

Business Services for Small Enterprises in Asia: Developing Markets and Measuring Performance

**International Conference
Hanoi, Vietnam - April 3-6, 2000**

**Commercial ICT- based Business Information Services
for MSME Development**

**By
Udo Gaertner and Roshanjith Siriniwasa**

**Sri Lankan-German Enterprise Information Project (EIP), Sri Lanka
Sponsored by the German Agency for Technical Cooperation**

Version for downloading from web site (without graphics)

Sponsors

**German Agency for Technical Cooperation (GTZ)
United States Agency for International Development (USAID)
Mekong Project Development Facility (MPDF)
Committee of Donor Agencies for Small Enterprise Development**

Commercial ICT- based Business Information Services for MSME Development

Contribution to the BDS - Conference in Hanoi, Vietnam

**By the Team of the Sri Lankan-German Enterprise Information Project
(EIP), Sri Lanka***

*** About the Authors:**

Udo Gaertner:

Team Leader,
25, George E.de Silva Mawatha, Kandy,
Sri Lanka.
Phone and Fax : 0094-08-226625
gartner@eip.lk

Roshanjith Siriniwasa:

International Information Desk Manager
The Ceylon Chamber of Commerce,
No. 50, Nawam Mw., Colombo 02.
Sri Lanka
Phone and Fax : 0094-01-466264
roshan@eip.lk

With contributions by:

Friedrich Schoepf, Short- Term Consultant to EIP
Maheen Senanayake, M&E – Officer
Lilakshini De Mel, Project Directress

TABLE OF CONTENTS

Abstract

The Context	1
1.1 Geographic, economic and political	
1.2 The Enterprise Information Project (EIP) and its Partners	
ICT – based Business Information Services (BIS) and their Market	2
2.1 A Definition of BIS	
2.2 The Significance of ICT	
2.3 The Market for BIS in Sri Lanka	
2.4 Relevance to MSME Development	
The Market Share of EIP-partners	7
3.1 BDS Suppliers EIP is partnered with	
3.2 Demand for EIP Products	
3.3 EIP's Target Customers - among MSME	
The Process of Developing Information Products	9
4.1 Demand Orientation and EIP's Contribution to Market Development	
4.2 The Generation of Information Products	
Delivery Mechanisms of BIS between the Public and Private Sector	10
5.1 Institutional Integration of Business Information Services	
5.2 Networking National and Regional Institutions	
Product Commercialization - Strategies for BIS	12
6.1 Generating Markets and Commercialization of BIS	
6.2 Cost Factors and Pricing	
6.3 Measuring and Monitoring economic Performance of BIS	
Implications for Donor-funded Interventions	14

GLOSSARY: -

BDS	-	Business Development Service
BIS	-	Business Information Service
BMS	-	Business Mapping Service
CCC	-	The Ceylon Chamber of Commerce
DID	-	District Information Desk
EIP	-	Enterprise Information Project
GDP	-	Gross Domestic Product
GIS	-	Geographical Information System
GTZ	-	German Agency for Technical Co-operation
HESC	-	Hambantota Entrepreneurs Services Centre
ICT	-	Information and Communication Technology
IDB	-	Industrial Development Board
IID	-	International Information Desk
ILO	-	International Labor Office
ISB	-	Industrial Services Bureau
ITI	-	Industrial Technology Institute
MSME	-	Micro, Small/Medium Enterprises
NDB	-	National Development Bank
NIC	-	Newly Industrialized Country
NORAD	-	Norwegian Agency for Development Cooperation
PEPC	-	Central Provincial Enterprise Promotion Centre
RIS	-	Regional Information System
SIDA	-	Swedish International Development Agency
UNDP	-	United Nations Development Program
USAID	-	United States Agency for International Development

0. Abstract

In a globalised business environment, MSMEs in Sri Lanka are more than ever exposed to market forces. These forces are increasingly dominated by multinational and large corporate enterprises. Essential **business information**, generated with ICT, so far is only used by them, and **not** by MSME's. To gain market shares or to survive in this environment, MSMEs are equally challenged to take advantage of **ICT-driven** business related information.

