Impact and sustainability of the Market Development Approach to Business Development Services (BDS) in the Maragua Avocado Market Linkage Project

By

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A Management Research Project in Fulfillment of the Requirements for the award of the Degree of Master of Business Administration, School of Business, University of Nairobi

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Declaration

This research is my original work and has not been presented for a degree in any other university.

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This research project has been submitted for examination with my approval as university supervisor.

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Dedication

To mama and dad whose inspiration has brought me much success.

I am deeply indebted to all the people who, in their own way, contributed to the successful completion of this study.

I extend special thanks to my supervisor, Jackson Maali, for his patience, guidance, and encouragement throughout the study. Without his enormous support this study would not have been successful. I owe a debt of gratitude to Muli Musinga of Kenya BDS for his useful suggestions and support during the study. Special thanks go the farmers, services providers, facilitators and Kenya - BDS program staff who participated in the study.

I gratefully acknowledge my friends and colleagues who provided the team spirit and inspiration that was so instrumental in not only the successful completion of this study but of the entire MBA course as well.

Sincere appreciation goes to Susan and Carol for their invaluable and unique support during the MBA course.
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List of Abbreviations

BDS  Business Development Services
BIMAS  Business Initiatives and Management Assistance Services
CDA  Committee of Donor Agencies
CDE  Community based Enterprise
EureGAP  European Good Agricultural Practices
GDP  Gross Domestic Product
GEMINI  Growth and Equity Investment through Micro-enterprise Investments and institutions
GOK  Government of Kenya
HCDA  Horticultural Crops Development Authority
KBDS  Kenya Business Development services
KWEFT  Kenya Women Finance Trust
MFI  Micro Finance Institution
MSEs  Micro and Small Enterprises
NGOs  Non governmental Organizations
PMF  Performance Measurement Framework
SBD  Small Business Development
SMEs  Small and Micro Enterprises
SMEP  Small and Micro Enterprise Program
USAID  United States Agency for International Aid
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SMEs play a significant role in employment and economic growth in Kenya. However, their growth is hindered by a myriad of problems. Key among these problems is the accessibility of business development services. SMEs. Over time, numerous projects have been initiated in collaboration with donors and other non-governmental organizations to address this constraint.

The focus of the study was on all market players in the Maragua avocado market linkage project: These were the SMEs, the service providers and the market development facilitator. The study had two main objectives:

To determine the impact of the market development approach to BDS on the Maragua Avocado market linkage project.

To assess sustainability of the BDS market in the Maragua Avocado market linkage project.
Abstract

This study was conducted with the objectives of firstly, determining the impact of market development approach to BDS and secondly, to assess sustainability of BDS market in the Maragua avocado market linkage project.

SMEs play significant role in employment and economic growth in Kenya. However, their growth is hampered by a myriad of problems. Key among these problems is inaccessibility of business development services SMEs. Over time, numerous projects have been initiated in collaboration with donors and other non-governmental organisations to address this constraint.

The focus of the study was on all market players in the Maragua avocado market linkages project. These were the SMEs, the service providers and the market development facilitator. The study had two main objectives:-

To determine the impact of the market development approach to BDS on the Maragua Avocado market linkage project.

To assess sustainability of the BDS market in the Maragua Avocado market linkage project.
Earlier studies have shown that only a small percentage of SMEs have had access to any business development services. Even though the amount of donor and government funds channeled into the sector has continued to grow, the number of SMEs having access to these services remains dismal. Additionally, an earlier study found that the business development services offered by the markets are not perceived to be relevant by SMEs operating in those markets. The study therefore sought to find out the impact the new market development approach to BDS was having on both the market and SMEs in the maragua avocado market linkage project where it was being applied.

A sample of 121 respondents identified for the study. Primary data was collected interviews guided by a structured questionnaire. The data obtained was then coded and tabulated in the form of frequencies and percentages. These descriptive statistics were used to analyse the objectives.

The study results revealed a positive trend on all the five variables used to measure the impact of the market development approach on business development services. The market development approach to business development services was found to have had significant impact on the market and the SMEs it served. The approach had made the BDS market more transactional based through expansion of awareness, acquisitions and purchases of BDS by SMEs.

Additionally, the approach had expanded the market as indicated by growth in purchases of BDS among SMEs. Further, the market had gained diversity and
competitiveness through expanded number of services providers and the market BDS offering. Moreover, the quality and relevance of BDS offering by the market was found to have improved tremendously as shown by the high rate of multiple purchases. Finally, the study noted that the approach had deepened the market to reach micro and female managed enterprises, segments hitherto undeserved.

With respect to the second study objective, the study results indicated that market had become more transactional. The study found that the market was providing access to desired business development services in the avocado export business through unsubsidized commercial channels. This finding anchored the positive prospect of a competitive and sustainable BDS market. This was indicated by the improvements numbers of service providers, significance of revenues generated by service providers from serving SMEs and market cost effectiveness in delivery of BDS through growing numbers of SMEs served by the market.

The study concluded that the market development approach to business development service was the best approach in developing business development services markets from which SMEs could access the services transactionally.
CHAPTER ONE: INTRODUCTION

1.1 Background

Economic growth involves among other things the gradual broadening of markets at the local, regional, national, and global levels. This process of market integration forces firms to compete in wider markets through time. Besides, the efficiency gained through greater competition and widening of markets increases opportunities to realize economies of scale, and adoption of more productive technologies (Arvil, 2001).

According to World Bank (2001) all enterprises regardless of their size operate in large economic systems where liberalization is expected to open up markets, increase business opportunities, and increase competition among firms and alternative supply networks. This requires small enterprises (SEs) to integrate into markets to improve their operational efficiency and product quality to survive and grow. Small enterprises here refer to micro, small and medium enterprises.

In Kenya, the SE sector accounts for the majority of firms and a significant share of total employment. Parker and Torres (1993) in the first GEMINI survey estimated that there were approximately 910,000 micro and small enterprises in Kenya, employing more than 2 million individuals or about 16% of the labour force and accounting for 12 – 14% of GDP. However, in spite of the apparent significance and particularly to indigenous Kenyans, the sector lacks dynamism resulting from the many problems plaguing the sector. In response to this scenario, various enterprise assistance programs
have developed over the last three decades to mitigate the factors that constrain growth in the sector.

1.1.1 Paradigms in Micro and Small Enterprise Development

Over the last three decades different Small enterprise development paradigms have been pursued in support of the SE sector. The Community Based Enterprise development (CBE) paradigm was adopted during the 19960s and 1970s. This paradigm focused on assisting groups or communities to generate their own sources of income. The approach did not target individual entrepreneurs and this inhibited innovations and efficient management. Consequently, it was abandoned in favour of the integrated approach to Small Business Development (SBD) paradigm in the early 1980s to the late 1980s. Under the SBD approach, support to SEs included credit, training, marketing and technical assistance to individual entrepreneurs in an attempt to address the multiplicity of problems faced by small enterprises (Theocharides and Tolentino, 1991). The fundamental difference between the CBE and SBD approach was that of focus, the later focused at individually owned enterprises while the former advocated community ownership of enterprises. However, both approaches had poor financial self-sufficiency capacity, leading to low outreach thus limiting impact in the SE sector.

The minimalist approach to SEs paradigm in late 1980s to early 1990s replaced the SBD paradigm. The criticism of the integrated approach, which revolved around the cost effectiveness of delivering services, helped to shape the new model. The model emphasized the need to focus and separate the financial and non-financial services. A
new objective of transforming SE support projects into commercially viable institutions was introduced. Emphasis was placed on the private sector at both the client level and the support institutions level. It is on the basis of the minimalist paradigm thinking that the current generation model of microfinance for the provision of financial support services has been developed. Non-financial services such as training, technical assistance, market access and business counseling were unfortunately relegated to a secondary position.

