from the government-subsidized training courses but, given the limited outreach of the government programs, most microentrepreneurs used traditional designs or copied their neighbors. The more sophisticated microentrepreneurs copied designs they saw in the marketplaces or from information they received from wholesalers and exporters. Information on new designs did not have wide outreach in the market and failed to provide microentrepreneurs with the progressive designs demanded outside local markets. Without information and instructions on the latest designs, the majority of the microentrepreneurs were limited to supplying basic designs to local markets.

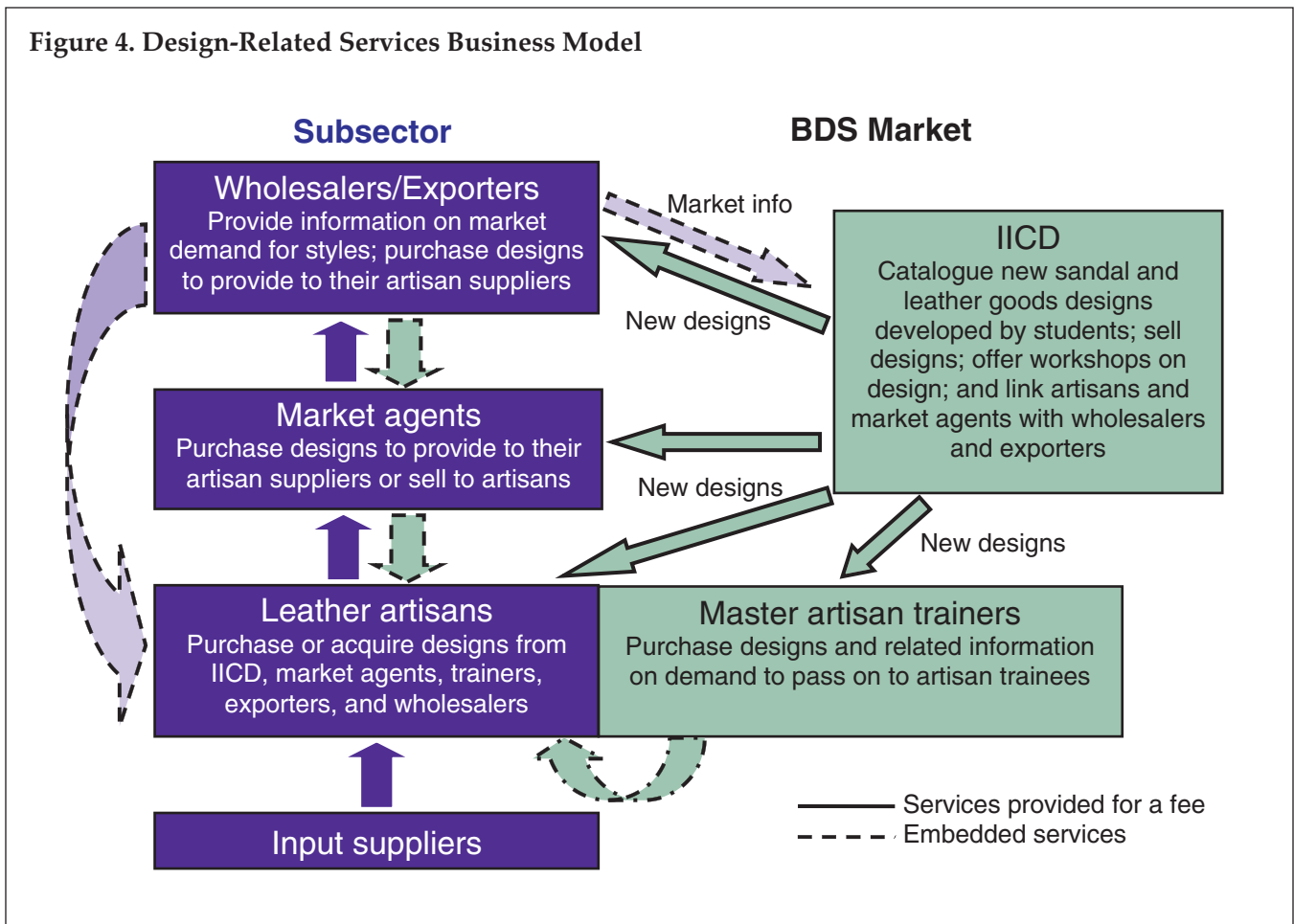
As for design information providers, EDA found that most of the information on designs came from government-subsidized training courses. According to the artisans, the training was very basic and did not provide information or technical skills on the styles in demand.

The Service Provider

EDA found that the leather artisans lacked market information on trends and were not sophisticated enough to conceive new designs that met consumer demand. The EDA staff felt that experts in design should be involved in the subsector because meeting consumers' changing demand for new product styles requires design talent, continuous innovation, and a strong level of market understanding. These considerations led EDA to contact the Indian Institute of Design and Crafts (IICD) as a possible design service provider.

IICD is located in Jaipur town, approximately one to two hours from the villages where the artisans live. IICD offers design degree programs focused on developing the skills and improving the livelihoods of local microentrepreneurs and handicraft producers. EDA chose to work with IICD as a design services provider because it believed that the overall objective of IICD to aid low-income crafts workers matched with EDA's project objective. IICD had organizational goals to provide students with marketable technical skills and was looking for ways to become financially self-sustainable. In addition, IICD had relationships with exporters and wholesalers in the market who were willing to share information on the designs in demand. EDA recognized that IICD could have greater outreach than only exporters and wholesalers offering designs as an embedded service because IICD could interact with multiple types of market players. By creating and selling new designs for sandals and leather goods commercially, IICD could expand its students' skills, build on existing services, and create a new revenue stream for itself.