Compared to large enterprises, MSMES only recently began to realize the **commercial value** of externally validated business information sources. So far, they relied on information circulated among known business partners, neighbours or friends. This has created a rising demand for an external access to validated **Business Information Services (BIS)** at low costs.

The Sri Lankan-German Enterprise Information Project (EIP) was created to open access to such BIS at regional level. The project aims at the use of BIS by the local business communities and supporting organizations through:

1. Establishment of an ITC - based information system
2. Creating a network of partners in the regions
3. Promoting the use of commercial BIS

At this stage, the EIP can deliver only a record on its practical experience gained during the past 2 years. This covers the selection of private partner organizations at strategic sensible locations and creating network of partnerships between them. To initiate the development of ICT-driven BIS, existing info sources were identified and integrated in a common information platform. The selection and establishment of the ICT infrastructure was completed and started serving as a tool for communication and information delivery through the network. Simultaneously, demand for BIS was indentified among various client groups through a profound market analysis. The process of product development and a marketing strategy was initiated recently.

For donor interventions, up to now, a few lessons can be learned.

1. Dimension of ICT

To generate validated BIS, ICT plays an essential role in today's business environment. Since most MSMEs can not afford investments in ICT and self-generated business information, an external access to validated BIS at low costs is required. For traditional providers of BIS, this has created a new open market to develop respective **commercial products** with ICT. Here, the providers of BIS require external support.

2. Process of creating an intervention

Donor interventions should be designed to develop open markets for BIS under commercial terms from the early planning stages. Private organisations with a commercial drive at strategic sensible locations should be assisted in developing **commercial strategies** for improving ongoing BIS, targeting of MSMEs and establishing BIS as a distinct BDS.

3. Roles of donors, public and private sector

The innovative nature of ICT driven BIS, allows for a new definition of modes of cooperation between public and private stakeholders. Donor interventions need to take account of generating **marketable products** (BIS) and sustaining **public interest**, i.e. employment generation and regional growth, at the same time. The positioning of donor interventions between public and private shareholders becomes evident.

1. The Context

1.1 Geographic, economic and political

In 1977, a process of transformation from a centrally controlled, welfare-based economy towards an open, market-oriented system was initiated in Sri Lanka. During the recent decades, a number of strategy papers and policy guidelines declared the Government's commitment to attain NIC status (newly industrialized country) in the year 2000. Though most controversially discussed, there is a general consensus that economic policies should pursue the following objectives:

- Creating a conducive framework for the growth of the private sector
- Orienting domestic production towards exports
- Generating employment
- Increasing productivity and diversification in agriculture and industries
- Decentralizing the public administration
- Integrating the regions in the mainstream of economic development

Apart from the implications on macro-economic level, this transformation process led to substantial changes in the landscape of institutions engaged in promoting private sector business. As a result, numerous public, non-governmental and private sector organizations offering a wide range of Business Development Services (BDS) have evolved during the past 20 years. Financial services, training programmes for entrepreneurs, promotion of technology transfer and export assistance are offered by a widely spread number of BDS suppliers. At the same time, there are 4 Ministries covering partly overlapping spheres of competence and areas of responsibility. Many of the organizations are supported by multilateral donors, e.g. ILO, UNDP, others are promoted by bilateral organisations, e.g. NORAD, SIDA, USAID or GTZ.

1.2 The Enterprise Information Project (EIP) and its Partners

The EIP is a joint initiative between the Ministry of Plan Implementation, the Ceylon Chamber of Commerce (CCC) and the German Agency for Technical Co-operation (GTZ). The main implementing partner for the EIP is the CCC in Colombo. The project started in January 1998 with an initial 4 years phase.

