A Market Brief of

QUALITY MANAGEMENT SYSTEMS

Service Market

Assessing Supply and Demand

Draft

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KATALYST
growth through business services

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1. INTRODUCTION

1.1 Background

While the pursuit of quality is as old as business itself, Quality Management Systems (QMS) standards as it is known now started appearing in the late 60s. This development continued on with the launch of the ISO 9000 quality management systems standards in 1987. With respect to changing environment, the standards were revised in 1994 and then subsequently in 2000. During this time other standards have also come up as in ISO 14000, SA 8000, HACCP and the likes.

Broadly speaking Quality Management Systems is the way organization directs and controls those business activities which are associated with quality; it consists of organizational structure together with the planning, processes, resources and documentation that businesses use to achieve their quality objectives, to provide improvement of their products and services and to meet their customers' requirements. An important point to note is that QMS standards should not be confused with product or service quality standards. Each standard serves different aims, although if one adopts appropriate QMS then it is most likely that product/service quality would also enhance, all of which contributes to greater competitiveness of the firm.

The rationale for working in this market from KATALYST point of view is manifold: First having a proper management system goes a long way in helping business becoming more competitive and efficient in its operation. Second the QMS market in Bangladesh is currently limited (as research indicates only 521 companies are at preset QMS certified) and it caters primarily to large end of businesses; the implication therefore is that not only there is scope to increase its application in other large end businesses but also by developing and promoting an Small Medium Enterprise[1] (SME) oriented QMS service, there is significant potential to expand this service market. Lastly, increasing globalization puts more onus on local business to have a proper QMS in place, hence the necessity to have a good QMS service market in place.

1.2 Scope

While from a point of view of Definition QMS cover any activities that help improve its quality, it has been found that primarily it meant International QMS Standards or rather ISO 9000. Therefore for research purpose the focus was on certificate oriented QMS services. Furthermore ‘benchmarks’ were placed by which responses in the demand side could be classified. The classification is placed in Annex 1

1.3 The QMS Process[2]

The ISO certification process starts with an understanding of the business enterprise of what a quality management system is and what its requirements are. Once understood, an assessment of the existing management system is conducted to identify what changes are necessary to meet the requirements of ISO. Since it is not the purpose of ISO to impose a totally new way of managing the business, the next task would be to look at what business is doing now. This does not necessarily mean that business has to change the activities or introduce new paperwork. Businesses should look at what is already being done and what documentation already exists and what needs adding or changing to put a quality management system in place.

In cases where no proper documentation of the management process exists, it is necessary that the enterprise sets up the documentation process. A documentation inspection audit is conducted by

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[1] The Gemini Study indicates that there around 6 million SMEs’ operating in Bangladesh.

2 “A Preliminary Investigation of (QMS) Service Markets in Bangladesh” Dr. Abdul Moyeen-2003

consultant or, in some cases, lead auditors to check whether the quality management documentation (for ISO 14000, environmental documentation) of the enterprise meets the requirements of the standards. Any improvements that are recommended can be put into practice before the formal audit takes place. It should be noted here that the enterprises themselves may also conduct such audit without involving any outside consultant, provided they know what is required to comply with the requirements of ISO.

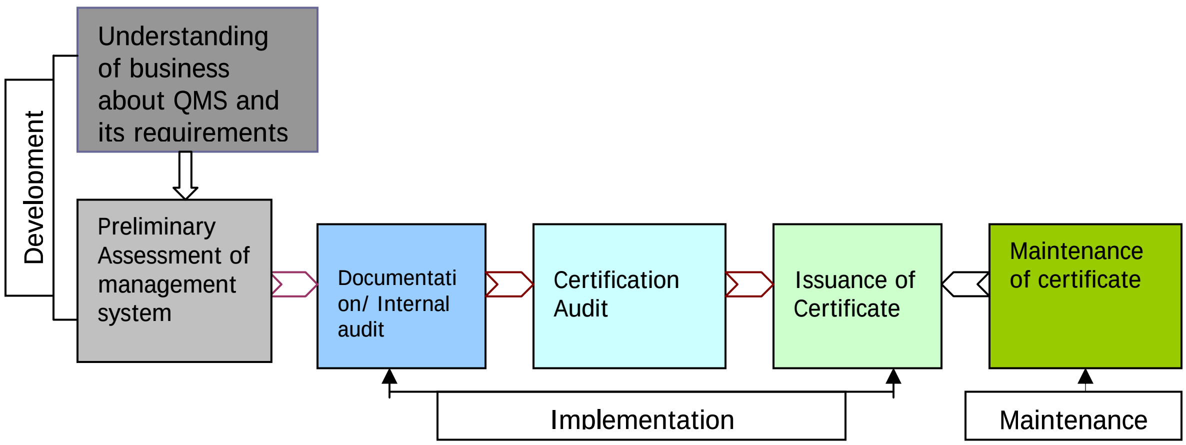


Fig: QMS implementation Flowchart

The lead auditor then carries out the certification audit following the ISO standard. The enterprise demonstrates the practical application of its quality management (for ISO 14000, environmental management system). The enterprise is given a report of the result of the audit. The company is again given the opportunity to put right any shortcomings, before being checked again. If at the end of this process the auditors are satisfied that the company is fully compliant, they will issue an ISO 9000/1 certificate. The three-year validity of the certificate is renewed using surveillance and follow-up audits thus assuring that the standard is maintained on a long term basis.

The certification body is accredited by the accreditation body. About 700 certification bodies are operating in the world. The certification body often employs lead auditors or hires them on job basis. The lead auditors have to be registered with a certification body. Different certification bodies have different criteria for registering as the lead auditors. Usually, a person who has completed the lead auditor training course successfully may become a lead auditor if he or she performs at least five audits as a member of the team and five more audits as team leader.

Though not necessary, businesses might want to engage the services of a consultant to guide them through the process of implementing quality management system. In Bangladesh, consultants are used for almost all of the following activities:

- Preliminary assessment
- Training
- Documentation/internal audit
- Implementations

Anybody could provide such consultancy; however, the quality of consultancy improves when the consultants have received Lead Auditor training and have some first hand experience in implementing such assignments.

1.4 QMS Study Background

The QMS study was conducted under a two fold approach: one concentrated on the QMS provider (Supply) side and the other looked at the Consumer (Demand) side.

Supply: The study began with a Rapid Market Appraisal of the QMS market to gain a preliminary understanding of the market. Then in-depth interviews were conducted targeting QMS Consultants (both organizations and individuals), Certifying Bodies, Training House and Testing bodies. An FGD was also conducted comprised of these participants.

Once the draft findings were determined they were validated through a workshop. In total 32 interviews were conducted which considering the small number of QMS players almost covered the entire population.

Demand: Similar to supply study, the demand study began with a rapid market appraisal. Then a series of FGD was conducted in twelve sub-sectors. These were

- Hotel & restaurant
- Handicraft & boutique
- Electrical parts
- Furniture
- Travel agency
- Bakery & confectionery
- Leather
- Printing & publication
- Health care
- Computer & IT
- Light Engineering
- Real Estate

Based on these exercises a questionnaire was designed and a quantitative survey was carried. Sample size was 585 and the research was carried out in the following locations Dhaka, Chittagong and Bogra. Only those organizations that had trade license, operating for 2 years and having a maximum 100 employees were included in the survey.

2. QMS IN BANGLADESH

The QMS industry in Bangladesh is very much in its infancy. Transaction for this service is largely limited to a very narrow scope of industries, although potentially it applies to all forms of industries. The first company to become ISO certified in this country was in 1990-91. From then on there has been a steady increase of number of certified companies. **Excepting a very small portion, all of these certifications pertain to the ISO 9000 series**. In fact, standards like TQM, ISO 14000 and other have only *now* began to surface.