The achievements of the microfinance through the minimalist approach have been remarkable. The development of the microfinance model has explored new horizons, beyond micro enterprises, by putting emphasis on savings as a major intervention in itself as opposed to being complementary to credit. This success is demonstrated by the recent conversion of K-REP, from a micro finance institution (MFI) to a commercial bank, and, the growth of MFIs like SMEP, BIMAS, KWFT and Faulu Kenya. However, despite these stunning breakthroughs, credit for the poor has its limitations. The SBD paradigm over emphasis on financial services ignores the significant non-financial constraints that inhibit growth of SEs. As a result, the impact of credit on enterprise development has been questioned, as portfolios are dominated by trade and simple processing businesses that offer little scope for increased productivity (Dawson, 1997). The limitations of microfinance in catalyzing growth in the SE sector have led to rethinking of relegation to a secondary position of non-financial support to SEs.
In the late 1990s the market development approach to business development services paradigm developed to complement the minimalist approach by ensuring that small entrepreneurs had access to the whole range of services, financial and non-financial that they require to grow and innovate their enterprises. The market development approach to BDS focuses on facilitating the development of well-functioning markets with a diverse array of services that meet the needs of large proportion of SEs affordably (McVay and Gibson, 1999).

1.1.2 Business Development Services

The term Business Development Services (BDS) refer to a wide range of services used by entrepreneurs to help them efficiently operate and grow their businesses with broader purpose of contributing to economic growth, employment generation, and poverty alleviation (Goldmark, 1999 et al. These services include market access, input supplies, technology and product development, training and technical assistance, infrastructure, policy and advocacy services, financial services and business linkage promotion. Traditionally BDS initiatives supported organizations in design and direct-delivery of standardized BDS with an implicit assumption of continued subsidy (World Bank, 1999). These were mostly within the integrated approach framework of the Small Business Development (SBD) paradigm of the 1980s. However, these initiatives were criticized for failure to achieve the critical goals of BDS programs i.e. improving impact and increasing outreach among SEs as well as sustainability and cost effectiveness of delivery. It is against this backdrop that BDS experts developed the market development approach to BDS paradigm whose interventions are more market
oriented and demand led (CDA, 1997). The ultimate vision for the market development approach to BDS is a well-functioning market with a diverse array of high-quality services that meet the needs of a large proportion of SEs affordably.

1.1.3 Kenya Business Development Services Program

Locally, the BDS field compares well on the world stage. It has developed along the global trends from the BDS traditional thinking driven interventions to the current market development paradigm which many enterprise development programs are experimenting with. One such program is the Kenya BDS program. Started in 2001, the program is funded by United States Agency for International Development (USAID). The program is designed and implemented along the market development paradigm. This uniqueness sets the program apart from other BDS programs in Kenya that have adopted the new paradigm along the way. Consequently, the program is a focal point for learning about the performance of the market development paradigm in developing BDS markets for SEs. The program has projects in the horticultural and fisheries sectors. In the horticultural sector the program has projects in Maragua and Magarini, while in fisheries it has a project in Kisumu. This study will focus on the Maragua avocado project has been under implementation for three years. This period is considered adequate for the program to impact BDS markets serving the small-scale avocado farmers.

According to the Horticultural Crops Development Authority (2004), the Kenyan horticultural sector has consistently registered average annual growth rate of 20% for
the last decade. In the year 2003, the sector was the country’s leading exchange earner.

The development of this subsector in Kenya is cited as a success story in sub-Saharan Africa and a model for other countries in developing world. This success is attributed to private sector participation with very little government involvement. Small-scale farmers who produce up to 60% of the total horticultural exports dominate the subsector (Kimenye, 1998). The private sector participation and particularly of small-scale producers, presents the horticultural sector as a powerful leverage for poverty alleviation and development efforts in Kenya. However, the small-scale farmers are faced with numerous problems arising from the stringent conditions imposed by the export markets, commonly referred as EurepGAP rules. These rules concern growing and handling regulations and require hefty investments for compliance, which in most cases are beyond the small-scale farmer. In view of the importance of the small-scale producers in this sector it is imperative to secure and enhance their participation through facilitating conformance to EurepGAP rules. It is against this background that the USAID KBDS program was set up.

1.1.4 Maragua Avocado Market Linkage project

The Maragua Avocado project was the first of the KBDS projects. The project started in 2002. A subsector analysis conducted at the beginning of the project identified four critical business development services in responding to the challenges faced by the small-scale avocado producers in Maragua. The services identified were agrochemical spraying, harvesting and grading, network brokerage and, grafting and pruning. The
intervention to these challenges was planned along the market development approach. So far, the project has 1,203 active farmers, 121 services providers and 1 facilitator.

Despite concerted efforts from government and an ever growing number of donor agencies, non governmental organizations and private sector institutions to assist SEs overcome factors inhibiting their growth, the number of SEs benefiting from these support services continue to be dismal. In 1995, only about 7% of SEs had been reached by any form of non-financial assistance. Additionally, only 2% of SEs had received non-financial assistance from formal institutions (Daniels et al, 1995) By 1999, only 7% of SEs had received any form of non-financial assistance in four years (1995 – 1999) despite the increasing numbers of formal and informal institutions in the country offering all types of non-financial assistance (CBS, 1999). This poor performance has been blamed on approaches previously used to design and deliver non-financial assistance to SEs. The Market development approach was conceived to address the twin problem of non-financial interventions of impact and sustainability.

The market development approach has been lauded as the panacea for resolving the problems facing provision of non-financial assistance to SEs. However no studies have been conducted to gauge the effectiveness of the market development approach in addressing the twin problem at the core of limited accessibility of non-financial services to SEs. In view of the foregoing, this study will seek to evaluate the impact and sustainability of BDS projects implemented through the market development approach.
1.2 Statement of the Research Problem

The need to promote and support SEs has for long been recognized in Kenya as employment in the formal sector consistently failed to keep up with an expanding labour force (GoK, 1986; 1992) and (GoK, 1983; 1989). However, despite government efforts aided by a growing number of agencies as well as private sector institutions to assist the SEs overcome the factors inhibiting their growth, the number of SEs benefiting from these support services continues to be dismal. In 1995 for example, only 7% of SEs had been reached by any form of BDS assistance and only 2% received BDS assistance from formal institutions (Daniels et al, 1995).

This poor performance has resulted in an SE sector dominated by trade and simple processing businesses that offer little scope for productivity and innovation (Dawson, 1997). A recent study by Wakah (1999) showed that the need for relevant BDS as perceived by SE owner managers in Nairobi is very high and requirements for BDS far exceed their supply. However, available BDS were not perceived to be relevant. Mwangi (2001) established that BDS programs were unable to maximize outreach despite increasing financing. She concluded that it is imperative to review BDS delivery strategies in order to meet the growing demand for BDS.

The market development approach to BDS has been suggested as the panacea for addressing the challenges of BDS assistance delivery to SEs (Mcvay, 1999). It proposes development of well functioning markets with a diverse array of high-quality services.
that meet the needs of majority of MSEs affordably (Gibson et al, 1999). It underpins the principle that integrating MSEs into markets links them to opportunities and provides them the best environment for growth. A study in Asia (Snodgrass et al, 2001) on effectiveness of the market development approach to BDS show improved accessibility of BDS by MSEs, growth of responsive, sustainable and cost effective BDS markets coupled with improved performance by small enterprises.

However, there has not been any study conducted on the effectiveness of market development approach to BDS in Kenya. This leaves a gap in the existing body of knowledge on efforts taking place in the delivery of BDS. This study therefore seeks to bridge this gap by establishing the performance of this approach to BDS delivery in Kenya.

1.3 Objectives of the Study

i. To determine the impact of the market development approach to BDS on the Maragua Avocado market linkage project.

ii. To assess sustainability of the BDS market in the Maragua Avocado market linkage project.

1.4 Significance of the Study

As already indicated, market development for BDS is a developing concept and practitioners are keen to learn from its application, in order to documents its impact and
sustainability, as well as the emerging lessons and challenges. The findings will benefit various stakeholders in the development of support services to SMEs.

Specifically, the findings of this study will benefit academicians and researchers in assessing the applicability of the market development approach in developing sustainable access to business development services for SMEs. Secondly, government and in particular the ministry of agriculture will gain insights into more effective and sustainable approach for application in its quest to commercialize extension services in the agricultural sector. Thirdly, the non-governmental organizations running MSEs assistance programmes will benefit from lessons on how to serve the MSEs through market development rather than direct interventions.