The EIP aims at the use of commercial Business Information Services (BIS) by the business communities (including MSME's¹) and supporting organizations. To achieve this objective, the following 3 results should be achieved:

4. Establishment of an ITC - based information system
5. Creating a network of partner organisations in the regions
6. Promoting the use of commercial BIS

During the overall project period of 8 years, the EIP info-system should cover a total of 10 Districts i.e. 4 out of 9 provinces in Sri Lanka (nb the map in Annex 1 - The EIP partner network - has been deleted for this downloadable version, since it took too much space). In a sequence of steps, each of 10 respective private partner organizations are assisted to establish so-called District Information Desks (DID's). These partner organizations are

¹ The term micro, small and medium sized enterprises (MSME) is a general one here, since there is no globally standardized model for size classification, although most countries apply a combination of employment figures and turnover. Employment figures for micro enterprises are usually somewhere in the area of 1 and 10, in contrast to between 5 and 50 for small companies and between 20 and 250 for medium-sized enterprises. This classification encompasses both formal and informal enterprises.

GTZ, Sector Strategy Paper, 20.10.99

independent from each other and form a heterogeneous network at different locations. They are linked through a central hub of info-exchange at the CCC in Colombo. This central desk is called the International Information Desk (IID).

The network between the IID and the DID's aims at the delivery of Business Information Services (BIS). The establishment of a district-based information network supports the overall objective of the CCC to widen its outreach. For the members of the CCC the growth potential and investment opportunities in the regions is an important concern. At the same time, through the EIP information network an access link to national level information and services is created for the business communities in the regions. Up to now, many of them have been isolated from the mainstream of global opportunities.

At present, DID's are established at the Provincial Enterprise Promotion Center (PEPC) in Kandy, the Industrial Services Bureau (ISB) in Kurunegala and at the Hambantota Entrepreneur Services Centre (HESC).

Apart from BIS, the regional-based EIP partner organizations provide a range of other BDSs to the local business community. The development of ICT-based BIS becomes an additional promotional tool beyond already existing, conventional BDS (training, consultancies, finance, etc.). Through this, the EIP intervention is based on actual rapport with the local business community and its traditional network of supporting organizations in the regions. The EIP promotes the commercial sale of BIS through its partners. It assists in establishing a sustainable, economically viable BIS-network during its overall project period.

The EIP integrates various public and private stakeholders of the economy, which were so far isolated from each other. It is anticipated that the promotion of BIS contributes to **regional economic growth**, thus creates investment and employment opportunities and a **competitive market for BDS**.

2. ICT – based Business Information Services (BIS) and their Market

2.1 A Definition of BIS

BIS is a Business Development Service (BDS) that presents facts and interpretations to individual or institutional clients in response to a business-related issue. BIS creates market transparency on business opportunities and other BDS and contributes to rational decision making for entrepreneurial gains.

To develop BIS, raw data are retrieved from different sources, processed and tailored to commercial information products considering demand. BIS address 4 major client groups, among them MSME's:

- **Private Enterprises** (including MSMEs) for strategic business planning.
- **Suppliers of BDS** (financial, training, etc.) for improved targeting of services.
- **Public Authorities** to develop policies and support programmes for regional economic development.
- **International Projects** to target technical and financial assistance in the area of Business Promotion (including a network of GTZ projects, supporting the delivery of BDS).

2.2 The Significance of Information and Communication Technology (ICT)

ICT, in the recent years has significantly raised the speed of retrieval, storage capacity and the accessibility of much more complex, accurate and diverse information sources. This has given a global dimension to local information. From a technical point of view, today, almost any remote village in the hills of Sri Lanka, can communicate via instant International Direct Dialling (IDD) with any other place on the globe. Via e-mail and internet, information can be retrieved and displayed world-wide at much lesser costs than through conventional modes, like postal services, TV or news-channels. These developments have created many business opportunities for either those, who produce and market ICT itself, or those who realised the commercial value of speedy, cost-saving communication and data transfer.

In this context, ICT- based **Business Information Services** have become a new challenge for business promotion, foremost in the area of MSME-development. Future BIS are unthinkable without ICT. The rationale of the EIP is evident, i.e. to link MSMEs to the network of global opportunities via BIS. The selection and establishment of state-of-the-art ICT workstations at sensible points in the regions is only one among many other elements to achieve this objective.