Figure 4. Design-Related Services Business Model



The Service and the Business Model

IICD receives market information on consumer preferences from exporters and wholesalers and uses its students to develop prototypes. The prototypes are then made into saleable design packages. Each design package includes a finished prototype, a pattern and descriptions of the raw materials needed, and the production process. IICD catalogues the new designs in a “design bank” for the leather subsector. Fees for the designs are determined based on the level of exclusivity. For example, an exporter who wants exclusive rights to a design will pay a higher fee than an artisan who purchases a design that is available to others as well.

IICD sells the design packages to microentrepreneurs, market agents, trainers, exporters, and wholesalers. IICD markets its services through workshops and training sessions. Initially, IICD is reaching its target groups through introductions and promotions by EDA. In the future, IICD plans to visit local villages and markets to explain its services and distribute promotional materials.

Piloting the Business Model

Having no prior experience selling designs commercially, IICD required evidence of market potential before it piloted its services. EDA provided IICD with US\$500 to conduct its own MA, which included the students designing 25 different sandal designs. After the designs were complete, EDA invited artisans, trainers, market agents, exporters, and wholesalers to a reception for IICD to introduce its designs and services. The reception resulted in one artisan purchasing a design and an exporter buying two designs. Another benefit of the reception was that it brought together artisans, wholesalers, and exporters who may not have interacted with each other before. For example, a wholesaler told an artisan that he would pay more for modern sandals made from new designs. The interaction between the market players allowed all parties to see the value of the design services.

IICD needed a variety of new skills and capabilities to succeed in its new venture. To date, EDA had built capacity of the IICD through the following actions:

- Assisting IICD in understanding how to commercialize its service in a profitable and sustainable manner;
- Providing assistance in organizing a workshop—attended by artisans, wholesalers, and officials from two government projects operating in the leather subsector—to disseminate the new designs developed by IICD and promote the design service; and
- Assisting IICD in developing a business plan to promote the service and increase the outreach.

Challenges and Adjustments

As Bhagirath notes in Box 3, a significant problem with the sale of designs is that many of the skilled artisans can see a design, memorize the pattern, and make their own version. Therefore, some of the microentrepreneurs who attended the IICD reception, such as Suraj, an artisan from Sawardha, did not purchase the designs but memorized them, replicated them, and created the sandals themselves. Suraj claims that he would pay a fee for the designs if he were required to pay to view the designs; otherwise, he sees no reason to pay a fee. Many of the microentrepreneurs live in the same villages and keeping information like designs secret can be difficult. In many cases, after a sandal hits the market, other artisans immediately copy the design. Therefore, for a microentrepreneur to benefit from purchasing a design from IICD, he or she must receive an initial order for that design large enough to cover the price of the design. Furthermore, IICD will have to create new designs faster (the 25 designs in the design bank took one and a half months to create) to keep the artisans who purchase its services ahead of those who do not.

The current outreach of this service poses problems of saturation of specific markets. For example, many of the microentrepreneurs invited to the IICD

reception were from the village of Udaipuria because this village has greater market connections, and its artisans understand the value of design inputs. Therefore, a possibility exists that these microentrepreneurs will purchase or copy similar designs, thus making it difficult for each artisan to maximize his or her return on investment.

Although microentrepreneurs clearly value design services, the subsidized service environment poses obstacles for this business model. The artisans targeted by EDA are accustomed to receiving government and NGO services free and are slow to recognize how an improved service will positively impact their business. Therefore, both EDA and IICD will continue to illustrate the benefits of design services by introducing the microentrepreneurs to embroiderers, input suppliers, wholesalers, and exporters who can testify to the demand for improved designs.

Based on the pilot implementation, EDA and IICD found that the market agents, exporters and wholesalers, and to a lesser extent, artisan trainers appear to be a more promising market than selling directly to microentrepreneurs because of the larger product volumes that they deal with as well as their greater capacity to pay. The market agents, exporters, and wholesalers pass designs onto a handful of microentrepreneurs to fill specific orders. The artisan trainers include training in making specific new designs, as well as the patterns and information on where to get raw materials for the new designs, as part of their training courses, increasing the value of the training to microentrepreneurs. Therefore, IICD and EDA are developing strategies to increase their focus on selling to these market players.

In summary, IICD is making the following key changes to handle challenges identified during its first few months as a design service provider:

Box 3. An Artisan Tries Purchasing New Sandal Designs

Bhagirath, an artisan from Udaipuria, attended the IICD reception and bought one design. From his interactions with wholesalers and exporters from Delhi at the reception, Bhagirath received an order for 500 sandals. He invested US\$4 in the design and will receive US\$4 per pair of sandals. The higher price will result in an additional US\$0.50 per pair of sandals net profit for Bhagirath. In the future, Bhagirath is interested in purchasing additional designs for sandals as well as for other leather products. One of his main concerns, however, is that all designs are prone to being copied by other artisans. Therefore, he believes that IICD needs to attract the cutting-edge artisans who can quickly bring the new designs to market.

- Developing new designs at a faster pace to lessen the impact of copying and keep up with consumer trends;
- Encouraging those who purchase designs to make slight modifications (by using different raw materials and accessories) in the main designs, thereby remaining ahead of others; and
- Increasing its focus on selling designs to exporters, wholesalers, market agents, and artisan trainers.

Market Linkage and Information Business Model

To reach new markets, artisans need information on what consumers want and new designs to meet those preferences. They also need links to new buyers and new ways to showcase and sell their products. The market linkage and information services provide these benefits.