The study will establish viability of integrating SMEs into markets for purposes of improving their operational efficiency and productivity. The widespread replication of this approach will formalize the currently informal SME sector. Facilitators and suppliers as key market players will gain insights into deepen the market penetration with their services.
2.1 Small Enterprise Sector in Kenya

Mulhern (1985) states that the size of the business may be defined in terms of the numbers of employees, the turnover, or capital invested in the business. Different authors and researchers have defined SMEs variously depending on their respective objectives. Using employees as the basis of definition, the Government of Kenya defines an SME as one employing 0-50 persons (GoK, 1988). A small business is one that is actively managed by its owner(s), highly personalized, largely local in its area of operation and largely dependent on internal sources of capital to finance its growth (Banmback, 1988).

Studies in Kenya show that the SME sector accounts for the majority of firms and a significant share of total employment. Parker and Torres (1993) in the first baseline survey of micro and small enterprises in Kenya revealed that there were over 910,000 micro and small enterprises in Kenya, employing more than 2 million individuals or about 16% of the labour force and accounting for 12 – 14% of GDP. Few of the enterprises had received business assistance of any kind. It found that only 38% of SMEs had grown since being started and that 47% were single person operations. Equally damning, it found that one third of the 325,000 SMEs started in 1993 had failed or closed in that year, as well as another 90,000 failures or closures of businesses started in previous years. They concluded that this lack of dynamism and growth had resulted in a dearth of indigenous, small- and medium-scale enterprises: the so-called “missing middle”.

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In spite of this bleak, the small enterprise sector provides the platform for indigenous Kenyans to participate in economic development (GoK, 1992). According to annual economic survey (GoK, 2004) the marginal economic growth (1.8 – 1.2) recorded the in the government financial year (2003 - 04) was achieved on the back of growth in the SE sector. In the same period some 460,000 new jobs were recorded in the sector, accounting for 94% of all new jobs created in the year. In recognition of this, the government and other agencies have established enterprise assistance programs to address the factors constraining growth in the sector. Over the years, these efforts have made positive steps and particularly in microfinance, where interventions have targeted the poor as paying clients, effectively raising impact, outreach and sustainability. However, despite these stunning breakthroughs, credit for the poor has its limitations.

The requisite concentration on financial services ignores the significant non-financial constraints that inhibit growth of SMEs. As a result, the impact of credit on enterprise development has been questioned, as portfolios remain dominated by trade and simple processing businesses that offer little scope for increased productivity (Dawson, 1997).

The limitations of microfinance in alleviating poverty are drawing attention to non-financial constraints to enterprise growth. The diversity of these constraints, which include skills, technologies, market barriers, poor infrastructure, and hostile policies and their complexity require intensive, often integrated interventions that lead one back to the old questions of scale, impact, and cost-effectiveness that have plagued business development services for years. Yet, largely inspired by the revolution in microfinance,
interesting BDS responses are emerging. In particular, practitioners are increasingly adopting a market-oriented approach to providing BDS.

2.2 Business Development Services Approaches

Approaches to BDS have been categorized into two; traditional and market development. In the traditional approach, the non-financial enterprise assistance interventions focused on establishing new institutions to provide various services directly to small enterprises with an implicit assumption of continued subsidy (World Bank, 1999). These interventions were generally supply-led, short-term, small scale, and expensive and contributed to market distortions. Consequently, practitioners concluded that the traditional approach had little impact on SEs (Mcvay et al, 1999).

The disappointment with traditional approaches interventions led to adoption of market development approach to BDS. The approach shifted focus from direct service provision to facilitation of organizations to undertake various initiatives to build the capacity of local institutions to deliver business services to small enterprises, while also, stimulating demand for such services among target population.

A study by (Abouda and Bowles, 2000) notes that the formation and growth of small enterprises is dependent on conditions of the business environment in which they operate.

Thus, Market development approach grew out of the conviction that achievement of growth in the SE sector was possible only by relying on markets to provide support with a diverse array of services. This way the goal of creating impact among large
numbers and types of enterprises sustainably and cost effectively became achievable.

The new approach emerged from a convergence of innovative practices, research, and pioneering thinking from isolated BDS practitioners around the globe determined to reach large numbers of SMEs through sustainable delivery of BDS (Tomecko, 2000). They experimented with and developed innovative ways of delivering BDS that would overcome the challenges of traditional approach interventions. This shift was fueled by three innovations. Firstly the development of “demand driven” services that met specific needs which SMEs were willing to pay for, secondly, the cost recovery efforts by non-profit institutions through charging fees, which resulted in some sustainable institutions and, thirdly, the attempts to reach scale through working with several providers who stimulated demand by distributing “vouchers” that discounted services for SMEs. These isolated experiences and findings led to thinking about how to strengthen, expand, and develop existing BDS markets. The market development approach was shaped by these experiences and findings. It proposes a new vision of success, one that reflects a healthy, private-sector business services market, where numerous, competitive BDS suppliers sell a wide range of services to large numbers and types of enterprises.

The paradigm underpins the thinking that integrating poor people and SMEs into markets links them to opportunities and that functioning BDS markets of relevant, differentiated services provide the best environment for SMEs growth. Further, it holds that, by purchasing BDS, SMEs take a step into markets as discerning and valued customers or business associates, rather than as beneficiaries (Perkins et al, 2001).
desired result is that numerous SMEs buy BDS of their choice from a wide selection of products offered (primarily) by unsubsidized, private-sector suppliers in a competitive and evolving market.

The market development approach interventions are designed along the best practice model presented in figure 1 below.

Figure 1: Facilitating Market Development

Development agenda → Commercial orientation

Source: Miehlbradt et al. (2002), Third Annual BDS Seminar Reader, Turin, Italy, Pg 7.
The key actors in this model are small enterprises, who are the BDS consumers, the providers, who are usually firms, institutions or individuals that provide BDS directly to SMEs and facilitators who are institutions that have as their primary aim to promote the development of BDS markets. The market development approach agenda is to promote the commercial orientation as indicated in the BDS market development model, where SMEs procure services they desire on a for-fee-basis. On the other hand, the activities undertaken by the facilitators toward enhancing the capacity of the market to perform commercially are regarded as development oriented.

2.3 Business Development Services and the concept of market Development

The term Business Development Services (BDS) refers to a wide range of services used by entrepreneurs to help them efficiently operate and grow their businesses with the broader purpose of contributing to economic growth, employment generation, and poverty alleviation (Goldmark et al, 1997). Broadly, BDS are categorized into market access/linkages, product development, training and technical assistance, input access, consultancy and advisory services, policy and advocacy services, information, technology development and transfer and infrastructure development. A distinction is sometimes made between "operational" and "strategic" business services. Operational services are those needed for day-to-day operations, such as information and communications, management of accounts and tax records, and compliance with labor laws and other regulations. Strategic services, on the other hand, are used by the enterprise to address medium and long-term issues in order to improve the performance of the enterprise, its access to markets, and its ability to compete. The market for
operational services may already exist, since there is often articulated demand and willingness to pay for these services. In contrast, markets for strategic services for SMEs have largely failed to develop, and they are the focus of most interventions in BDS.

The concept of BDS market development is rooted in a fundamental faith in private sector markets as engines of growth and efficient suppliers of goods and services. Markets are flexible and adapt quickly to changing conditions, providing incentives for growth, innovation, and structural changes. Reliance on markets encourages private economic activity and the dispersal of economic power (Perkins et al., 2001). It is this power of the markets to efficiently allocate resources among competing needs that the market development approach seeks to harness to benefit SMEs.

2.4 The Rationale for Market Development

BDS market development approach is rooted in a fundamental faith in private sector markets as engines of growth and efficient suppliers of goods and services. Markets are generally understood to be the best mechanism for allocating society’s scarce resources for the greatest possible socioeconomic good. They are flexible and adapt quickly to changing conditions, providing incentives for growth, innovation, and structural change. Reliance on markets encourages private economic activity and the dispersion of economic power (Perkins et al., 2001). However, in spite of the evidence of efficiency of markets in allocation of resources, many SMEs, particularly the smallest, poorest, and most remote do not have access to desired services from BDS markets.
This is because, as noted by (Snodgrass and Biggs, 1996) and, (Little and Mazumdar, 1987) business service markets for SMEs sector in most low-income developing countries (such as Kenya), are wrought with market failures. It is this market failure phenomenon that the market development approach aims to readdress through checking market distortions in BDS markets.