Various initiatives had been taken to enhance these developments which have shown mixed result. Matching Grant Facility[3] (mgf) was perhaps a key contributor in heightening the interest for QMS as a result of which there was a sudden rise in companies become quality certified. With the conclusion of the project, the interest for this sector has somewhat stabilized.

[3] mgf was a four years World Bank project from 1998 to 2002 in Bangladesh aimed at export oriented industries as well as those service institutions serving export oriented concerns. It methodology lay in reimbursing approved clients upto 50% of its expense in pre-selected areas of activities as in marketing, training, research, product development etc.

2.1 Industry Size

An extensive research was conducted in both demand & Supply side of this industry. The study revealed that as of June 2004 there are 521 companies that are certified and 81 are in the process. Other than a handful of those (less than 15 to 20) all of them are ISO 9000 certified. From the supply side perspective the number of certifying bodies are 7, consulting bodies is around 15 and free lance consultants are around 75 to 100. Bangladesh does not have any accreditation body although some initial discussion are being organized in different stakeholders groups to promote Bangladesh Standard Testing and Inspection (BSTI), the national body on Standards & Testing, as the accreditation body. In terms of annual turnover the market is estimated to be valued at around US $2 million.

2.2 QMS Demand

The study into the QMS market of Bangladesh (2004) revealed that the major sectors being catered by service providers are primarily Apparels and Garments (40-45%) sector, followed by Pharmaceutical Sector (around 10-12%), Food & Beverage (around 9%) and ICT (5-8%). The rest of the QMS client groups are divided among 19 other business sectors, no sector actually having more than 6% of the total QMS client population. The table presented in the annex 2 shows the entire industry picture with respect to different QMS standards

2.2.1 Demand Issues

The following areas highlight some key issues of those organizations that have gone for quality certification.

Reasons For taking up Certification

The primary reasons for taking up ISO certification is the prestige issue. Organizations perceive that by taking up ISO Certification they are better poised to communicate a higher quality value to the market. This reveals a strong underlying marketing aims behind QMS decisions. When probed further, organization stated that quality improvements were also another important factor before considering QMS.

Source of Provider Information

Majority of the consumer study respondents stated that they were approached directly by the QMS provider. Before deciding on a QMS provider the factors that they looked into was price, reputation, and clientele. Recommendation by peers and colleagues also considerably influenced the QMS decision.

Satisfaction

There are two side involved in this issue. With regards to the service, the users are satisfied with the service level. Yet when probed whether they are satisfied with regards to their expectation of such certification most of them reported feeling dissatisfied. They opined that certification has now become too easy to attain and many companies that are perceived to have suspect management systems are attaining certification. They expressed concern to the performance of the certifying body and their standards.

"The Image of ISO is going down, the certifying authorities are not doing it properly, any body can get a ISO with money."

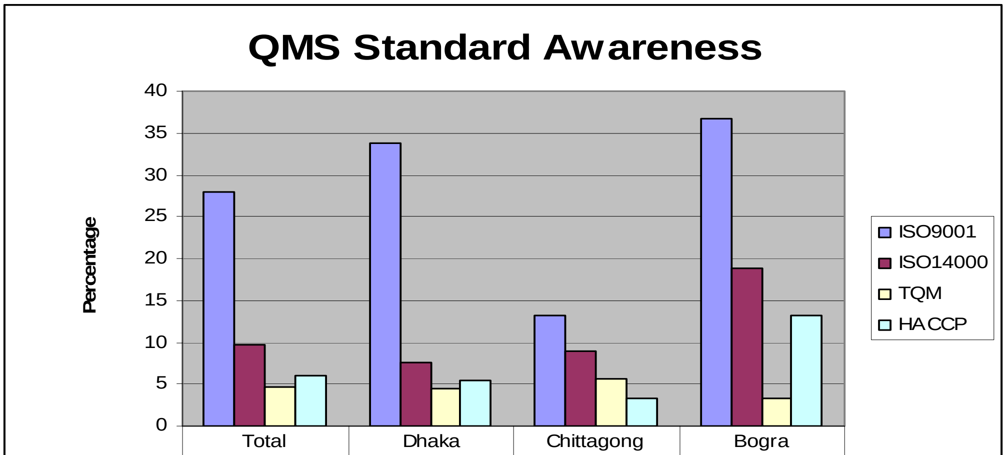
Though the certifying body is suppose to cancel the certification if they find that required standards are not maintained during surveillance, the respondents expressed their doubt if they are really doing so.

2.2.2 Demand Usage Parameters

The graphs and tables below present various usage parameters of the users regarding the QMS service markets.

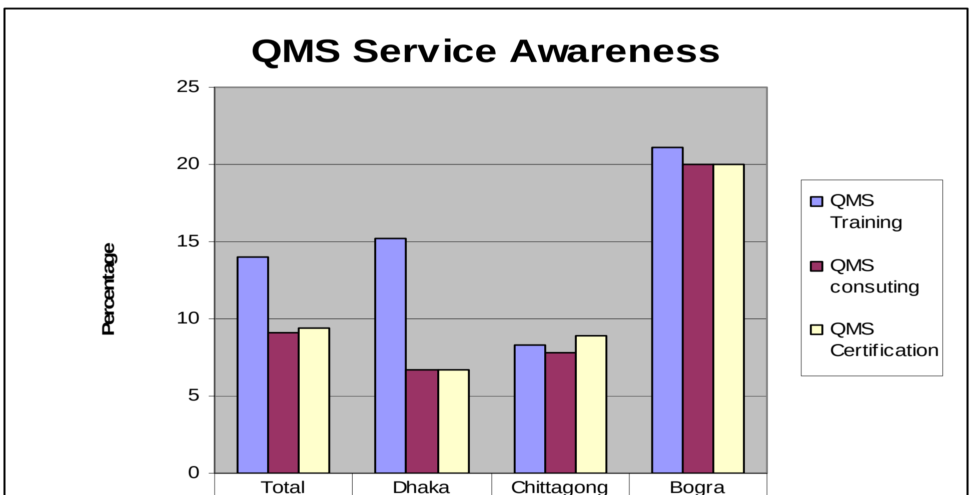
<u>Awareness</u>

Based on the 585 response of the consumer study, the awareness level of the different QMS standards is quite low. It is to be noted awareness does not indicate correct understanding; it merely indicates whether business have heard or seen such standards.



	Total	Dhaka	Chittagong	Bogra
ISO9001	27.9	33.7	13.3	36.7
ISO14000	9.7	7.6	8.9	18.9
TQM	4.6	4.4	5.6	3.3
HACCP	6	5.4	3.3	13.3