EDA's Findings on the Market

EDA learned that the majority of the information on exhibitions and market opportunities received by leather artisans came from government organizations, nongovernmental organizations (NGOs), or other artisans/family members. The information was free, and microentrepreneurs usually paid a subsidized fee to attend exhibitions or trade fairs. As for linking the microentrepreneurs with buyers and/or new markets, EDA discovered that approximately 20 market agents in Jaipur district outsourced production and sold the sandals either in the Jaipur haat or supplied them to retailers and/or wholesalers in the Jaipur and Delhi markets. In addition, a few larger, more sophisticated artisans had started to sell sandals with modern designs to more lucrative markets, such as exporters and retailers in Delhi. Some

of these artisans had started to outsource to other microenterprises to fill big orders.

EDA found that microentrepreneurs are willing to pay for information and admission to exhibitions and fairs. They also ascertained that the existing traditional sandals needed to be upgraded and improved to increase market agents' interest in the products. Furthermore, the performance of the existing market agents suggested that promotion by agents in other villages would be productive.

Service Providers

EDA chose to build on what exists. It decided to help local artisans start or expand outsourcing production to other microenterprises as well as provide a variety of useful market information to other microentrepreneurs. Eventually, these entrepreneurs would become wholly or mostly traders or market agents, purchasing leather products from microentrepreneurs and selling them to wholesalers, retailers, and exporters as well as arranging microentrepreneurs' participation in exhibitions and trade fairs. Not only did this business model exist in a few cases, but local artisans with good market connections were in a strong position to help other microentrepreneurs meet demand from more lucrative urban and export markets.

The Services and the Business Model

The market agents receive their market information from artisans, trainers, exporters and wholesalers, IICD, and exhibition organizers and by making visits to potential markets in and outside Jaipur. Based on this information, each market agent interacts with local artisans in some or all the following ways:

- Buys artisans' products and sells them to wholesalers, retailers, and exporters and/or at markets.

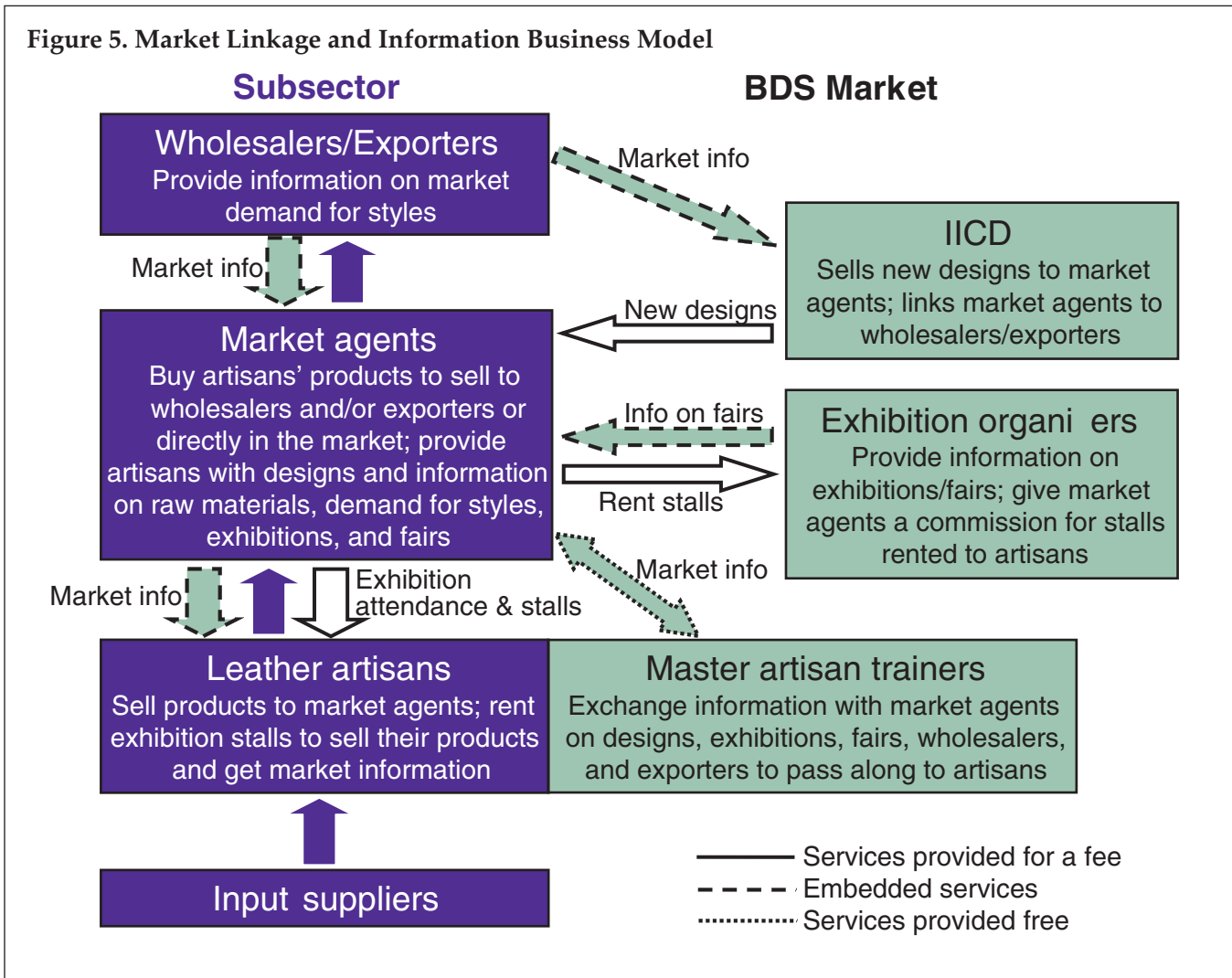
Box 4. A Market Agent Uses IICD Design Services

Ramesh, an artisan and market agent, fills orders through his own production and outsourcing. Because Ramesh was unable to attend the IICD reception, EDA provided him with seven IICD design samples for meetings with wholesalers and exporters in Delhi. During the meetings, Ramesh received orders for 50 to 100 samples of the seven designs from IICD. With the IICD designs, he will earn US\$0.55 net per pair of sandals: he will keep US\$0.35 and give US\$0.20 to the microentrepreneurs from whom he buys the sandals. The IICD samples were made of materials that Ramesh does not know where to find, however. EDA has located a supplier for the material for him so that he can meet the requirements of the orders. Although he does not need to hire additional labor to fill the existing order, he will hire more local microentrepreneurs as his orders increase, thus increasing employment in the village.