Moreover, questions like "How are demand driven information products created with ICT", "Who is going to use what kind of information for what purpose", "For what is the business community ultimately prepared to pay for" need to be answered. Solutions with regard to validation of info-sources, packaging or marketing require sensible skills of the promotional staff, beyond operational ICT-qualifications. ICT, here, is considered an essential **technical tool** for database management, processing and communication in a complex promotional venture.

2.3 The Market for BIS in Sri Lanka

The Supply - Side

Promotional Organizations, e.g. national and local chambers, trade associations or public organizations engaged in business development, traditionally have been using information as part of their service range. Information departments or units were parts of these organizations engaged in collecting, storing and disseminating information of different kinds. The publication of bulletins, trade directories, seminars or extension services were conventional modes of information delivery to their clients or members.

In Sri Lanka, according to a survey carried out in 1997, the following 127 suppliers of traditional BIS were identified within the proposed EIP-project area at that time:

Table 1: Number of BIS Suppliers at National and District Level in 1997

Location of BIS Supplier	Number of organizations
National level organizations in Colombo	46
District level organisations:	(81)
Hambantota	11
Matara	8
Galle	7
Badulla	8
Moneragala	7
Kandy	5
Nuwara Eliya	10
Matale	9
Kurunegala	7
Puttalam	9
Total	127

A closer look at the traditional type of BIS provided through public and private promotional networks, reveals ever-repeating broad information categories. Such categories would cover e.g. information about new business or investment opportunities, markets, technologies, prices/costs, or about financial – and other services related to business development.

Often, the quality of BIS provided by their suppliers remained poor, unless there was an inherent system of maintaining and up-dating relevant information sources. Furthermore, missing mechanisms for screening and processing data into business related information products left many data and information banks unutilized.

The access to national level information i.e. Census data or Central Bank Statistics, Import Regulations etc., was limited only to those, who ventured to approach the info-suppliers directly in Colombo. In this environment, sensible business information was either not accessible, or of little use for entrepreneurs. Mostly, it was provided free of charge or sold at highly subsidized, nominal costs in the past.

The Demand – Side

As elaborated above, there is evidence that traditional BIS is not considered as a commercial commodity by most suppliers. Among those suppliers, however, the EIP has identified a few with a considerable track record and experience in the sale of BIS.

The EIP network partners were selected for this reason. Their ongoing BIS were reviewed and revealed that they catered only to specific segments of the overall market for BIS. The following table summarises the present number of commercial BIS clients, i.e. those who paid for BIS at the 4 EIP locations in Kandy, Colombo, Kurunegala and Hambantota, classified according to different market segments. **Table 2** also shows clearly, that foremost larger enterprises, suppliers of BDS, Public Authorities and International Projects have been paying for BIS so far.

Table 2: Number Of BIS Commercial Transactions At EIP Network Partners During 1999

Market Segments EIP network partners	Private Enterprises					BDS + P	INT
	BS	M	S	MD	L		
CCC			800	1200	1200	800	
ISB				56	140	70	14
PEPC					1	10	15
HESC					45	30	25

Source: EIP-network partners

<u>Legend</u>	
BS:	Business start-ups
M:	Micro Enterprises
S:	Small Enterprises
P:	Public Authorities
	Presently Served Marketing Segments
	← Positioning in potential new Market Segments

If MSME's are considered as potential BIS customers, the demand for BIS arises from a much larger clientele, that is the total number of enterprises, BDS providers, public authorities and international projects centred around each EIP network partner. At present, the data about these client groups is available only in a Regional Information System (RIS)² for the Central Province i.e. at the PEPC in Kandy. According to the RIS, they are composed as follows:

Table 3:
Potential Demand for BIS at the PEPC from various client groups in the Central Province

BIS Client groups	Kandy	Matale	N'Eliya	Total
Private Enterprises	21,107	8,079	7,260	36,446
BDS-suppliers	18	12	14	44
Public Authorities	16	11	9	36
International Projects	11	5	7	23

Source: Regional Information System (RIS) of the Central Province

By comparing both tables (2 and 3) it becomes obvious that only a minimal percentage of all potential clients are using commercial BIS through the selected EIP partner organization PEPC in Kandy (15 International Projects, 10 BDS-suppliers, 1 large enterprise). At the other EIP locations, CCC, ISB and HESC this situation is similar, though it can not be substantiated by figures as it is possible with RIS in Kandy.