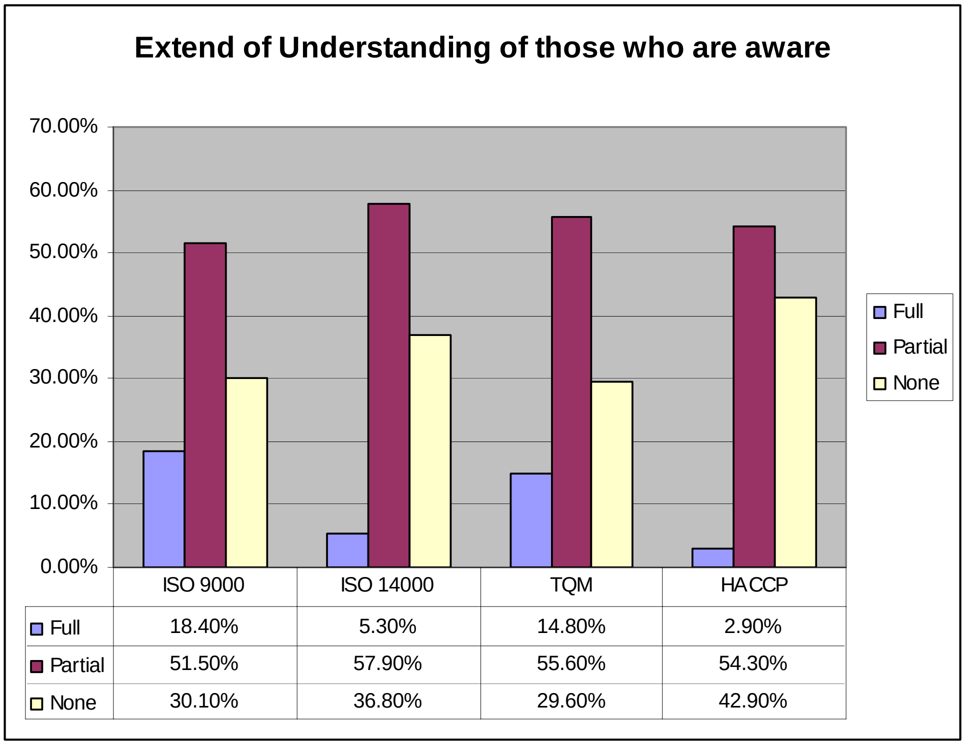
Similar questions were asked regarding the QMS services (the classification is listed in annex 1) and following were the result.



	Total	Dhaka	Chittagong	Bogra
QMS Training	14	15.2	8.3	21.1
QMS consuting	9.1	6.7	7.8	20
QMS Certification	9.4	6.7	8.9	20

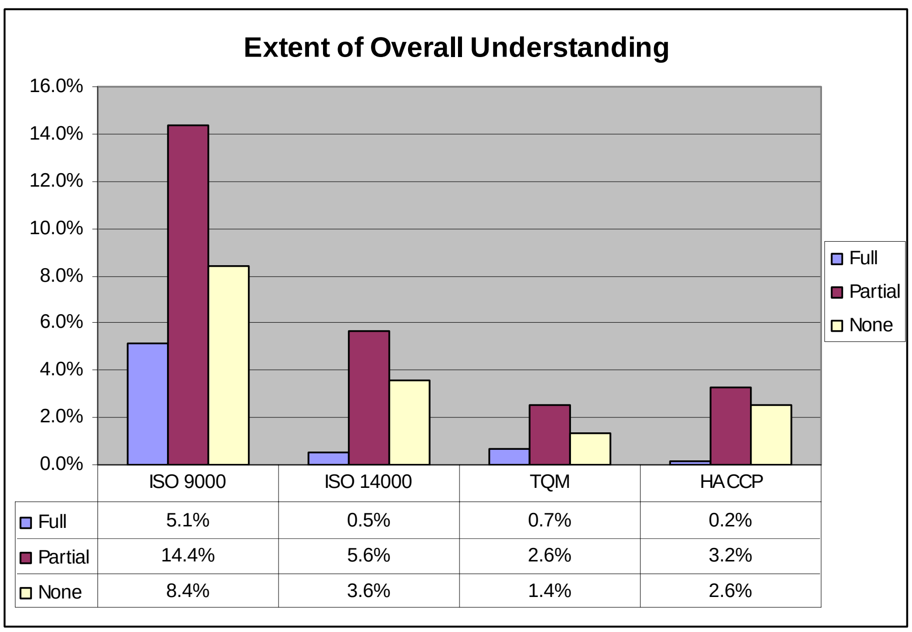
<u>Understanding</u>

Understanding level of the services were measured from two basis: first based on those who are aware and second based on overall responses



	ISO 9000	ISO 14000	TQM	HACCP
Full	18.40%	5.30%	14.80%	2.90%
Partial	51.50%	57.90%	55.60%	54.30%
None	30.10%	36.80%	29.60%	42.90%

The chart below reveals the extremely low understanding of the standards that is prevalent in the SME business community.

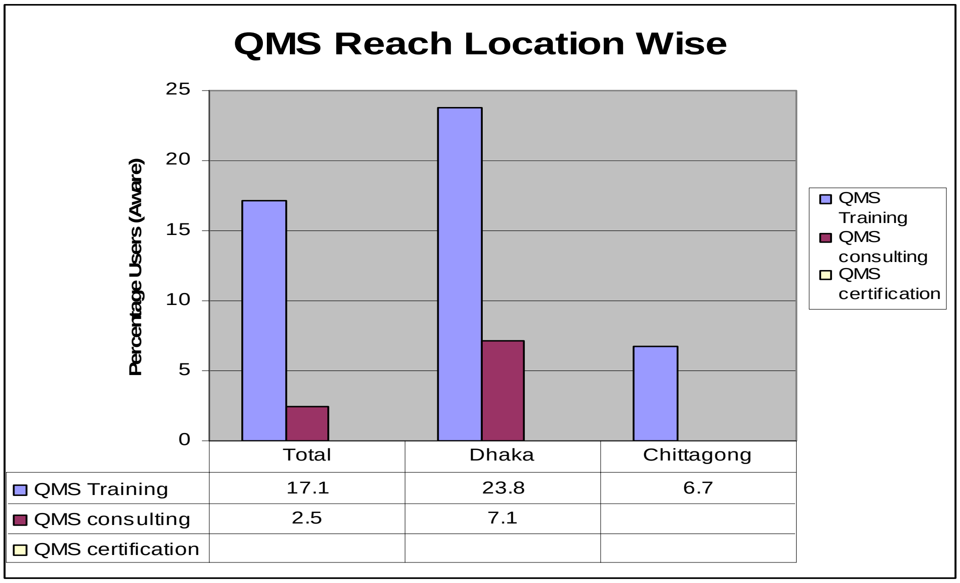


	ISO 9000	ISO 14000	TQM	HACCP
Full	5.1%	0.5%	0.7%	0.2%
Partial	14.4%	5.6%	2.6%	3.2%
None	8.4%	3.6%	1.4%	2.6%

For the above table it is to be noted that a large portion of respondents of those who are not aware are not being reflected in the above chart. The table summary at the end of this section highlights the portion of those not aware.

Reach

The demand survey also attempted to find out what percentage of those who are aware and used the services. These figures were also very low.



As the table indicates QMS training has the highest reach; this could be because usually a business requires less of an involvement (both in terms of finance and other resources) in QMS related training than the other QMS services and hence is more easily convinced of taking up this service.

Furthermore considering the inter-linkages between the QMS Consulting services and QMS certification service it is puzzling the discrepancy of the reach of these services; the only viable explanation is that some SME have or had taken up activities pertaining to certification but ultimately did not go or have not yet gone for the certification. The table below summarizes these parameters that have been discussed above.

Table: QMS Standards Respondents Parameters

Standards	**ISO 9000**	**ISO 14000**	**TQM**	**HACCP**
Awareness	27.90%	9.70%	4.60%	6.00%
Understanding (Aware)				
Full	18.40%	5.30%	14.80%	2.90%
Partial	51.50%	57.90%	55.60%	54.30%
None	30.10%	36.80%	29.60%	42.90%
Understanding (All)				
Full	5.1%	0.5%	0.7%	0.2%
Partial	14.4%	5.6%	2.6%	3.2%
None	8.4%	3.6%	1.4%	2.6%
Not Aware	56.8%	87.9%	95.4%	94.0%

Table: QMS Services Respondents Parameters

Services	QMS		
	Consulting	**Certification**	**Training**
Awareness	9.10%	9.40%	14.00%
Understanding (Aware)			
Full	17.00%	16.40%	34.10%
Partial	58.50%	61.80%	51.20%
None	24.50%	21.80%	14.60%
Reach	2.50%	NR	17.10%
Penetration	0.20%	NR	2.10%

NR: No Response recorded

2.3 QMS Supply

There are various players involved in the QMS supply side. These respective institutions are discussed below.