- Embeds market information in the above transaction. For example, a market agent might place an order with a microentrepreneur and provide him or her with specific information on the design of the product. Or, a market agent might provide microentrepreneurs he or she buys from with general market information on trends in the colors, decorations, and other design details that are popular in the market.
- Provides sandal or leather products designs (from IICD or exporters) to microentrepreneurs as an embedded service related to specific orders or for a fee.
- Arranges artisans' attendance at exhibitions and trade fairs and rents them display stalls on commission from the exhibition organizers and/or for a fee from the artisans.
- Provides artisans with information on exhibitions and trade fairs as an embedded service and promotional tool for the above service.

Piloting the Business Model

EDA identified a few artisans serving more lucrative export and/or urban markets mainly with their own products as potential market agents because these artisans had both better market connections and were more "market savvy" than others. It also identified artisans who were already outsourcing some production to other microentrepreneurs and selling their products in the markets or who had been trainers for government programs and recognized the potential for commercialized market linkage services. Currently, the market agents are artisans with another primary source of income. For example, in the village of Udaipuria, Kailash Chand produces sandals, acts as a trainer for government training programs, provides market-related informa-



tion for free during his training programs, and sells information and registration for exhibitions. Those artisans with strong existing revenue streams were less risk-averse to experimenting with trading products than others. EDA is also encouraging skilled market agents who are already involved in buying and selling sandals to increase their outreach by covering more microentrepreneurs in more villages.

EDA is building the capacity of the market agents by taking the following steps:

- Connecting the market agents with potential artisan suppliers in different villages by arranging meetings and/or introducing the market agents to various microentrepreneurs individually.
- Providing technical assistance on an individual basis to increase the market agents' professionalism, including improving their skills in pricing, negotiation, and effective communication, which helps them to interact with more sophisticated exporters and wholesalers.
- Helping them to develop the design and contents of print materials, including brochures, business cards, and catalogues to promote their products and services, and linking them to business that can print the materials for a fee.
- Assisting them with opening bank accounts.
- Helping them to develop relationships with wholesalers, retailers, and exporters by introducing them and accompanying them to visit these market players in Jaipur and Delhi.

- Providing information on private sector exhibitions in different places on a frequent basis.
- Introducing and helping them to develop business relationships with exhibition organizers.

EDA also shares its MA findings on a regular basis with market agents, gathers feedback on their trading and market information activities, and seeks their input on the design and implementation of EDA's interventions.

Challenges and Adjustments

The new market agents with whom EDA is working seem to be doing fairly well. They are gradually increasing their outreach by covering more villages. EDA is identifying and promoting more market agents to further expand the number of microenterprises with access to more lucrative markets.

The outreach for exhibition services has thus far been relatively low. A few microentrepreneurs have purchased this service, and more have expressed interest in attending the exhibitions but do not have the money to pay the fees. EDA hopes that market agents who provide information on fairs and exhibitions will start to offer other value-added services, including information on the types of leather products to be made for a specific exhibition and more options for group renting of exhibition stalls. As more microentrepreneurs get access to new buyers through market agents, however, their demand for

Box 5. From Artisan Only to Artisan/Market Agent

EDA approached Prakash to act as a market agent for the microentrepreneurs in Udaipuria. Before his interaction with EDA, Prakash sold his own products in the local markets and to wholesalers. To illustrate the benefits of becoming a market agent, EDA arranged for Prakash to meet with five different exporters in Delhi. Prakash paid all his own expenses for the trip (US\$30). During these meetings, Prakash realized that a demand existed for his products in Delhi and that the profit margin would be much higher than if he sold to the local markets. Therefore, Prakash decided to sell his own products to the exporters and also outsource larger orders to microentrepreneurs in his village. Regular assistance from EDA was another factor in Prakash's decision to try selling to exporters and outsourcing production. EDA provides Prakash with information and guidance on obstacles that arise. For example, EDA provides Prakash with information on raw material suppliers and embroiderers.

In December 2003, Prakash received an order from an exporter for 25 pairs of sandals with modern designs. Even with outsourced labor, he will net US\$0.50 per pair. Prakash is also in the process of making a deal for a repeat order of 1,000 to 5,000 sandals with another exporter. Although he currently employs 15 workers, Prakash does not anticipate hiring additional labor. He prefers to outsource to microenterprises in his village because he avoids having to provide food and materials required for the full-time workers.

Box 6. A Market Agent Tries Selling Exhibition Information

At the time of writing, only one market agent had made a commission by arranging artisans' participation in fairs and exhibitions. EDA introduced Kailash to several exhibition organizers and helped him to understand how he could provide information on exhibitions to local microentrepreneurs. Kailash receives the information free from the exhibition organizers and arranges for microentrepreneurs to rent stalls at exhibitions. He receives a commission from the exhibition organizers based on the number of stalls that he rents out. Whenever he gets new information, he visits microentrepreneurs and passes on the information—the dates and locations of the fairs, details on the organization, and the total fee for participating—and indicates that he will receive a fee to reserve a stall. Several microentrepreneurs have now starting coming to him to find out when and where the exhibitions will be held. He had been offering this service for two months at the time of writing and had rented one stall to two microentrepreneurs together, relatives from his village. The microentrepreneurs paid US\$160 for one stall, and Kailash's commission was US\$16. In the future, he has arranged that the exhibition organizers will pay him 10 percent of the fees for the total number of stalls he rents.

exhibitions and fairs may actually decrease rather than increase.