2.5 Market Development Principles

The market development principles underpin the theoretical framework of market development approach interventions in terms of design and implementation. These principles demonstrate how to effectively intervene in BDS markets. This requires a new or at least a modified set of core skills and practices in conceptualizing BDS in the new market development paradigm (Gibson, 2000). These principles are briefly discussed below.

According to the CDA (2001) BDS interventions should promote transactions between SMEs and primarily private sector suppliers, thus “facilitating” the expansion of markets rather than “providing” services. The approach concentrates on providing technical assistance and incentives that encourage suppliers to enter new markets, develop new products and expand services to underserved markets. The second principle underscores the importance of a thorough understanding of the existing BDS market situation before designing and implementing any intervention. Market development interventions therefore begin with market assessment (Hitchins et al, 2000). The third principle calls for proper targeting of interventions in addressing
market development issues in order to minimize market distortions (Hallberg, 2000). The practitioners must target interventions at market problems and opportunities identified during market assessment to address specific issues and achieve specific objectives. The fourth principle concerns use of subsidies in market development interventions. Subsidies must be appropriately applied due to their potentially market distorting effects. They are recommended for “kick-starting” market development activities such as pre and post delivery of activities. These include product development and test marketing, capacity building, raising awareness, gathering consumer feedback and, monitoring and evaluation (CDA, 2001).

The fifth principle underscores the need for interventions to have a clear vision for a sustainable market and an exit strategy to avoid perpetuating dependence. Programs are more likely to end successfully if they have a clear vision and a timeframe. The sixth principle separates the roles of providers from those of facilitators due to their different agendas in market development. BDS providers have a commercial agenda while facilitators have a development one and mixing the two often leads to ineffective programs and inefficient use of resources (Gibson, 2000). The seventh principle has to do with promoting competitiveness and efficiency in the market. Competitiveness is the hallmark of efficient markets. This is achieved through promotion of competition among suppliers, usually by working with many of them. The eighth principle deals with nature of agencies that intervene in BDS markets. To foster more effective, businesslike interventions, the intervening agencies themselves must be businesslike in their approach to market development support. The support should be made more
transactional to replicate conventional business relationships. This eliminates opportunities for market distortions and encourages development of demand-led service provision.

Tomecko (2000) in the ninth principle states that even when poverty alleviation is the goal of BDS programs, markets must not be smothered with inappropriate funding if they are to develop and serve low-income clients with the services they desire. Donors and governments' visibility in markets causes distortions because SMEs and providers have come to expect subsidies and thus may damage budding markets. The tenth principle states that market development interventions must be flexible and entrepreneurial. Experience shows that markets change rapidly and often react to facilitator efforts in unexpected ways; consequently facilitators must be free to respond to the market flexibly, taking advantage of opportunities and changing strategies as appropriate (Hallberg, 2000). The last principle emphasizes the need for agencies to work collaboratively with regard to BDS markets. Mcvay (2001), states that it is difficult and not at all effective, for a program to pursue a market development approach if others continue to subsidize transactions and offer publicly funded services in the same market. In such scenario suppliers will almost always choose to work with a program which will subsidize transactions rather than one advocating market development. This dampens SMEs willingness to pay. These principles are at the centre of the market development approach and consist of the new skills and practices required to intervene effectively in BDS markets.
2.6 Performance Assessment in Market Development Programs.

Systematic performance measurement in BDS provides basis for interventions to improve their design and instruments in response to client demand. It is therefore imperative to routinely assess the effectiveness of these interventions to determine whether they are attaining their goals (McVay, 2001). Under the auspices of a World Bank project, practitioners have developed a performance measurement framework (PMF) for assessing performance of BDS interventions. This framework isolates parameters of performance relevant for assessing the effectiveness of market development approach interventions. These are, impact measured in terms of changes in SE performance; outreach measured in terms of awareness, product trial and repeat rate; and, sustainability and cost effectiveness measured in terms of supplier and service viability and, efficiency of program facilitators.

2.6.1 The Performance Measurement Framework (PMF)

According to McVay, (2001) the performance measurement framework (PMF) identifies valid, practical, and useful performance indicators for business development services interventions. These indicators were developed from best practices studies and consensus-building global conferences. The indicators reflect common goals across BDS programs, structured according to the objectives of the market development approach. The objectives focus on improving impact on SE performance, increasing outreach through vibrant private-sector markets and ensuring sustainable and cost-effective delivery of BDS.
The PMF assess BDS programs effectiveness along a causal development model. This model is diagrammatically presented below.

**Figure 2: The Performance Measurement Framework causal model**

**Measurement strategy**

- **Mission:** Increase employment and income
- **Goal:** Small enterprise growth
- **Sub-goal:** Help SEs access, apply, and benefit from BDS

**STRATEGY:**

- Develop vibrant, competitive BDS markets

**OBJECTIVE:**

- Strengthen sustainable demand

**OBJECTIVE:**

- Strengthen supply

**Impact**

- Market expansion
- Market diversity
- BDS quality
- Deepening of markets
- Benefits of BDS to SMEs

**Market Sustainability and Cost-Effectiveness**

- Percentage of supplier revenue from SMEs;
- Supplier sustainability cost of project compared with sales and number served.

Source: (McVay et al. (2001), The PMF for Business Development Services, Turin, Italy pg 31.)
The PMF assess BDS programs effectiveness along a causal development model. This model is diagrammatically presented below.

Figure 2: The Performance Measurement Framework causal model

**Measurement strategy**

- Evaluation
- Measurement
- Activity

**Impact**

- Market expansion
- Market diversity
- BDS quality
- Deepening of markets
- Benefits of BDS to SMEs

**Mission:** Increase employment and income

**Goal:** Small enterprise growth

**Sub-goal:** Help SEs access, apply, and benefit from BDS

**STRATEGY:**
Develop vibrant, competitive BDS markets

**OBJECTIVE:**
Strengthen sustainable demand

**OBJECTIVE:**
Strengthen supply

**Market Sustainability and Cost-Effectiveness**
Percentage of supplier revenue from SMEs; supplier sustainability cost of project compared with sales and number served.

Source: (McVay et al. (2001), The PMF for Business Development Services, Turin, Italy pg 31.)
It is worth noting that the causal model's main goal is not the development of the BDS market; rather, the goal is the impact on SMEs, and the strategy is the development of BDS markets. The PMF therefore tests the key assumption of the market development approach that developing BDS markets contribute to higher impact and sustainability and if so how effectively.

The framework defines impact as the effect of the business development service on the performance of the small enterprise clients. The framework assesses impact of BDS market development programs on SMEs through proxy indicators such as acquisition, application and benefits from business development services on SMEs or real indicators such as productivity measured in volume and quality of output and incomes where relevant data is available (Clifton, 1997). On the other hand, outreach is defined as the proportion of the target population that uses the service(s). It is the number of SMEs that a program or market has reached (scale) and the extent to which those reached represent typically underserved populations, such as women owned SMEs and the very small micro-enterprises (access). Outreach is indicated through assessing BDS market expansion; assessing the market and services quality, diversity and competitiveness; and assessing the depth of market with regard to reaching underserved segments of the market. Market development proponents posit that improvement of these parameters underline a developing BDS market.