2.3.1 Consulting Bodies

As stated earlier there are around 15 consulting firms in Bangladesh and around 75 or more, free lance consultants. For almost all, their scope of operations is limited to Dhaka. Consulting operation first began in the early 90s and since then there been a gradual increase in number. Service wise all of them can provide ISO 9000 consultancy; beyond that majority can provide ISO 14000 consultancy. Services pertaining to HACCP, SA 8000 are limited to a few firms.

In terms of qualification there are no prerequisite criteria that are needed for one to become a QMS consultant. However the survey on the supply side did indicate a preference for those having a relevant experience/degree or an engineering background.

2.3.2 Certifying Agencies

For Certifying agencies, their operation likewise began in the early 90s. Initially other than one company none of the certifying bodies had any local setup in Bangladesh. From 2000 onwards[4] the situation changed and at present there are seven certifying bodies that have their local presence. There are still a few others (not more than three to five) certifying agencies which does business here but does not have any setup in Bangladesh.

2.3.3 Training House

In terms of training providers there is hardly any dedicated QMS training organizations although many of the certifying houses do provide occasional training and awareness courses on QMS areas. Other than the certifying houses, there are few training organizations as well as consulting firms that provide training courses (mostly ISO 9000 awareness programs).

2.3.4 Testing Bodies

Testing bodies, an ancillary part of the QMS industry, have had their presence in this field for a very long time although their role is largely oriented towards product testing. Again there are a very limited number of such facilities and that is primarily for two reasons: huge infrastructural costs and market acceptability of results. With respect to Bangladesh the leading role playing in testing is done by BSTI, although there are specific institutions for specific industries as for Bangladesh University for Engineering and Technology (BUET) for engineering materials testing.

[4] This happened perhaps due to mgf's role.

2.3.5 Regulatory Bodies
There is no recognized Business Membership Organization (BMO) that is operating in the QMS industry of Bangladesh. Various initiatives have been taken over the years and although some activities have been undertaken none of them have actually formed into a central working group.

From the Government point of view representations and inputs for this industry are provided by BSTI and to an extent by an autonomous body called the National Productivity Organizations (NPO). There are hardly any specific laws or regulation pertaining to the operations of the QMS supply side which probably accounts the lack of coordination of the providers that is present in this industry

2.3.6 Supply Side Issues
The following highlights some of the key areas of the supply side.

<u>Organizational Dynamics</u>
The supply side study showed the firms to have four to five employees on average. In terms of experience of QMS professionals it was found that trainers had the highest average experience in the QMS field of seven years.

They were followed by Consultant and auditors whose average was six years. This was a surprising finding considering QMS industry has been in operation for around 14 years. This implies that majority of the QMS professionals that are now working in this sector are relatively news entrants.

<u>Gender</u>
There is hardly any presence of female professionals in the core or support staff in this field. This situation is generally common in all QMS service providers.

<u>Marketing Forms</u>
The study found that for these QMS providers, large organizations constitute their target market accounting as much as 79% of their clientele; mediums accounts for 17% while for small its only 4%. The survey concluded that **no special consideration was ever made by the supplier to popularize the QMS concept in the SME category**.

The utilization of promotional tools is also quite skewed; Reference and personal visit account for 83% and 71% of promotional usage respectively. Other tools that are used are Training Program, Mailers and Brochures.

2.4 Sub Sector

Based on the QMS market study, a sub sector was mapped out. The map which has been placed in Annex 2 show the interrelationship between the various players that are involved in this market.

2.5 QMS Market Focus

The QMS Consulting and Certification services is primarily aimed at the high end business segment where the motivation to take up such services is for market access and increasing efficiency (the emphasis is more on the former). For the mid segment QMS services that are there are not formalized and transaction is very low. QMS services, as it is defined, hardly exists in Small end of the market.

Table: QMS Market Focus

Parameters	**High End of Market**	**Mid Segment of Market**
Providers	ISO Certification Agencies ISO Consultants	ISO Consultants Other QMS Trainers/Consultants
Customers	MNCs and large local companies; selected sectors (eg garments) Very few medium enterprises	Medium sized enterprises Few small enterprises
Services	Training Consulting Certification	Training Consulting
Benefits	Market Access More efficient management systems	More efficient and effective management systems

3. The QMS BDS Market

Service wise, the QMS market exhibits two separate areas of services: Consultancy/Certification and Training.

3.1 Consultancy/Certification

3.1.1 Service Range

As stated earlier, the QMS market is dominated largely by certificate oriented service. In fact considerable difficulties are faced if one is to identify non-certificate oriented services. All of the existing identified QMS providers extend services towards ISO 9000 consulting and/or certification.

3.1.2 Service Fee

Fees for providing QMS Services vary with the nature of service being provided and the size of the organization it is being given to.

CONSULTANCY FEE STRUCTURE			
Services	Minimum	Maximum	Mean
ISO9000 (Large Org.)	200,000	464,000	277,333.3
ISO9000 (Medium Org.)	160,000	250,000	203,333.3
ISO14000 (Large Org.)	200,000	370,000	280,000.0
HACCP (Large Org.)	200,000	200,000	200,000.0
SA8000 (Large Org.)	300,000	370,000	323,333.3
AUDITING FEE STRUCTURE			
ISO9000 (Large Org.)	60,000	290,000	176,666.7
ISO9000 (Medium Org.)	40,000	87,000	65,666.7
HACCP (Large Org.)	60,000	290,000	175,000.0
CERTIFICATION FEES			
ISO9000 (Large Org.)	70,000	174,000	129,666.67
ISO9000 (Medium Org.)	116,000	127,600	121,800.00
ISO14000 (Large Org.)	70,000	232,000	149,000.00
SA8000 (Large Org.)	174,000	174,000	174,000.00

Note: Other than ISO 9000 other figures, given the very small sample size, should be read more as an indicator than an actual market fact

What the table reflects is the strong variation in pricing that exists in the market for QMS standards. Understandably, variations will be there when one is talking about industries across sectors but even such consideration cannot explain such dispersion of price offers. One possible explanation for this could be that a price war has been initiated and that for providers & business users, the primary decision factor is price. If that is the case than such development is not healthy for long term prospect of the QMS market; provider often would resort to cost cutting measures as a result of this competition and while competition may be good such cost cutting often means the quality of the services delivered is compromised. One way out, to spur on the healthy development of the QMS market could be in diversifying into services beyond ISO 9000.

3.1.3 Payment Experiences
The survey on the supply side revealed that providers do not generally face any problems of realizing their dues from the clients. The demand side survey finding also support this in saying most of the service are paid and based on written contracts.