Training Services Business Model

The traditional sandals that artisans make are not suitable for urban and export markets, but the artisans do not know how to make other products. Training helps the microentrepreneurs learn how to produce new designs and products that are demanded by urban and export markets.

EDA's Findings on the Market

EDA did not find any fee for service, commercial training available to leather artisans. Government agencies provide free or subsidized training. The government training is perceived as having low outreach and little relevance to the market. Many of the microentrepreneurs who attend government training believe that their time is wasted because the skills they learn are outdated and no follow-up on how to use their new skills and market their products is

provided. A few exporters and wholesalers provide embedded training and technical assistance to their artisan suppliers. The training is limited, however, and geared towards meeting specific orders. The trainers, whether sponsored by the government or through exporters, are sandal producers who typically have a higher level of skill than other producers. Some artisans with large orders provide training and technical assistance to other microentrepreneurs in their villages to whom they outsource production. Although artisans with training skills and experience existed in the market, none of them had offered their services on a commercial basis.

Demand exists for more frequent and higher quality training courses. From its MA, EDA learned that the microentrepreneurs who have not received government training demand basic training, while those who have attended the government training demand training on more sophisticated and market-relevant products.

Box 7. An Artisan Starts Supplying Market Agents

Kalu Ram, a sandal producer from Hastera village in Jaipur district, has been selling sandals at the weekly Jaipur haat for many years. At the haat, he met two market agents promoted by EDA (Omprakash and Mahaveer of Udaipuria village in Jaipur). Kalu Ram told them about his skills, products, and interest in supplying them with sandals. After observing his products and skills, the market agents gave him a small order of 25 pairs of sandals deliverable in a week. Kalu Ram delivered the sandals on time, and the market agents were happy with his skill and the quality of the sandals. Gradually, Kalu Ram got more and bigger orders from the market agents, and they also provided him with leather, accessories, and new designs for the orders. Presently, Kalu Ram supplies around 70 to 100 pairs of sandals every week to the two market agents. He likes supplying to the two market agents because he gets money on time, does not have to sit in the weekly haat to sell his sandals, and also learns new designs from them.

ing. This ensures that the trainers maintain high-quality sessions and enables the microentrepreneurs to earn income between sessions to pay for the fee.

Rather than the artisans having to travel far to receive training, courses are organized per village. The trainer travels to a village and provides training for artisans in that village in a local venue, usually a local artisan’s workshop. The advantages of this approach are that the local artisans can work during the day and attend training in the evenings or any time convenient to both the trainer and trainees. Therefore, the artisans do not forfeit their regular earnings to attend a training course. In addition, the trainer can observe the artisans at work and help them to improve and perfect the skills they have just learned.

To reach more artisans, trainers usually work with “training agents,” local artisans who promote the training services, mobilize and enroll microentrepreneurs, and organize the training courses in their local villages. Trainers pay a commission of 10 to 15 percent of total revenue generated to the training agents.

Piloting the Business Model

EDA obtained a database of artisans who had attended or taught at the government-subsidized training programs. To develop a business model for training services, EDA approached a few skilled microentrepreneurs who had participated in past government training courses as trainers or participants. EDA asked these microentrepreneurs about their experience with government-sponsored training,

particularly how they would improve it to gain more benefit. EDA worked with the microentrepreneurs to use their ideas to develop a commercial training offer. EDA then found potential artisan clients and brought the trainers to meet with them and arrange a training session. The overall objective was to use microentrepreneurs with prior experience as trainers to jump-start the market.

EDA works closely with the trainers to develop their capacity. Currently, EDA provides support in the following ways:

- Encouraging microentrepreneurs to purchase training and helping them form training groups. EDA is gradually reducing this activity, and the trainers are taking up this responsibility; wherever trainers work with training agents, the latter undertake these activities.
- Providing assistance in developing pamphlets to promote training courses, linking trainers with suitable printers, and offering advice on the location for distributing these pamphlets. This enables trainers to promote their services and generate business on their own, thus reducing dependency on EDA.
- Identifying and encouraging artisans to become training agents, and then developing their links with trainers.
- Assisting trainers to develop appropriate training courses, improve training methodologies, determine training costs and prices, and design payment mechanisms.

Box 8. From Government to Commercial Trainer

One of the trainers, Kailash from Udaipuria, started as a trainer for the government Rural Non Farm Development Agency (RUDA). In his experience with RUDA, Kailash found that most of the RUDA training participants are not interested in learning because the training is free to them. Kailash feels greater satisfaction from offering commercial services because the trainees are more invested and participatory. Currently, less financial gain is available in the commercial model, but Kailash believes that the RUDA training is risky because RUDA is a donor agency, and the funding can dry up. To make up for the difference in revenue, Kailash foresees offering commercial training courses more frequently than the RUDA courses are offered.

	Type of Training	
	RUDA	Commercial
Fee received by trainer	US\$80	US\$60
Fee received for food and lodging	US\$30	Free (provided by participants)
Frequency (on average)	2-3 courses per year	6 courses per year

- Providing trainers with information on new designs, growing markets, sources of quality inputs, and organizations arranging trade fairs and exhibitions.
- Monitoring the training courses to ensure the provision of quality services and effective learning and providing feedback whenever required.
- Sharing findings from the MA and feedback from participants with trainers to help them improve their services.
- Addressing any significant issues of concern to both trainers and trainees (such as negotiation of training prices).