Lastly, sustainability is defined as the long-term availability of desired categories of services in a particular business service market through unsubsidized, commercial
channels. Sustainability is defined in financial and institutional dimensions, financially in terms of profitability of providers and institutionally in terms of efficient market. Mcvay, et al, (2001), notes that while providers and business services may come and go, the sustainability and development of increasing numbers of healthy SMEs can be enhanced by continued access to commercial services long after a BDS program ends. Sustainability of BDS market is assessed through measuring the number of providers in the market and the number of services offered by the providers. Wherever these numbers show a steady rise the market is deemed to be developing. Another aspect of sustainability is cost effectiveness. It is defined as the efficiency with which BDS facilitators support market development interventions. The efficiency of facilitators is mostly determined by the structure of the service market with regard to quality, diversity and affordability of services. Cost effectiveness is indicated by the numbers of SMEs served by a facilitator and the facilitator’s cost of serving a Small Enterprise. Moreover, the cost bases of facilitators and providers must be appropriate to the world of SMEs, otherwise their services will be out of reach for most of them.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study was a descriptive survey of the KBDS Maragua Avocado project. Cross-sectional data was collected from farmers, suppliers and facilitators. The design was preferred because of its ability to generate wide ranging information/data from the respondents.

3.2 Population

The study population was given by the project records (2005). Based on the records the Ngarika/Muruka production cluster had 1,203 farmers, 99 suppliers and 1 facilitator.

3.3 Sampling

A 101 respondents were sampled for the study. The respondents consisted of 80 farmers, 20 service providers and the Ngararia/muruka cluster facilitator. The farmer respondents’ category was selected through systematic (interval) sampling.

To select the sample of \( n \) units, the interval was determined i.e. \( k = \frac{N}{n} \), then every \( k \)-th unit was selected, commencing with a randomly chosen unit between 1 and \( k \). Applying this formula to the study population, the study sample was drawn, thus \( N = 1,203 \), \( n = 80 \) therefore \( k = \frac{1,203}{80} = 15 \). Therefore, every 15th farmer on the project record was selected commencing with a randomly selected 6th farmer. The same method was used to draw the service providers’ sample, while the cluster market development facilitator was taken as given as only one served the market. The Ngararia/Muruka production cluster initiated in 2003 was selected because it was the oldest and therefore the best
cluster for assessing impact and sustainability of the market development approach to market development.

3.4 Data Collection

The study used primary data collected through administration of a structured questionnaire. The questionnaire, appendix 1, was administered on respondents through personal interviews by the researcher. The questionnaire had three sections, each for a category of respondents, namely the SMEs, service providers and the facilitator.

3.5 Data Analysis

Descriptive statistics were used to determine the impact of market development approach to BDS and assess the sustainability of BDS market in Maragua Avocado project. The analysed data was presented in percentages. Comparisons were then made between the study impact and sustainability measurement indices as determined by the study and the project performance baseline benchmarks given in appendix 2, to determine the impact of the market development approach in delivery of BDS and assess resulting sustainability of BDS market respectively.

Five (5) variables were used to assess the impact of the market development approach in developing BDS markets. The variables were market expansion, quality of BDS on offer, benefits of BDS to farmers, deepening of BDS markets for undeserved market segments and market diversity.
Business development services market sustainability was assessed through three (3) variables. These were service provider’s financial sustainability measured in terms of percentage of income earned from supporting SMEs, BDS market sustainability measured in growth in numbers of service providers serving the market and BDS market cost effectiveness in delivery of services.

4.2 Respondents' Profile

The study profiled the SMEs in order to identify presence and size of underserved market segments as well as SMEs ownership by gender. The two BDS market characteristics were profile because of their significant with respect to SMEs access to business development services. Micro and female managed enterprises were generally underserved in BDS market for a variety of reasons. The project baseline data (annex 2) defined a micro enterprise as any SMEs managing an outfit of five trees and below. Further, any female managed SMEs was categorized in the underserved market. The SMEs profiled data is presented in Table 1 and 2 below.
CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

The study was carried out among the BDS market players in the Ngararia/Muruka cluster of KBDS project in Maragua. The study data was collected through interviews from a sample of 121 respondents among them 80 SMEs, 20 services providers and the market development facilitator. The data collected from SMEs addressed the first study objectives, while data from service providers and market development facilitator addressed the second objective. The data collected is presented, explained and interpreted in this chapter.

<table>
<thead>
<tr>
<th>Table 2: Size of orchard per farmer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
</tr>
<tr>
<td>41</td>
</tr>
<tr>
<td>42</td>
</tr>
<tr>
<td>43</td>
</tr>
<tr>
<td>44</td>
</tr>
<tr>
<td>45</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

4.2 Respondents Profile

The study profiled the SMEs in order to identify presence and size of underserved market segments as well as SMEs ownership by gender. The two BDS market characteristics were profile because of their significant with respect to SMEs access to business development services. Micro and female managed enterprises were generally underserved in BDS market for a variety of reasons. The project baseline data (annex 2) defined a micro enterprise as any SMEs managing an orchard of five trees and below. Further, any female managed SMEs was categorised in the undeserved market. The SMEs profiled data is presented in Table 1 and 2 below.
Table 1: Enterprise ownership distribution by gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Managed</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td></td>
<td>28</td>
<td>35</td>
</tr>
<tr>
<td>Male</td>
<td></td>
<td>52</td>
<td>65</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>80</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research data

Table 1, revealed that thirty five (35%) of SMEs surveyed were female managed, while the remaining 65% were male managed.

Table 2: Size of orchard per farmer

<table>
<thead>
<tr>
<th>Number of trees</th>
<th>Frequency</th>
<th>%</th>
<th>Cumulative frequency %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 5</td>
<td>41</td>
<td>51.25</td>
<td>51.25</td>
</tr>
<tr>
<td>6 - 10</td>
<td>25</td>
<td>31.25</td>
<td>82.50</td>
</tr>
<tr>
<td>11 - 20</td>
<td>10</td>
<td>12.50</td>
<td>95.0</td>
</tr>
<tr>
<td>21 +</td>
<td>4</td>
<td>5.0</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data

Further, in Table 2, the study found that the size of avocado orchard per farmer was generally small. Orchards with below five trees accounted for 51.25%, 6 – 10 trees 31.25%, 11 -20 trees 12%, while those with 21 trees and above accounted for a meagre 5% of the surveyed enterprises.

This data illustrate that a significant segment of the SMEs served by the BDS market in the Maragua project fell in the underserved market. The 35% female managed enterprises and 51.25% enterprises less than five trees all belonged to this market.
segment. The issue of accessing underserved market segment of BDS market was a key parameter of measuring the impact of market development approach in BDS market development.

4.1 Impact of market development approach to business development services

The first objective of the study was to determine the impact of market development approach to Business Development Services in the Maragua Avocado market linkage project. This study objective intended to determine the effect of business development services on small and micro enterprises. To achieve this objective, a number of variables were considered. These include market expansion, market diversity, quality of business development services, market deepening and BDS benefits to SMEs.

4.3.1 Market expansion for business development services

The study used market expansion to measure the growth of access to BDS by the SMEs. The application of market development approach to BDS in Maragua avocado project was expected to develop a BDS market with a diverse array of services which are demand driven, cost effectively delivered and thirdly, reaching a large number of SMEs. The study assessed market expansion through data on market awareness, acquisitions and purchases of BDS among SMEs growing avocado for the European export market. The study findings are summarized and presented in Table 3 and 4 below.
According to Table 3, awareness among the project enterprises had increased from negligible (project benchmarks) to a 100% in the Ngararia/Muruka project cluster over a three year period. The findings show awareness increasing from 32.5% in the first year to 80% and 100% in second and third year respectively among the surveyed respondents.

According to Table 4, the findings show that acquisitions from KBDS providers stood at 87.75%, while acquisitions from government and friends/family were 3.25% and 5% respectively. A further 4% did not acquire services from any of the providers. On the other hand, 87.75% purchased services from KBDS, while none purchases sieves from government sponsored providers. Only 2.25% of the SMEs purchased services from friends/family.
The findings in Table 3 & 4 indicate that the market development approach had significantly increased awareness of BDS among SMEs. Further, the data shows market success in transforming awareness into acquisitions and purchases of BDS by SMEs. Noteworthy, was that all acquisitions from KBDS supported service providers were purchases (i.e. "on a for-fee-basis"), while only 2.25% of BDS acquisitions from all other providers were purchases in spite of acquisition standing at 12.25%. This show that the market development approach had made the BDS market more transactional based. As such the market development approach had shown greater potential on positively impacting the market development than the traditional approaches used by other providers.