3.2 Training

QMS Training as a stand alone service market is very negligible. As it is in general training provider in the management field are only a few (not more than 5 private providers) and ISO training is an occasional subject in their calendar. Hence no significant data/ information could be drawn that could be applied on a market level

4. Market Dynamics

4.1 Market Size

The market size was extrapolated only for the consultancy and certification service market since data on the others were not significant. Based on the study the following information was revealed

Type of Service Provider	Total Players in the Market	Estimated Employment	Estimated Total Market Turnover in 2003
Certification Bodies	7	~60	$756,000
Consulting Bodies	15	~100	$1,218,000

4.2 Growth Rate

Opinions regarding QMS market growth are very diverse; a majority of them feel the growth rate will be around 50% while another portion feels it will grow by around 20%. (the average overall comes out to be 22%) Interestingly there is a clear line of division with certifying agencies having a more optimistic outlook of rapid growth rate where as consulting bodies anticipate a slow growth rate. Considering the smallness of the market such variation of judgment is understandable however there is no clear explanation as to why such groupings of opinions occur. In the absence of any data from other studies, taking the average market growth rate the projected turnover for the next few years are as

Table: QMS Industry Projected Turnover

Bodies	2004	2005	2006	2007
Certification	922	1,125	1,373	1,675
Consulting	1,486	1,813	2,212	2,698

Figures in ‘000$ with a growth rate of 22%

4.3 New Service Areas

Around 75% of the QMS Consultants are interested in immediately expanding their service offer. Majority of these would channel their effort on building their existing service where as a small percentage would rely on by providing new service. Some suggestions of new services are as follows

- SRM[5]/SA8000
- WRAP[6]
- Car Emission
- System Improvement
- Enterprise Resource Planning (ERP)
- OHSAS[7]
- ISO14000

4.4 Role of Donors

Facilitating Agencies and Donors have been fairly active in this QMS service markets. Their activities have generated mixed reactions from the QMS providers with the view more skewed to a positive outlook.

On the upside, it is their view, that owing to the donor/facilitating agencies involvement,

- The QMS market development has been triggered
- Encouraged usage of QMS among businesses
- Helped increase awareness of QMS

However some of them also expressed that owing to this involvement, businesses have become more interested to get a certificate rather than actually improve their management system. This short term orientation acts as a bar for healthy development of this market.

4.5 Corruption

Significant providers as well as users are of the opinion that international quality standard certification can be bought. This belief has eroded somewhat the approval enjoyed by these standards. However it must be noted that most of these opinions are not based on direct evidence. Owing to this widespread belief some users have also started questioning the role of certifying agencies and whether they maintain an objective outlook as specified by the standards.

5. QMS Service Market Perspectives

5.1 Perceptions about Quality

The demand side study shed some interesting insights of the SME perception toward quality. Some of the key highlights are

- 76% of the business consider it very important to improve the quality of their product and/or services

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[5] SRM: Social Responsible Management is a local customized initiative aimed at addressing social issues in an organizations

[6] Worldwide Responsible Apparel Production: A socially responsible global standard for apparel manufacturing facilities to ensure that sewn products are produced under lawful, humane and ethical conditions.

[7] Occupational Health and Safety Management Systems: A standard that addresses the management of managing safety in the workplace.

- 83% of the business have undertaken some initiative to improve the quality of their product and/or services
- Of those business who have taken some initiative:
    - o 44% have resorted to improving their management system
    - o 42% have hired more qualified employees
    - o 33% have instilled a better quality control systems
- Of the 17% who have not taken any initiative
    - o 46% will deal with the issue at a later time
    - o 31.3% consider it too expensive to take any steps
    - o 13.1% do not know what steps to undertake
- Regardless of whether they have taken or plan to take any action to improve their product quality
    - o 39.5% of business feel they can improve it through improving their management systems
    - o 33% feel they can improve product quality by hiring more qualified employees
    - o 32.1% feel it will be addressed by having better quality control systems in place
- 46.7% of all businesses are *very satisfied* with the way they run their business.
- Of those business who are not *very satisfied* the major reasons are
    - o 61% believe it to be due to external reasons with poor law & order and inadequate government policy being the primary factors
    - o For the rest 40% or so, the primary factors are lack of management knowledge and disorganized work flow
- Only 13.8% are not satisfied with the way they run their business
- There appears to be no relationship between businesses willingness' to improve their management systems and the importance they associate with their product/service quality

5.2 Target Profile of potential QMS client

Late last year, an extensive survey was conducted by a consortium of consultant both local and international to determine the role and extent of private sector participation (SME) in Bangladesh. This was called the Gemini Study and it indicated that there are around 6 million SME in Bangladesh. This reflects the enormous potential that exists in targeting this market by professionals. From the QMS service market perspective, the target market is likely to be those that will be more responsive towards improving their management system. Based on this line of thought a profile of SMEs were created from the study[8] that was conducted. Understandably given the financial constraints of most SMEs, these target groups of SME given below is more likely to respond more towards non-certificate oriented QMS service. The profile given below shows those SME who are interested in improving their management systems and so would be more likely to purchase appropriate QMS services.

Demographic

Parameters	Percentage
Number	54% of SME
Location	71% in Bogra 52% in Dhaka 44% in Chittagong
Sectors	70.2% in Service 50.2% in Manufacturing 41.5% in Trade
Promising Sub Sectors	Health Care Hotels & Restaurants Leather Real Estate

[8] UAI on Marketing and QMS service markets" KATALYST 2004

Parameters	Percentage
	Travel Agencies Furniture
Number of Employees	50% of them have less than 15 employees
Establishment Year	50% of them are less than 10 year old
Information Collection	86.4% rely on their peer or employees to collect information on service offers
Form of Ownership	70.9% is Proprietorship 13% is Partnership
Owners Age	40% of them are between 30 to 39 years 35% are more 40 years old
Education	75% have passed HSC 56% of them are either Graduates or have earned their diplomas
Turnover/year	57% of them have earning more 10 Lac
Export Orientation	92% of them do not export
Association Membership	63% of them are members of some association

Media Profile

Parameters	Percentage
Watch BTV at least once a week	92%
Most Watched Program in BTV	Bengali News Weekly Drama Ittadi
Cable TV Connection	66.7% have cable connection
Most Watch Channel	ATN Channel i ESPN
Most Watched Programs (ATN/Channel i)	News Bengali Movies Drama
Listen to Radio	10% listen to Radio
Newspaper	95% read Newspaper
Most Read Newspaper	Ittefaq Prothom Alo Jugantor Janakhanta
Magazines	32% Read Magazines
Most Read Magazines	Jai Jai Din Shanonda Annyadin
Access to Internet	20% of them access internet atleast once a week

The statistics gives a professional a certain basis of which strata among the SME would be more interested in taking up services that address management systems improvement issues. Whether or not they all would be, if at all, interested in a transacted depends on various factor including price, service delivery, service offer etc. However it can be safely argued that given a service offer whose financial involvement is not extravagant to these SMEs, the profile of those business stated above are most likely to respond. The media profile helps in understanding which media is to be used and how, in the media context, communicate more effectively with this target group of businesses

6. SWOT of the QMS Service Markets

Features	Demand	Supply	Environment
Strength	• There is a traditional favorable disposition of businesses towards improving quality.	• There is an identifiable group of QMS providers with clear and separate roles.	• QMS services are established, transacted and outsourced services. This feature make it easier to work for the service market development • Owing to the role of donors and other players, awareness of QMS standards (Only ISO 9000) has resulted in a marked increase although overall awareness is still very low
Weakness	• Motivation for QMS is driven more by market access benefits than efficiency benefits. • Awareness of standards is very low and limited to Metropolitan areas • QMS services are perceived to be expensive. • SME perceive the QMS is only meant for larger Players and not for them • QMS is generally perceived by business to be a less priority area	• No QMS products that is tailored to SME needs • Number of QMS suppliers operating is small • Inadequate capacity of existing QMS providers to deliver services • Inadequate utilization of QMS provider of promotional tools other than reference and personal selling	• There is no association (BMO) for the QMS service provider; hence there is hardly any cohesiveness among the providers as well as in the market • There is hardly any mechanisms or platform by which information sharing can occur in this service sector • Overall the market is a weak market
Opportunity	• There is a need among business to improve upon the quality of their operations	• Provider wiliness to form a group/association	• Increased globalization and WTO have pushed the interest for becoming QMS compliant • Increased interest for BSTI to assume greater role in QMS • Strong Donor activities anticipated in this market
Threat	• Perception by business that quality approval/certificate can be bought • Business perceive that consumer confidence in such International QMS certification is eroding	• Low entry barrier in order to become QMS consultant	• Previous Activities of donor may have distorted the QMS market