As one initiative to promote competition and improve pricing, EDA took several different pricing quotes from trainers and created a competition in which the winner was the trainer offering the best price. They developed this exercise to show trainers how to negotiate fairly. EDA also illustrated to the trainers that initially having a lower profit margin might be necessary as the market develops to stimulate demand, and when high demand exists, they can raise their prices.

Challenges and Adjustments

The training services business model has been successful in providing improved courses, reaching new clients, and bringing new skills and techniques to the microentrepreneurs. Three issues that require addressing, however, have become evident during the pilot phase:

- **Outreach.** EDA has been able to link some of the trainers with new villages. Although a gradual increase in the number of training agents will expand the outreach of the service, existing trainers find it difficult to travel frequently to distant villages because they also have their own production businesses to manage. Therefore, EDA plans to help new trainers in more distant villages to offer training in surrounding villages with the aim of slowly expanding the geographical reach of the service. EDA hopes some trainees with required capabilities will become trainers for their own villages. In addition, some training agents may also become trainers after developing required experience while working along side trainers. In the future, new local trainers could offer more basic training to supplement their incomes, while the original trainers could continue to evolve their own services by offering more sophisticated

training. This service growth would deepen and expand the training market.

- **Timing.** Through piloting, it has become apparent that trainers should take the production cycle and calendar into consideration when offering their services. For example, Kailash provided leather goods training for six artisans in the village of Manpuri Mancheri. After the training course, some of the microentrepreneurs received small orders for bags but were unable to fill the orders because they were in the peak sandal production season. EDA is planning to work with the trainers to develop a calendar of training courses that incorporates production seasons.
- **Subsidization.** Willingness to pay for training is still low because of the availability of free training from government agencies and NGOs. During Kailash's initial visit to Manpuri Mancheri, 20 microentrepreneurs expressed interest in his training course. Only six came to the training, however. The artisans who attended the course reported that many of the microentrepreneurs are reluctant to pay for courses when they have previously received training for free. To address the weak demand due to subsidized training, Kailash explains to prospective trainees that the subsidized training may end soon. He is also honing his service features. He provides trainees with links to buyers and exhibitions for free. He hopes that this approach will aid the microentrepreneurs in seeing increased revenues in the short term from the products they have learned to make with him. This tactic will also improve word of mouth referral.

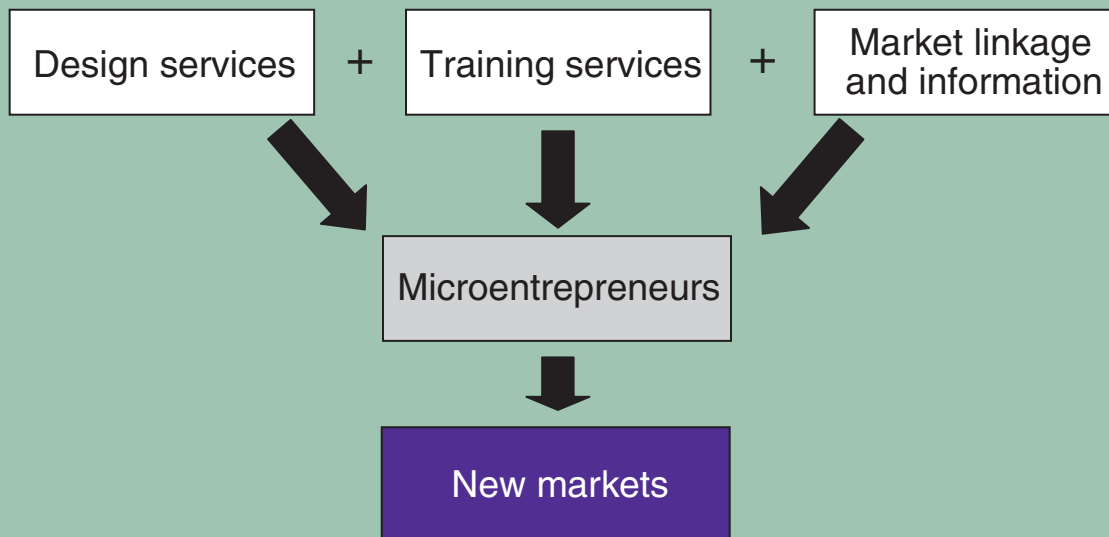
Bundling the Services

During the MA and pilot implementation, EDA realized that leather microentrepreneurs demand a business benefit, reaching more and better markets, rather than individual services per se. Addressing this demand is also in concert with EDA's overall objective of integrating microentrepreneurs into markets in a way that is more beneficial to them and also contributes to local and regional economies.

To realize this benefit, microentrepreneurs need a bundle of services: information on new designs that are in demand, training on how to produce the new designs, and marketing services to reach the new markets where the designs are in demand. One service alone may not enable the microentrepreneurs to reach more lucrative markets.