4.2.2 Market Diversity

The study considered the number of BDS providers and services provided by the project facilitated market to determine the impact of market development approach on BDS market diversity. The study findings on the impact of market development approach on the BDS are summarized and presented in Table 5 below.

<table>
<thead>
<tr>
<th>Year of entry to program</th>
<th>Frequency</th>
<th>Annual growth (%)</th>
<th>Number of BDS services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>4</td>
<td>100</td>
<td>2</td>
</tr>
<tr>
<td>2004</td>
<td>11</td>
<td>63.6</td>
<td>4</td>
</tr>
<tr>
<td>2005</td>
<td>20</td>
<td>45</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Research data
The study findings from Table 5, show that the market had grown from zero project supported service providers to four, eleven and 20 in the respective three project year under study. Moreover, the number of business development services provided by the market had increased from one before the project initiation to four in 2004.

From the study findings above the market experienced a 69.5% average annual growth in number of service providers in the market over the three years. Further, the expanded market service offering covered the entire SMEs product value chain from production, quality assurance to the market access. Considering the project baseline indicators (annex 2) the market development approach had greatly diversified the market through increased numbers of service providers and services provided.

4.2.3 Quality of Business Development Services

In determining the impact of market development approach on the quality of BDS offered by the market, the study considered SME satisfaction with BDS purchased and multiple purchasing by SME clients. The study findings are summarized and presented in Table 6 & 7.

**Table 6: Satisfaction with services**

<table>
<thead>
<tr>
<th>Level of satisfaction</th>
<th>Frequency</th>
<th>%</th>
<th>Cumulative Frequency %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very satisfied</td>
<td>49</td>
<td>61.25</td>
<td>61.25</td>
</tr>
<tr>
<td>Somewhat satisfied</td>
<td>21</td>
<td>26.25</td>
<td>87.5</td>
</tr>
<tr>
<td>Somewhat dissatisfied</td>
<td>7</td>
<td>8.75</td>
<td>96.25</td>
</tr>
<tr>
<td>Very dissatisfied</td>
<td>3</td>
<td>3.75</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>
Source: Research data

The study findings from Table 6, indicate out of the surveyed SMEs up to 61.25% were very satisfied with the BDS purchased while 26.25% were somewhat satisfied. However, 8.75% and 3.75% of the surveyed SMEs indicated that they were somewhat dissatisfied and very dissatisfied respectively with their BDS purchases.

**Table 7: Multiple purchasers**

<table>
<thead>
<tr>
<th>Service providers</th>
<th>Multiple purchases</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>KBDS</td>
<td></td>
<td>63</td>
<td>90</td>
</tr>
<tr>
<td>GoK</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Friends &amp; family</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Local traders</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Data: Research data

Further, Table 7 above, show up to 90% of program supported services purchasers as multiple purchasers. Multiple purchasing was not recorded by any other services providers.

The study findings from Tables 6 & 7 underscore the positive impact of the market development approach on the quality of BDS provided by the project supported providers. This clearly illustrated by the high percentage of SMEs satisfied with the market BDS market offering as well as the high percentage of multiple purchasers among SMEs.
4.2.4 Market deepening

To determine the impact of market development approach on market deepening for underserved BDS market segments, the study compared acquisition and purchases by market segments considered underserved to the acquisition and purchases of the entire market. The study findings are summarized and presented in Table 8 below.

Table 8: Project supported underserved market (micro and female owned)

<table>
<thead>
<tr>
<th>Market segment</th>
<th>Acquisition by underserved market %</th>
<th>Purchases by underserved market %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entire market</td>
<td>87.75</td>
<td>87.75</td>
</tr>
<tr>
<td>Underserved market</td>
<td>93.1</td>
<td>89.3</td>
</tr>
</tbody>
</table>

Source: Research data

The findings from Table 8, show that the underserved market acquisitions and purchases were at 93.1% and 89.3% respectively, while the entire market’s acquisition and purchases stood at 87.75%. This shows that the BDS market segments classified as underserved market by the project baseline data actually performed better than the mainstream market at accessing BDS. This shows that market development approach has ability to develop BDS markets that are accessible to all SMEs irrespective of their specific characteristics.

4.2.5 Business development services benefits to SMEs

The study used benefits of BDS purchased to SMEs to determine the impact of the market development approach to BDS. SMEs purchase BDS only if they perceive benefits from their use. The study sought to determine whether the SMEs were
delivering the benefits of purchased BDS as expected by the project and the extent to which they attributed the benefits enjoyed by their SMEs to BDS. The study findings are summarized and presented in Table 9 and 10 below.

**Table 9: Farmers application of business development services**

<table>
<thead>
<tr>
<th>Program specified use of service</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase productivity (fruits per tree)</td>
<td>66</td>
<td>82.5</td>
</tr>
<tr>
<td>Improve productivity (quality)</td>
<td>79</td>
<td>98.75</td>
</tr>
</tbody>
</table>

Source: Research data.

From Table 9, the study found that 82.5% of the SMEs were experiencing higher volumes of produce as a result of using BDS, another, 98.75% had registered improved quality of output due to use of BDS.

**Table 10: Attribution of benefits to BDS**

<table>
<thead>
<tr>
<th>Level of attribution</th>
<th>Frequency</th>
<th>%</th>
<th>Cumulative frequency %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great extent</td>
<td>76</td>
<td>95</td>
<td>95</td>
</tr>
<tr>
<td>Some extent</td>
<td>4</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Not at all</td>
<td>0</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data

On the other hand, Table 10 above, show that up to 95% of the SMEs surveyed wholly attributed the benefits their SMEs enjoyed to BDS use, while 5% only considered the benefits attributable to BDS to some extent. A significant aspect of impact on SMEs by the BDS through the market development approach was access to European export market for the SMEs products.
4.4 Sustainability of business development services market

The second objective was to assess sustainability of the BDS market in the Maragua Avocado market linkage project. This was intended to establish market ability to offer long term availability of desired categories of business development services in the avocado export business through unsubsidized, commercial channels. Market sustainability was assessed through three variables; firstly, growth number of service providers, second, the percentage of income derived by service providers from serving SMEs and third, the number of SMEs served by the market. The study findings are summarized and presented below.

4.4.1 Growth in Number of Providers serving the market

The study tracked the growth in the number of service providers to assess whether the market development approach to BDS had developed the supply side of the market through making it more diverse and competitive. A more diverse and competitive supply side of the market is more responsive the needs of SMEs therefore enhancing market sustainability. The study in Table 11 below shows that the project had recorded a 100%, 63.6% and 45% in the first, second and third year of the project respectively in the number of market service providers. On average this growth is 69.5% annually.
Table 11: Growth in number of providers serving the market

<table>
<thead>
<tr>
<th>Year of entry to project</th>
<th>Frequency</th>
<th>Annual growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>2004</td>
<td>11</td>
<td>63.6</td>
</tr>
<tr>
<td>2005</td>
<td>20</td>
<td>45</td>
</tr>
</tbody>
</table>

Source: Research data

4.4.2 Percentage of Income Derived by Service Providers from Serving SMEs

The study assessed the percentage of revenue service providers derived from serving SMEs. This was intended to establish the degree to which service providers depended on SMEs demand for their revenue generation. The higher the provider dependence the more sustainable the market is likely to be because high demand for services from SMEs will keep providers in the market. The study in Table 12 below reveal that 70% of the service providers drew more that 50% of the revenues from serving small enterprises, while the rest of the providers had between 30% and 50% of their revenue drawn from serving small enterprises.

This indicates that SMEs are generating enough demand for BDS to support the supply side of the market. Through market development the study shows a clear indication that the market can serve SMEs without subsidized supply of BDS.

Table 12: Service providers’ annual revenue from SME customers

<table>
<thead>
<tr>
<th>Level of revenue</th>
<th>Frequency</th>
<th>%</th>
<th>Cumulative frequency %</th>
</tr>
</thead>
<tbody>
<tr>
<td>51+</td>
<td>14</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>31 - 50</td>
<td>6</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td>Below 30</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research data
4.4.3 Number of SMEs served by the market

The study further sought to establish cost effectiveness of the market in the delivery of BDS to SMEs. Cost effectiveness is an important factor in achieving market sustainability. Sustainability of BDS markets is enhanced through broadening market scale. The study therefore sought to establish the growth of number of MSEs served by the market over the three year period. In Table 13 below, the study found that the number of numbers of MSEs served by the market had grown from 287 in first year of the program to 1203 in the third year.