7. KATALYST Role

7.1 The Aims for QMS market

Considering market facts and figure KATALYST has adopted the following as its vision and mission for the QMS market

- **Mission**
  - Demand: Owing to interventions, there is an increased awareness & willingness to among business to improve on their 'efficiency' of operation which contributes to the demand for QMS services.
  - Supply: Intervention lead to QMS suppliers having a better capacity to deliver QMS service thereby enabling client business of these suppliers to not only attain quality certification but also improve on their management systems. Service providers also become more organized under a BMO and by working together they "push" and promote the QMS service to businesses
  - Market: The combined effect of the push from QMS service providers and the increased willingness of businesses to improve on their 'efficiency' serve to develop the QMS market. With the growth of the QMS market, increasing number of business would become more competitive

- **Vision**
  - With markets becoming more competitive SMEs need to be more effective and efficient in their operations.
  - QMS services help SMEs to enhance the quality of their management.
  - This improves SME's competitiveness which assists them in their survival and growth

7.2 KATALYST Strategy

The assessment of the QMS market revealed some core actionable areas in which KATALYST could intervene; for the demand side it is low awareness that needs to be address and getting key players interested to promote QMS in business. For the supply side, focus areas are capacity building, increased cohesiveness and better promotional mechanisms.

In order to leverage or increase the synergy of the interventions, all of these would be bought under a single campaign. The idea of doing so is to say the same message in what ever KATALYST does and also to reinforce it, so that target businesses become more aware of the importance of quality in their operations. Under this token then, there would one single campaign comprising of seven (or more) interventions. Furthermore it is the intention of KATALYST to develop and promote this single campaign as a brand (it is being labeled for now as "**Quality First**") so that it is not only easier to communicate to target respondent but also increase the sustainability of the whole campaign. The interventions designed are as follows

- QM 1: Capacity Building for QMS Consultant
- QM 2: Promoting information exchange among QMS stakeholders
- QM 3: Motivating Large Organization to incorporate QMS in supply chain
- QM 4: Development and Promotion of QMS Services for SME
- QM 5: BMO formation for QMS services providers
- QM 6: Promotion for QMS providers
- QM 7: "Quality First" Brand Campaign

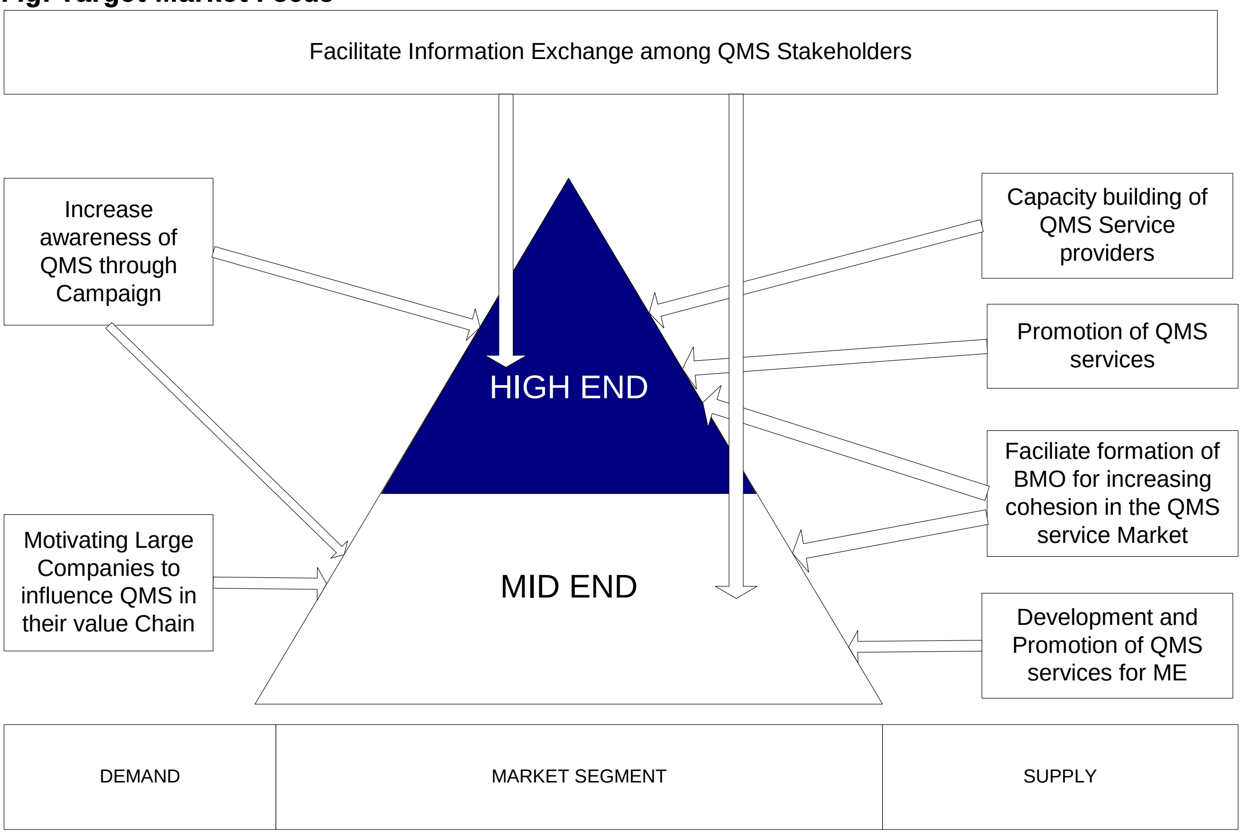
Furthermore in order to assume a more supra-facilitator role, KATALYST would be implementing this intervention by working with a partner agency.

It is to be noted that once these interventions were designed they were discussed at length with selected QMS Providers. In general they concurred with these interventions particularly for the need of a well functioning BMO in this service sector. Their largely positive feedback meant that there were no significant changes in the design of the interventions.

Market Segments Targeted

The interventions stated above will target basically the high and mid segment of the business. Currently with the low awareness level of QMS services coupled with lack of appropriate QMS products for the Small end of the business, this segment of the business will not be the focus of the interventions. The table below highlights the interventions areas

Fig: Target Market Focus



7.3 Interventions

Given below is a basic outline of how the interventions will be implemented and what activities would be undertaken.

7.3.1 Capacity Building for QMS providers

The partner agency will, through an identified resource person, carry out a need analysis of the QMS providers. This will be done to find the shortcomings/requirements of the providers. Based on that by working with resource person, the partner agency will design an appropriate course(s) for the providers. Necessary buy-in from the participants would be determined by the partner agencies through properly designed analyses. The partner agency along with the resource person(s) would then organize, arrange and conduct the course(s).

Constraint Addressed

Inadequate capacity of existing QMS providers to deliver services

7.3.2 Promoting information exchange among QMS stakeholders

Since both demand and supply sides of the QMS field are not completely aware of others requirement, interactions are required between both parties to reduce this gap. The role of the partner agency is to organize such sessions where suitable representatives from the demand side as well as from the supply side will attend these sessions. The partner agency would also be responsible to identify the theme and agenda of these interactions; based on that the partner agency would moderate these discussions. Once these interactions are underway, efforts would be made to sustain it. One possible way could be in creating a forum which will then take on the primary responsibility to carry on such sessions.