²). The RIS was established under a GTZ sponsored Regional Planning Unit to create an information base for investment and business promotion. It reflects the business environment of the PEPC in Kandy.

It is assumed that the need for continuous supply of quality information rises along with the creation and performance of viable, sustainable enterprises. Enterprises, irrespective from size, will continue to demand information for developing or sustaining their competitiveness. Hence, the market for ICT based BIS can hardly reach saturation point and is perceived as open space.

2.4 Relevance to MSME Development

In a globalised business environment, MSMEs are more than ever exposed to market forces. These forces are increasingly controlled and dominated by multinational and large corporate enterprises. It is assumed that their competitive advantage and growth results mostly from strategic business planning which is substantially based on sound and relevant ICT-driven information. Such information covers market trends, prices, input sources, etc,. To gain market shares or to survive in this environment, MSMEs require access to externally validated business information.

Compared to large enterprises, MSMEs increasingly realize the significance, but often do not have the resources to invest in external BIS beyond traditional information sources, i.e. neighbours, friends or relatives. For business development, BIS are gaining ever-growing importance beyond conventional production factors such as labour and capital. Through its intervention, the EIP opens an equal access to this essential production factor to MSMEs.

The relevance of BIS for MSMEs results from their large share among the total business community. With a reference to previous **Table 3**, in the Central Province, 84% of all enterprises fall under the MSME category as illustrated in **Table 4**.

Table 4: The share of MSME's among the total business community in the Central Province

Enterprise Sector Size* of Enterprise	Service Industry	Trade	Processing and Production Industry	Total	%
Micro/Small <Rs. 500.00	3649	21079	5781	30508	84
Medium >Rs. 500.00	738	1853	1043	3634	10
Large >Rs. 1000.00	617	1204	483	2304	6
Total				36446	

Source: *Regional Information System (RIS) of the Central Province*

* based on the annual local trade license revenue

Hence the structure of the regional economy is based foremost on MSMEs.

The significance of the EIP to MSME development is perceived directly and indirectly as follows:

- Validated BIS, directly to MSMEs create **market transparency** for BDS, inputs and prices
- BDS-suppliers increase **outreach and access** to MSMEs

- BDS-suppliers can better **target MSMEs** among other clients (i.e. financial services, training etc.,)
- Large and corporate clients can explore **investment opportunities**.
- Investment opportunities create grounds for **business linkages** between small and large enterprises.

3. The Market Share of EIP-partners

3.1 BDS suppliers EIP is partnered with

The EIP network consists of heterogeneous, independent partner organisations (**see chapter 1.2**). They are bound to each other through contractual agreements. Under these agreements the modes of cooperation between them is specified. Beyond this internal network, the EIP promotes the linking of already existing **information sources** to its network. It was assumed, that BIS have to cover a large variety of business related issues, for example business contacts, prices, regulations, etc. The demand for such complex BIS, therefore, can not be met by one single source at present. The EIP identified various information sources of public and private organisations and validated them against the actual demand.

Up to now, a total of 51 public and private organisations have been identified as information sources and providers of BIS. Many of them are providers of specific BDS, i.e. financial services, investment promotion, export assistance, training, etc., at the same time. With the following 10 of them, contractual agreements have been signed with the CCC, as the hub of EIP. They provide information to the EIP network on a regular scale. The present 10 information suppliers of EIP are the Central Bank, the National Development Bank, the DFCC Bank, the Board of Investment, the Stock Exchange, the Department of Census, the Sri Lanka Customs, the Ports Authority, the Industrial Technology Institute and the Industrial Development Board.

Historically, each of these information sources are developed for a specific internal purpose and meet only the demand of the particular organisation. For example, the Department of Census and Statistics to meet the needs of the administration for public investments i.e. location and size of schools, hospitals, etc. Except for its limited internal purpose, such information is isolated and hardly utilised externally.