This growth had the effect of creating economies of scale for the market service providers and the Ngararia/Muruka production cluster facilitator.

Table 13: Number of MSEs served per year

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of MSEs served</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>287</td>
</tr>
<tr>
<td>2004</td>
<td>450</td>
</tr>
<tr>
<td>2005</td>
<td>1203</td>
</tr>
</tbody>
</table>

Source: Research data
CHAPTER FIVE: SUMMARY AND CONCLUSIONS

5.1 Introduction
This study intended to achieve two objectives. First, to determine the impact of market development approach to BDS and second, to assess sustainability of BDS market in the Maragua avocado market linkage project. The findings of the study are summarised and conclusions drawn in this chapter. The chapter also covers the study limitations and suggestions for further research.

5.2 Summary
The first study objective was done through five variables namely, market expansion, market diversity, quality of BDS, market deepening and benefits of BDS to SMEs.

The study findings revealed positive trends on all the five variable signaling BDS market development. The study confirmed that market development approach to business development services had had significant impact on the market and the SMEs it served. The approach had made the BDS market more transactional based through expansion of awareness, acquisitions and purchases of BDS by SMEs.

Further, the approach had expanded the market as indicate by growth in purchases of BDS by SMEs and improved market diversity and competitiveness through increased numbers of services providers and market BDS offering. Moreover, the quality of BDS offering by the market had improved tremendously as shown by the high rate of multiple purchases. It is notable that other providers had not registered multiple
purchases. Additionally, the study established that the market had deepened to reach micro and female managed enterprises, segments hitherto undeserved.

The second objective of the study was to assess market sustainability, that is, the ability of the market the BDS market to avail the desired business development services in the avocado export business through unsubsidized commercial channels. The study results revealed that the market was rapidly becoming transactional. This finding anchored the positive prospect for development of a competitive and sustainable BDS market. The study noted that market was achieving all key sustainability milestones, among them improvements in numbers of service providers, significance of revenues generated by service providers from serving SMEs and market cost effectiveness in delivery of BDS through growing numbers of SMEs served by the market.

5.3 Conclusions

From the study results, it can be generally concluded that the market development approach to BDS had significant impacted on the BDS market and the SMEs it served. This was confirmed through the marked market expansion and deepening, improved quality of BDS as well as greater market diversity and BDS benefits enjoyed by the SMEs, all noted by the study. Also, the study noted the absence of gains by other projects, particularly, the government supported project which was applying traditional approaches to BDS in the same market. This study finding therefore confirm the market development approach as the best approach in developing diverse, competitive and relevant BDS market accessible to SMEs irrespective of their specific characteristics.
The study also found that the market had made significant achievements towards sustainability. Key among these achievements were increasing numbers of services providers and improvement in cost effectiveness of the market in delivery of BDS to SMEs.

On the over, the study established that the market development approach to BDS was developing the Maragua market into a well functioning BDS market with a diverse array of high quality services that met the needs of a large proportion of SMEs affordably. The study concluded that the market development approach had succeeded in integrating SMEs into the market, thereby linking them to opportunities for growth and development, where they interacted with the market as discerning and valued customers rather than as beneficiaries (Perkins et al, 2001).
5.4 Limitations of the Study

The first and most critical limitation of this study was the youthfulness of the KBDS Maragua market linkage project, which was barely three years since inception. This meant the project’s impact and sustainability milestones achievements through the market development approach as identified by the study had not firmed up. More time will be required to confirm direct attribution of the achievement to market development approach to BDS.

Another key limitation of this study was inadequacy of resources, specifically money and time. More financial resources were required to engage more research assistant and cover more project clusters. The project was set in rural Kenya approximately a hundred kilometers from Nairobi; this made data collection period longer and more expensive than initially anticipated.

The nature of the respondents required that of the questions or in some cases all, had to be explained in Swahili or the local dialect. In the process, some of the original meanings could have been distorted. Further, the means of the questionnaire administration, that is, through interviews, meant that the interviewer had to give explanations to some of the questions which complicated the problem.
5.5 Suggestions for further study

The researcher would suggest that a similar study be conducted on the impact of the approach and market sustainability in the post donor support era. This would help validate the findings and conclusions of this study. The research also suggests the widening of the area covered by future research.
REFERENCES


Best Practices Project.


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situation Assessment,” CARE - Nepal.


Appendix 1: Interview Guide

This questionnaire is divided into five parts A, B, and C. Kindly answer all questions as guided. Your answers will remain anonymous and confidential and in no incidence will your names be mentioned in the report. Thank you.

I. Section A: Market Impact Indicators

Program Farmers

Respondents Details

Name of Respondent: _______________________________________________________

Group _____________________________________________________________

When did you join the program? 2003 [ ] 2004 [ ] 2005 [ ]

What is your role in this business?

Owner or manager = proceed Other = ask to speak to the owner or manager

Awareness and Acquisition of the Service

Q1. Where do you get advice or other assistance with your business when you need it?
Q2. What kind of advice or other assistance do you get?

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Services received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agrochemical spray services</td>
<td>Yes</td>
</tr>
<tr>
<td>Harvesting and grading services</td>
<td></td>
</tr>
<tr>
<td>Network broker services</td>
<td></td>
</tr>
<tr>
<td>Grafting and pruning services</td>
<td></td>
</tr>
</tbody>
</table>

Q3. Have you ever heard, read or seen anything about <service category>?

Q4. Have you ever received <service category> either free or by paying, from any person, company or organization including your suppliers and buyers? (Probe if necessary.)

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Q3 – Aware of service?</th>
<th>Q4 – Received service?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agrochemical spray services</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Harvesting and grading services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network broker services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grafting and pruning services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If yes, go to Q5  If no, go to Q16

Q5. For each service received, ask: When was the last time you received <service category>?
Q6. For each service received, ask: The last time you received <service category>, did you pay for it? In other words, did you purchase it?

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Q5 – when received?</th>
<th>Q6 – paid?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Month</td>
<td>Year</td>
</tr>
<tr>
<td>Agrochemical spray services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harvesting and grading services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network broker services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grafting and pruning services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If yes, go to Q9
If no, go to Q7

Classify any direct payment as “yes” and any service that is not paid for directly as “no.”

Q7. For each service not paid the last time, ask: Have you ever paid to receive <service category>?
Q8. For each service ever paid for, ask: When was the last time you PAID to receive <service category>?

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Q7 - Ever paid?</th>
<th>Q8 - If yes, when?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agrochemical spray services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harvesting and grading services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network broker services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grafting and pruning services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If yes, go to Q8  
If no, go to Q13

Information on Providers

This section is for each service ever received (paid or free).

Q13. The last time you got the service, from whom did you get it?

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Q13 - Name of Provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agrochemical spray services</td>
<td></td>
</tr>
<tr>
<td>Harvesting and grading services</td>
<td></td>
</tr>
<tr>
<td>Network broker services</td>
<td></td>
</tr>
<tr>
<td>Grafting and pruning services</td>
<td></td>
</tr>
</tbody>
</table>

55
**Information on Program Providers**

This section is for each service the respondent is aware of. The questions asked depend on answers to previous question.

Ask specific questions about the program providers of *<service category>*: *<name program providers>*

Q15. If the respondent gave the name of a provider above, ask:

*Is the provider you just mentioned one of these providers?*

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agrochemical spray services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harvesting and grading services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network broker services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grafting and pruning services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If yes, go to Q18  
If no, go to Q16

Q16. Have you heard, read or seen anything about any of these providers offering *<service category>*?  
**IF YES, GO ON TO Q17. IF NO, GO TO Q21.**

Q17. Have you ever received *<service category>* from any of these providers?  
**IF YES, GO ON TO Q18. IF NO, GO TO Q21.**
Q18. Did you get <service category> from one of these providers in the last 12 months?