Constraint Addressed

There are hardly any mechanisms or platform by which information sharing can occur in this service sector

7.3.3 Motivating large organization to incorporate QMS in their value chains.

Large organizations typically have a large number of businesses in their value chains. Owing to their size, these large organizations wield considerable influence on their value chain members. Hence motivating the larger organization to influence its member to adopt a better QMS would assist in the development in QMS service market. In terms of activities the role of the partner agency will be to identify leading large organization and motivate them to influence their value chain members. The partner agency will also assist in identifying suitable QMS providers who are appropriate to deliver the service required. Overall the partner agency would also monitor and supervise these interactions.

Constraint Addressed

This intervention primarily addresses the low awareness of QMS among SMEs and utilizes the general influence large businesses have over their value chain member to further the QMS service market development.

7.3.4 Development and promotion of QMS services for SMEs

Certificate oriented QMS services are deemed by many SME to be too expensive. This however does not imply that these services are not needed. On the contrary majority of businesses feel they can improve their management systems. The role of partner agency is to identify/develop such services, the platforms that would be ideal to provide these services and then communicating/promoting to the target recipients on the demand side the value of using such services.

Constraint Addressed

No QMS products that is tailored to SME needs

7.3.5 BMO formation of providers

Currently there exists no association of the QMS providers operating in Bangladesh. This lack of cohesiveness contributes to the disharmony that exists in the market. The partner agency’s role is to nurture a sense of team spirit among the providers, to bring them under a common platform and then formalize this grouping into an association. Once the association is formed or while it is being formed the partner agency’s role is to carry out activities which are deemed necessary, so that the BMO formation is strengthened

Constraint Addressed

There is no association (BMO) for the QMS service provider; hence there is hardly any cohesiveness among the providers as well as in the market

7.3.6 Promotion of QMS Providers

Presently existing QMS providers are not using appropriate promotional tools to communicate the value they provide to businesses. By working with a marketing (advertising) firm, the partner agency will devise appropriate communication messages and promotion tools along with appropriate media selection. Once designed the partner agency will solicit necessary buy-in from the providers whose ‘profiles or values propositions’ would be promoted. Based on that, the partner agency will implement the promotion drive.

Constraint Addressed
Inadequate utilization of QMS provider of promotional tools other than reference and personal selling
Awareness of standards is very low and limited to Metropolitan areas
Overall the market is a weak market

7.3.7 Awareness Campaign

One of the serious lacking of the total QMS market is the extreme low awareness/realization of the of the benefits of QMS services. As such an extensive campaign possibly involving among others bill board, news paper adverts, magazine ads, etc would go a long way in highlighting the importance of addressing quality issues in the organization. To get greater acceptance this campaign needs to be sponsored by market players (not necessarily QMS players). The partner agency would be responsible to solicit, sponsors for this campaign. The partner agency will be responsible to implement the brand campaign

Constraint Addressed
Awareness of standards is very low and limited to Metropolitan areas

7.4 Sequencing

The timeline stated below should only read as a guideline and not as concrete milestones

No.	ACTIVITIES	DURATION
1.	Capacity building for QMS providers	Sep 04 – Dec 04
2	Promoting a forum for exchange of information among QMS stakeholders	Sep 04 – Feb 05
3	Motivating Large Organization to Incorporate QMS in their Value Chain	Nov 04 to – Feb 05
4	Development & Promotion of Non-Certificate Oriented QMS Services	Sep 04 to Feb 05
5	BMO Formation	Dec 04 to Jun 05
6	Promotion of QMS providers	Sep 04 to Mar 05
7	Awareness Campaign	Sep 04 to Mar 05

7.5 Other Intervention Issues

Under the various intervention were appropriate, SRB (Socially Responsible Business) and ERB (Environmentally Responsible Business) issues would be promoted along side QMS services. Merging these interests would not be incongruous since there is an overlap of providers of these issues. Specifically interventions involving, capacity building, information exchange and motivating large organization to influence their supply chain would serve to heighten SRB and ERB interests. Efforts would also be made to target female entrepreneurs where appropriate and possible.

Monitoring and Evaluation is a critical component of the interventions and are required to assess/determine to what extent objectives are being realized by the interventions. A proper M & E requires the right and specific objective per interventions to be set. As such, for each intervention not only indicators have been set but also the means for their verifications. A summary of all these issues along with those that have discussed earlier is attached in annex 4

ANNEX

Annex 1: Quality Management System Services Classification for Demand Survey

QMS: For the purpose of this UAI, QMS has been defined to include only the four following ‘standards”

ISO 9001
ISO 14000
TQM
HACCP

As such QMS services (Consultancy, certification and Training) that are being dealt with in the UAI survey refer to only the above mentioned ‘standards’. There may be other form of consultancy, certification and training that a respondent has taken and which are perceived by the respondent to be a QMS services. In such case answers will be taken under “others”

Scale of Measurement of Standards

Parameter	ISO 9001	ISO 14000	HACCP	TQM
Fully Understand	Able to State it’s a Quality Program aimed at the Management System and Not Product	Able to State that it’s a Quality Program aimed at Environment	Able to State that it Quality system that relates to Food sector	Able to break down TQM into its element and to state that its about a total focus on meeting customer expectation
Partially Understand	Able to state that it something that relates to Quality Certification			
Not Understand	Other Answers			

Note: Considering the low awareness as reveled by prior FGDs the parameter were intentionally liberally defined

Scale of Measurement of Services: (only asked when there is some understanding of the standards)

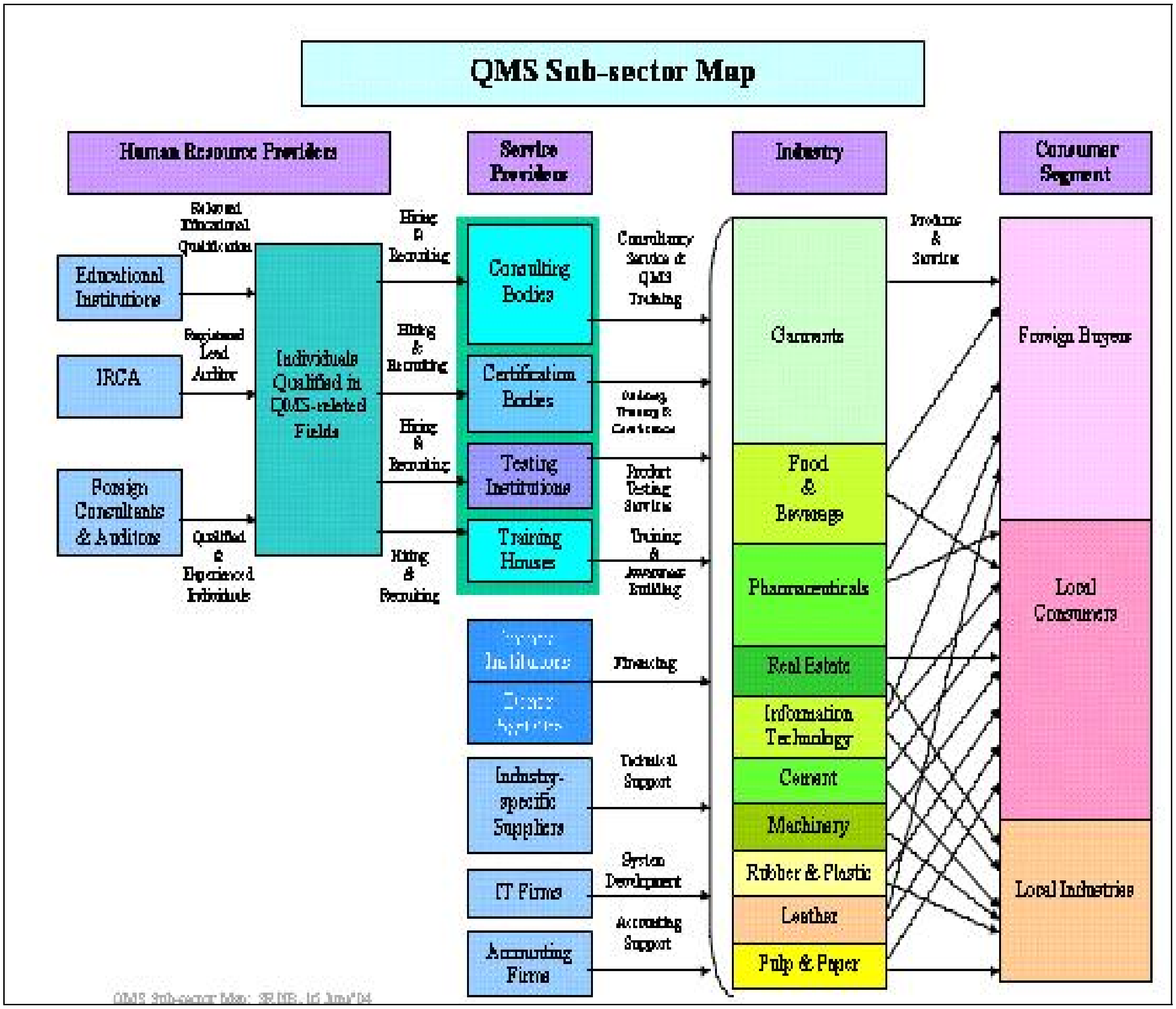
Awareness:
If a person has heard, read or seen any of the services than that person is aware.