Box 9. Aristans' Experiences with New Training Courses

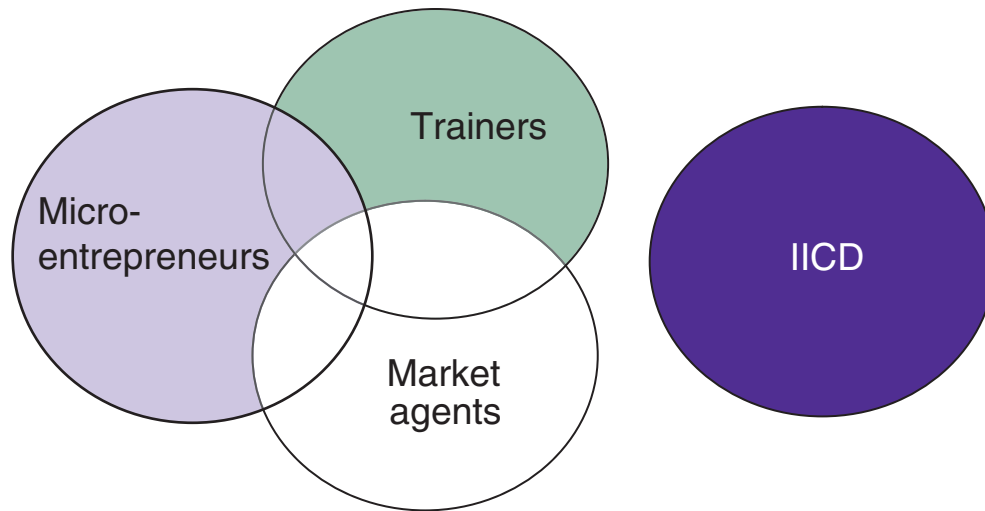
Nanuram and Omprakash, two microentrepreneurs from Bhadouli village in Dausa district, have been making jootis for a long time. They met Kailash, a trainer, who told them about his training course for modern sandals, the embedded services that will be provided to them, and the price for the training. Both of them bought the training course with two other microentrepreneurs from their village. They attended 15 days of training in modern sandal production in their village. After the training, Nanuram and Omprakash made some samples and, with the assistance of the trainer and EDA, they were able to get some orders. Gradually, they started making some modifications in their designs and were able to derive some new designs. Although the market for traditional jootis has dropped off, they both are able to earn good money by making modern sandals. Both of them invested money to buy required lasts for making modern sandals and are in the process of shifting completely from traditional to modern sandal making.



Both Nanuram and Omprakash said, *"If we hadn't paid for the training, we would not have made modern sandals. In the past, we were provided free training, and so no one paid any attention. But when one pays a fee, he or she takes interest and finds ways to get the return from the money paid."* Both artisans are now acting as training agents, trying to motivate other microentrepreneurs to purchase training courses.

In Bishanpura village in Dausa district, Ramswaroop and Tarachand recently bought a training course along with eight other microentrepreneurs who have been producing jootis for a long time. Kailash offered a training course on modern sandal making in their village for 15 days. After the training, these two artisans approached some wholesalers in Bandikui and Dausa city. In Bandikui, they sold 19 pairs of modern sandals at US\$2.60 per pair when the price offered for traditional jootis is just US\$1.20 per pair. In addition, the wholesaler in Bandikui has promised them some more orders soon. Wholesalers in Dausa and Jaipur have promised them regular orders in the range of 100 to 500 pairs every month. They both are optimistic that they will get good returns from these orders. Now, both of them plan to buy lasts so that they can deliver the bigger orders. They also plan to encourage other microentrepreneurs to buy such training courses because the training is customized according to their requirements and includes free information useful for the growth of their enterprises.

Figure 7. Connecting Service Providers to Deliver Bundles of Services



To meet this demand, EDA recognized that it had to promote linkages among the services and integrate them into each other. Some of the providers have realized on their own that it makes sense to offer more than one of the services demanded. EDA has been encouraging them along this path. Trainers like Prakash (see Boxes 1 and 5) use IICD designs during their training courses and provide names of wholesalers and exporters to ensure that training participants can reach new markets. Some market agents purchase designs from IICD and train their artisan suppliers on the design techniques, resulting in a higher profit margin for both the market agent and the artisans. Figure 8 illustrates how service providers are connected to provide bundled services.

Furthermore, EDA is also linking the providers together. EDA introduces them to each other and encourages them to refer their clients to each other and purchase each other's services. For example, some trainers sell through market agents or introduce their trainees to market agents. Some market agents

purchase training, and then pass on skills through embedded service provision to their artisan suppliers.

During the piloting, EDA realized that a need exists to organize small workshops at the village level so that different types of service providers can interact directly with artisans in groups. In these workshops, artisans learn about the services available and visualize all aspects related to them before buying them. At the workshops, service providers discuss with artisans the individual benefits of each service, the combined benefits of bundled services, and how the services will help artisans earn more in their businesses. Thus, artisans are more willing to buy training courses because, for example, they realize that market agents are available to buy the products they will make using the new skills. These workshops also provide an opportunity for artisans to seek clarifications from providers about various services. Collaboration between trainers and market agents on conducting workshops and other marketing initiatives is a win-win proposition for both—each creating demand for the other's services.

Box 10. Benefits of Bundled Services

Raju and Rich Pal, brothers and microentrepreneurs from Manpuri Mancheri, attended a training course in leather goods given by Kailash. In addition to learning the techniques for producing various leather goods, Raju and Rich Pal received information about wholesalers and exporters in Delhi. Based on the market links provided to them during the training, they have received orders for leather products that have resulted in a profit of US\$100 to date. They were satisfied with the training course they purchased because they were able to capitalize immediately on the skills they learned. Furthermore, they now have the opportunity to act as market agents for Kailash's training courses, promoting and arranging courses in their own and surrounding villages, which will also increase their incomes.

Section 3

Lessons Learned and the Way Forward

Although the leather subsector project is still young, EDA is already actively looking back to identify lessons learned and looking forward to pinpoint and develop strategies to address future challenges.

The Essential Feedback Loop

EDA's pilot implementation suggests that market development is a process and should be viewed in this way. Market assessment (MA) is an important part of that process, enabling the design of intervention strategies and the development of models. But other factors, including project objectives and social and cultural factors, are equally important for determining project design and intervention strategies. Although some design decisions developed from the business development services (BDS) MA findings may be final (such as the selection of services to be promoted and the identification of suppliers for respective BDS), the same cannot be said of the methodologies visualized for implementing them. Visualizing in advance all the issues and external factors that could influence implementation is impossible. Therefore, EDA has found that keeping implementation strategies as flexible as possible is helpful so that they can be modified on the basis of experience and learning emerging from the pilot phase.