The isolated position of these data sources and their respective mechanisms of collection leads to overlaps, duplications and replications. Despite all these shortfalls, they provide often reliable and cheap raw material for further processing. The advantage for the info-suppliers to the EIP network is either to widen the market for their BDS or to gain recognition among other public or private institutions.

3.2 Demand for EIP products

The EIP network partners at regional level are catering for already existing BIS clients and hence meet already existing demand. The EIP-partner organization have been selling information to their clients already before they entered into a partnership with EIP. At that time, the commercial BIS of EIP network partners catered foremost to large enterprises or public organisations and not to MSMEs. BIS offered then, were either **raw data at nominal rates** or sophisticated, **high priced consultancies**. BIS was hardly used by MSMEs but rather by the business elite who could afford and convert them into strategic business decisions.

In 1998 a market study was initiated by the EIP to analyse the demand for BIS from the side of MSMEs. The study confirmed their unsaturated demand for affordable and sector specific BIS. Existing BIS, i.e. raw data or consultancies do hardly meet these requirements. The analysis of the study led to the following types of information demanded by MSMEs:

1. **Business contacts** (marketing partners, technology providers, BDS, public incentives etc.,)
2. **General business information** (registration, procedures, laws, taxation, tariffs, etc.)
3. **Sector statistics** (target markets, prices, etc.)
4. **Potential and trends** (changes in demand, supply and prices)

In addition, for larger enterprises, BDS suppliers and public authorities GIS based Business Mapping Services (BMS) are in demand. In all, the demand for BIS covers five types of information.

3.3 EIP's target customers - among MSME

The EIP partner network targets its BIS customers irrespective of physical size of the enterprise (Micro, Small, Medium and Large). Rather than size of enterprises, the significance of a sector for the regional economy was taken into account. This significance is determined by a mix of criteria i.e. number of MSMEs, natural resources, contribution GDP, etc. To initiate the EIP information system, 16 sectors were selected at the present 4 EIP locations in Colombo, Kandy, Kurunegala and Hambantota. Each of the EIP info desks is specialized on one or more sectors as follows:

PEPC - Kandy	CCC - Colombo	ISB - Kurunegala	HESC - Hambantota
Spice	Garment	Coconut	Paddy
Horticulture	Toy	Fruit	Livestock
Handicraft	Rubber	Vegetable	Dairy
Gems & Jewellery	Herbal Products	Construction	Fishery

In view of the economic sustainability of the EIP network, BIS is promoted as a commercial and cost recovering service. For this reason BIS target customers are those who are ready to pay. The payment for BIS is firstly considered as a determinant for the economic viability of the EIP information system. Secondly, it is an indicator of a changing attitude towards BIS as a commercial commodity and an essential production factor.

4. The Process of Developing Information Products

4.1 Demand Orientation and EIP's Contribution to Market Development

The EIP enables the creation of entirely new information products by integrating and processing existing info-sources from its regional and national partners. Most of those sources were so far isolated and unutilised. EIP-BIS fill a hitherto missing link in the market, that is a mechanism to **tailor** BIS towards the majority of the business community i.e. the MSMEs. On one common platform, 10 info-suppliers are regularly providing raw data and information. It is planned to enlarge this platform by another 41 information sources during the year 2000.

From its inception, BIS are designed as **commercial services** that should be economically viable. An analysis of the revenue generated from the sale of BIS will eventually determine whether BIS responded to actual demand. At this stage of EIP, this evidence only exists for large enterprises and corporate clients. Whether this holds true for MSMEs needs to be proven. So far the steps to develop demand driven BIS have been identified as follows:

1. Selecting a specific business sector by using criteria, i.e. market potential, significance for the regional economy, competency of EIP network partner, etc. (**sector selection**)
2. Identifying different stakeholders and actors in the sector, i.e. public authorities, BDS suppliers, large enterprises and MSMEs (**institutional landscaping**),
3. Analysing information demands of each stakeholder and actor, i.e. primary producers, processors, buyers, etc. and setting priorities (**demand identification**)
4. Specifying BIS required, i.e. market prices, input sources, buyers and sellers, etc. (**BIS description**)

Existing BIS of EIP network partners is only one among other conventional BDS. BIS is not yet established as BDS on its own. The EIP contributes to market development of conventional BDS by creating transparency for the different client groups of EIP, i.e. the business community, BDS suppliers, public authorities and international projects. It is expected, that this **transparency** leads to **competition** among BDS suppliers and enterprises. The EIP aims at the establishment of BIS as an independent commercial BDS that could become a main line of business of the network partners.