Understanding:
Question would be asked on how one gets QMS service (not training). If the respondent is able to state that a consultant is required and he arranges for the certification then that respondent is assumed to partially understand the consultancy service as well as certification services. If the respondent is able to differentiate that consultancy is one provider and that certification is given by other provider than that respondent is assumed to fully understand both consultancy and certification services. Other answers are classified as not understanding

Annex 2: Client Distribution of Service Providers by Business Sector

Sl.	Sector	QMS Services								Total of
		ISO9000	ISO14001	HACCP	SA8000	TQM	SRM	Others	Training	Industry
1	Agriculture, Fishing, Hunting	4.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.3%
2	Cement Manufacturer	3.1%	15.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.4%
3	Computer & ICT Related Services	9.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.3%
4	Consulting Services	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%
5	Electricity, Gas and Hot Water Supply	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%
6	Manufacture of Basic Metals	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%
7	Manufacture of Chemicals and Chemical Products	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%
8	Manufacturer of electrical Machinery and Apparatus	2.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%
9	Manufacture of Furniture	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%
10	Manufacture of Machinery Equipment	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%
11	Manufacture of Motor Vehicles, Trailers & Semi Trailers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12	Manufacture of Rubber & Plastic Products	5.1%	21.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.4%
13	Manufacturer of Textile	5.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.2%
14	Apparels & Garments	42.7%	57.9%	0.0%	100.0%	100.0%	100.0%	100.0%	0.0%	44.6%
15	Manufacture of Food & Beverages	7.4%	0.0%	92.3%	0.0%	0.0%	0.0%	0.0%	0.0%	9.2%
16	Manufacture of Pulp & Papers	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%
17	Tanning & Processing of Leather	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%
18	Transportation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
19	Wholesale Trade & commission Trade	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
20	Construction & Real Estate	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%
21	Hotel	1.3%	0.0%	7.7%	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%
22	Others	5.1%	5.3%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	4.9%
		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Annex 3: QMS Sub Sector Map



Annex 4: Intervention Summary

Interventions	Purpose	Constraint	Market Segment	Partners	Monitoring & Evaluation		ERB/SRB	Gender
					OVI	MOV		
QM 1: Capacity Building for QMS Consultant	Raise the capacity of the QMS providers in delivering their service to business	Inadequate capacity of existing QMS providers to deliver services	High	QMS partner Agency and Training Specialist	X% of the QMS providers have enhanced their capacity to provider QMS services in a specified areas	Evaluation form used at the end of training and after a certain period (6 months)	There is an overlap of QMS and ERB, SRB services providers. Hence improving the capacity of these providers would also provide positive impact on improving the markets of ERB and SRB concerns.	
QM 2: Promoting information exchange among QMS stakeholders	Facilitate a number of interactions between demand and supply through a platform which will allow both parties to become more conscious of each others requirements	There is hardly any mechanisms or platform by which information sharing can occur in this service sector	High & Mid End	QMS Partner Agency	Number of Forums arranged (Five)	Status Reports of KATALYST	As there is an overlap of providers, marketing interests of ERB and SRB providers would also be served	Efforts would be made to include female entrepreneurs, where possible, in such events.
QM 3: Motivating Large Organization to incorporate QMS in supply chain	A local pressure group comprised of Large Companies stimulates the needs for QMS services in their value chain.	This intervention primarily addresses the low awareness of QMS among SMEs and utilizes the general influence large businesses have over their value chain member to further the QMS service market development.	Mid	QMS Partner Agency and Large Organizations	Setting of QMS criteria as a prequalification to be a value chain member of large organization	Large Organization Service Form	While working with large organization ERB and SRB issue in value chain will also be highlighted	Female Entrepreneurs in the value chain would be given additional priority
QM 4: Development and Promotion of QMS Services for SME	Develop and promote modified QMS services packages aimed at SME	No QMS products that is tailored to SME needs	Mid	QMS Partner Agency	X% of the QMS providers have enhanced their capacity to provider QMS services in a specified areas Number of new service products sales	Evaluation form used at the end of training and after a certain period (6 months) Sales record of selected Providers	ERB, SRB issues would be taken into consideration when developing the modified QMS services	Increased effort would be made, where possible, to promote the modified QMS service to female owned/managed businesses

Interventions	Purpose	Constraint	Market Segment	Partners	Monitoring & Evaluation		ERB/SRB	Gender
					OVI	MOV		
QM 5: BMO formation for QMS services providers	Nurture and strengthen the formation of a BMO of QMS providers	There is no association (BMO) for the QMS service provider; hence there is hardly any cohesiveness among the providers as well as in the market	High End and Mid End	QMS Partner Agency and QMS providers	Number of Members of the BMO	BMO Membership records	By forming a BMO, interest of QMS providers would be served and enhanced. This heightened interest and this platform will also contribute to enhancing the interest in ERB and SRB issues	
QM 6: Promotion for QMS providers	Through a marketing firm, a promotion plan is developed and implemented that allows the QMS value proposition to communicated more effectively to the demand side	Inadequate utilization of QMS provider of promotional tools other than reference and personal selling Awareness of standards is very low and limited to Metropolitan areas Overall the market is a weak market	High	QMS partner Agency and Marketing Firm	Promotion Plan	Report of the Marketing Firm Samples of the Marketing Materials	Where there is overlap, ERB and SRB interest would also be promoted in the QMS campaign	The promotion efforts would target, where possible, female entrepreneurs
QM 7: "Quality First" Brand Campaign	Generate awareness of quality issues in target businesses	Awareness of standards is very low and limited to Metropolitan areas	High End & Mid End	QMS Partner Agency & Preferably Sponsors	X% of queries generated from the campaign	Query forms	-	The awareness campaign will have message tailored for female entrepreneurs

MOV: Means of Verification
OVI: Objectively Identifiable Indicators
ERB: Environmentally Responsible Business
SRB: Socially Responsible Business