Q19. Did you pay for <service category> when you got it from one of these providers?

Q20. Have you paid for <service category> from this/these supplier(s) more than once?

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Q16 – Aware of Suppliers?</th>
<th>Q17 – Acquired Service?</th>
<th>Q18 – In the last 12 months?</th>
<th>Q19 – Paid?</th>
<th>Q20 – Paid more than once?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agrochemical spray services</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Harvesting and grading services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network broker services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grafting and pruning services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Respondent Characteristics

Q21. Who owns this business? (at least 51%)

1. □ Male

2. □ Female

3. □ Joint or family but primarily managed by a female.
4. Joint or family but primarily managed by a male.

5. Other (please specify) ______________________________________

**Purchase (Acquisition) of Service**

This section is for each service that the respondent has ever paid for (purchased). If the respondent has not purchased any services, skip this section.

Q22. For each service purchased (paid for) in the last 12 months, ask: Compared to your expectations, how satisfied were you with the service you received?

1. Very dissatisfied
2. Somewhat dissatisfied
3. Somewhat satisfied
4. Very satisfied

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Q1 - Satisfaction with last service purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very satisfied</td>
</tr>
<tr>
<td>Agrochemical spray services</td>
<td></td>
</tr>
<tr>
<td>Harvesting and grading services</td>
<td></td>
</tr>
<tr>
<td>Network broker services</td>
<td></td>
</tr>
<tr>
<td>Grafting and pruning services</td>
<td></td>
</tr>
</tbody>
</table>
For Each Service Ever Purchased, Ask Q10, Q11 And Q12

Q23. Have you purchased <service category> more than once?

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agrochemical spray services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harvesting and grading services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network broker services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grafting and pruning services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Consumer Application of Service Acquired

This section is for each service that the respondent has ever acquired from the program.

Customer Benefits from Business Development Services

This section is for each service that the respondent has ever acquired from the program.

Q24. For each service acquired in the last 12 months, ask: What benefits did you experience from the services acquired?

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Program defined benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Volume (by year)</td>
</tr>
<tr>
<td></td>
<td>2003</td>
</tr>
<tr>
<td>Agrochemical spray services</td>
<td></td>
</tr>
<tr>
<td>Harvesting and grading services</td>
<td></td>
</tr>
<tr>
<td>Network broker services</td>
<td></td>
</tr>
<tr>
<td>Grafting and pruning services</td>
<td></td>
</tr>
</tbody>
</table>
Q25. To what extent do you attribute the rise in volume/income to BDS?

<table>
<thead>
<tr>
<th>Scale</th>
<th>Great extent</th>
<th>Some extent</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>BDS services</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Name of Respondent: __________________________

Group: __________________________

When did you join the program? 2003 [ ] 2004 [ ] 2005 [ ]

What services do you offer?

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Tick</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural spray services</td>
<td></td>
</tr>
<tr>
<td>Harvesting and grading services</td>
<td></td>
</tr>
<tr>
<td>Network liaison services</td>
<td></td>
</tr>
<tr>
<td>Grafting and bracing services</td>
<td></td>
</tr>
</tbody>
</table>
# Part B: Market Sustainability And Cost Effectiveness

## Program Suppliers

### Respondents Details

<table>
<thead>
<tr>
<th>Name of Respondent: ________________________________</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group: ____________________________</td>
</tr>
</tbody>
</table>

**When did you join the program?**

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Box</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

**What services do you offer?**

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Tick</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agrochemical spray services</td>
<td></td>
</tr>
<tr>
<td>Harvesting and grading services</td>
<td></td>
</tr>
<tr>
<td>Network broker services</td>
<td></td>
</tr>
<tr>
<td>Grafting and pruning services</td>
<td></td>
</tr>
</tbody>
</table>
Q1. What percentage of your income comes directly from serving SEs with services?

<table>
<thead>
<tr>
<th>BDS Supplier</th>
<th>Last year</th>
<th>Current year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Below</td>
<td>30% to 50%</td>
</tr>
<tr>
<td>Agrochemical spray services</td>
<td></td>
<td>30% 50% 50%</td>
</tr>
<tr>
<td>Harvesting and grading services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network broker services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grafting and pruning services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Improve Program Cost-Effectiveness

Q2 What number of SEs did you served in the last one year?

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Number of Consumers served</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
</tr>
<tr>
<td>Agrochemical spray services</td>
<td></td>
</tr>
<tr>
<td>Harvesting and grading services</td>
<td></td>
</tr>
<tr>
<td>Network broker services</td>
<td></td>
</tr>
<tr>
<td>Grafting and pruning services</td>
<td></td>
</tr>
</tbody>
</table>

Part C: Program Facilitator

Market Sustainability

Q1. How many MSEs were facilitated in the following years?

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Number of Consumers served</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
</tr>
<tr>
<td>Agrochemical spray services</td>
<td></td>
</tr>
<tr>
<td>Harvesting and grading services</td>
<td></td>
</tr>
<tr>
<td>Network broker services</td>
<td></td>
</tr>
<tr>
<td>Grafting and pruning services</td>
<td></td>
</tr>
</tbody>
</table>
Q2. How many service providers were facilitated in the following years?

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Number of Consumers served</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
</tr>
<tr>
<td>Agrochemical spray services</td>
<td></td>
</tr>
<tr>
<td>Harvesting and grading services</td>
<td></td>
</tr>
<tr>
<td>Network broker services</td>
<td></td>
</tr>
<tr>
<td>Grafting and pruning services</td>
<td></td>
</tr>
</tbody>
</table>

Q3. To what extent does the quality of produce delivered meet the market standards?

Great extent  □  Moderate extent  □  Less extent  □

Please comment on the trend.

Q4. Do quantities of fruit delivered make economies of scale for the facilitator?

Yes  □  No  □  Please comment on the trend.

Q5. What percentage of market facilitation costs is borne by the following actors?

Donor  □  Facilitator  □  Farmers  □  Supplier  □
### Appendix 2: Baseline Indicators

<table>
<thead>
<tr>
<th>BDS Market Development Baseline Indicators</th>
<th>Indicator</th>
<th>Baseline Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact Outreach</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expanding the Market for BDS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market size</td>
<td>1,500 farmers (Muruka/Ngararia)</td>
<td></td>
</tr>
<tr>
<td>Awareness</td>
<td>Negligible</td>
<td></td>
</tr>
<tr>
<td>Acquisition</td>
<td>Negligible</td>
<td></td>
</tr>
<tr>
<td>Purchases</td>
<td>Zero</td>
<td></td>
</tr>
<tr>
<td>Program Market Share</td>
<td>Zero</td>
<td></td>
</tr>
<tr>
<td>Market diversity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of providers</td>
<td>Two (GoK and family/friends)</td>
<td></td>
</tr>
<tr>
<td>Number of services provided</td>
<td>One (grafting)</td>
<td></td>
</tr>
<tr>
<td>Deepening the markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated potential market for underserved SEs (women owned)</td>
<td>25% of market</td>
<td></td>
</tr>
<tr>
<td>Acquisition</td>
<td>Zero</td>
<td></td>
</tr>
<tr>
<td>Purchases</td>
<td>Zero</td>
<td></td>
</tr>
<tr>
<td>Quality of BDS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Client retention: repeat purchasers</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>Satisfaction with service</td>
<td>Very dissatisfied</td>
<td></td>
</tr>
<tr>
<td>Benefits of BDS to SMEs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Productivity in number of fruits/tree</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Productivity in quality of fruit</td>
<td>Poor</td>
<td></td>
</tr>
<tr>
<td>Sustainability</td>
<td>Indicator</td>
<td>Benchmark</td>
</tr>
<tr>
<td>Sustainability (provider)</td>
<td>Percentage income earned from serving SMEs among providers</td>
<td>None</td>
</tr>
<tr>
<td>Sustainability (market)</td>
<td>Numbers of suppliers</td>
<td>Two (GOK and friends/family)</td>
</tr>
<tr>
<td>Sustainability effectiveness</td>
<td>Cost</td>
<td>Number of SEs served per year</td>
</tr>
</tbody>
</table>