Gathering more market information after the pilot implementation has started is also often helpful. Gaps in knowledge become more obvious during implementation, and focused market research can help managers adjust strategies to be more effective. For example, EDA realized at a relatively late stage in the pilot implementation that to develop the capacity of market agents, a database of buyers of modern sandals and leather goods would be helpful. Therefore, a small student project was commissioned for this purpose, which has resulted in the development of a good database of such buyers. The study also revealed that making small leather goods, such as leather key rings and small wallets with unique designs, is more profitable than larger products because they require less material and are faster to produce but still sell for a reasonable price. EDA plans to encourage artisans to emboss images of local tourist sites in the leather for these products. This

design will provide a unique stamp to local products and increase demand. The information from this small study is helpful not only for the market agents, but also for the trainers. EDA envisions that these roles—identifying designs and buyers—will progressively be taken over by market agents.

The pilot phase has enabled the EDA implementation team to learn what works and what does not. This learning provides the basis for adjusting implementation as the project moves forward. Monitoring the pilot implementation closely is helping EDA to maximize this learning and make strategy adjustments quickly. This feedback process is envisioned to continue, although perhaps less intensively, throughout implementation. EDA has found that this feedback loop is critical to achieving the objectives of the project.

Achievements to Date

After six months of piloting, positive indications that EDA's interventions can achieve its goal of increasing the incomes of the leather microentrepreneurs by enabling them to access customized, commercial BDS from local providers. Thus far, EDA has seen several encouraging signs that its strategies are working, including the following:

- Microentrepreneurs have purchased the new commercial BDS at full cost from local providers and applied new skills in their businesses. For example, in Gudeliya village in Dausa district, a few microentrepreneurs purchased a training course on modern sandal making. They have now almost completely shifted to modern sandal production.
- When trainees immediately use their new skills in their businesses, a demonstration effect among other artisans occurs in the village as they realize the utility and effectiveness of the training. The demand for training increases faster if artisans are able to immediately use the new skills acquired. This evidence supports the importance of integrating services to enable microentrepreneurs to reach more profitable markets.

- New BDS providers have started taking more initiative on their own. For example, trainers have invested their own money in pamphlet development and market agents for product catalogue development. These providers are trying to develop the market for their services by visiting different villages in not only the two project districts but also other areas.
- Anecdotal evidence suggests that EDA's interventions are having a positive impact on the local economies of rural villages where the artisans live. More income is being generated in the communities, and the links between these communities and urban markets is increasing. Anecdotal evidence also indicates that the interventions are having a positive impact on the leather subsector. More market information is flowing from retailers, wholesalers, and exporters to product designers and artisans. Wholesalers and exporters have greater access to products that meet the demand from urban and export markets. Although the impact is still small, the trends are encouraging.

The Challenges Ahead

Although EDA's pilot project is promising, the implementation team faces a number of challenges moving forward, particularly to increase outreach and ensure the sustainable growth and development of commercial BDS markets that enable artisans to reach new markets and respond to changing consumer demand. Key obstacles that EDA must overcome to ensure the success of their project follow.

- EDA has committed substantial time and effort to develop the capacity of service providers—work that is essential to ensure the sustainability of pilot efforts and develop vibrant BDS markets. The amount of effort required is related to the low level of market exposure of the service providers and artisans outside cities and the villages near them. The time required is a constraint to achieving wide outreach. EDA hopes that the demonstration effect will reduce the capacity building needed for additional new providers. EDA is also looking for ways to shorten the process and use existing service providers to teach new providers.
- EDA is currently performing multiple roles in the market, particularly related to collecting and giving information to providers and linking market players. These roles will need to be taken over gradually by the market players themselves. EDA must develop a systematic plan

to ensure that this transition occurs by the end of the project. Although the flow of information in the subsector, particularly to new service providers, has greatly improved, EDA may need to develop additional, sustainable information delivery mechanisms. In addition, EDA may need to develop some other secondary BDS markets, such as master artisans or expert designers who can train artisan trainers.

- BDS market development is a slow process because it involves a paradigm shift among BDS providers and consumers from a subsidized environment to a commercial one. Artisans are reluctant to spend money on services that are also available free. Potential commercial service providers are also more risk averse when they know they will have to compete against subsidized providers. Indeed, a multilateral donor-funded project is currently being implemented in Rajasthan in which training services to microenterprises, including leather artisans, are offered almost free of cost. This situation poses a real challenge to EDA's project. Nevertheless, a commercial approach seems to EDA to be the most appropriate strategy for creating long-term impact and ensuring sustainability. EDA will continue to work with providers to ensure that commercial services provide sufficient added value over what free services offer to make the cost worth it. EDA will also continue to work with providers to help them learn to market their services effectively.
- The efforts of various donor agencies and government agencies need to be coordinated, however, regarding BDS provision subsidizing. Because of different approaches used by different agencies, the commercial approach to developing BDS markets is more difficult, at least in a short time frame. Market development will be more rapid if all donors reach a consensus on limiting or eliminating transactional subsidies in BDS markets.

How successful EDA's project will ultimately be cannot be concluded yet. Although the pilot implementation has been encouraging, more work and creativity will be required to scale the project up and reach thousands of leather artisans. From its experience, EDA realizes that ensuring the success of the market interventions is a multiyear project that will fully engage its staff. EDA's strength lies in its ability to remain flexible and agile throughout the process, gathering feedback and making changes along the way.