4.2 The Generation of Information Products

As explained in **chapter 2.1**, information products are understood as part of BIS .

The ambition of the EIP is to cater to the demand of 4 different client groups (**see chapter 2.1**) in 16 industrial sectors (**chapter 3.3**) with 5 types of business related information (**see chapter 3.2.**). As a practical reference **Annex 2** in the full paper presents 4 different examples of information products, but has had to be omitted from this downloadable version, since it contains many graphics.

To develop BIS, the EIP, at first, inventorized all existing, traditional information services within its network of partners in Hambantota, Kandy, Kurunegala and Colombo. These traditional BIS covered the Foreign Trade Information System of the CCC, specialized consultancy services of the ISB and basic Business Mapping Services (BMS) at the PEPC. At HESC in Hambantota no specific BIS was in place at that time. The stock taking of existing BIS led to a common strategy for the generation of information products as follows.

- **up-grading** of existing information products.
- creation of **new** information products for MSME

Up-grading means improving speed of delivery, adding accuracy and quality to presentations. Prior to the creation of a new information product, steps for analyzing the demand are applied as described in **Chapter 4.1**. This analysis results in the identification of a clear demand for a specific information product. Thereafter, the process of **product generation** takes place as follows:

1. Retrieving raw data from a common centralised ICT based information platform under contractual agreements with the suppliers, i.e. food commodity prices from the Department of Census and Statistics, Credit Schemes for short term production loans from various commercial banks, etc. (**Sourcing**)

2. Developing instant and standard info products by adding value to raw data, i.e. comparison of different credit schemes, selecting best prices for commodities or inputs, etc. (**Product Generation**)
3. Pricing under consideration of various cost and income factors i.e. purchasing power of clients, product development costs, income margins, etc. (**Pricing**)
4. Marketing BIS to different groups of clients in different modes of delivery through various market channels, i.e. leaflets, field presentations, radio messages newspaper articles, etc. (**Marketing**)

5. Delivery Mechanisms of BIS between the Public and Private Sector

The EIP is a partnership between the public and private sector. While most information providers are public, the commercialization of information is promoted by the private sector. Therefore, the delivery system of BIS takes account of public and private interests, i.e. creating employment and earning income at the same time. The EIP network partners were selected through a preparatory project study in 1997 under consideration of this dual function. Apart from the CCC in Colombo, these organizations are located at strategic sensible points in the regions. Other selection criteria were, for example, professional management, reputation within the business community and that they provided basic **commercial BIS** among other conventional BDS i.e. training, consultancies, etc.

5.1) Institutional Integration of Business Information Services

Prior to the start of the EIP, BIS was mostly perceived as a supplementing support service of other BDS by the EIP network partners. Commercial outlook of BIS was limited only to large companies, corporate clients and public authorities. In this environment, BIS was hardly considered as an autonomous commercial service but rather a by-product. In an ever-growing globalized economic environment, the performance of enterprises depends increasingly on the functioning of professional BIS. These circumstances suggest specialized and professional management of BIS on part of their providers. The vision of EIP is to transform traditional cross cutting BIS into a **distinct, specialized BDS** within each EIP network partner organisation.

This transformation process has been initiated by a variety of organizational changes within each EIP network partner in the following sequence:

1. Formation of specialized information **units**
2. Establishment of an ICT based information **network**
3. Generation of information **products**
4. **Commercialization** of BIS

5.2) Networking National and Regional Institutions

The EIP network functions on the basis of three different **strategic alliances** between:

1. Private and public stakeholders (MPP, CCC and GTZ)
2. Information suppliers and EIP network partners
3. EIP network partners

The framework for all alliances is specified through contractual agreements. The agreement between MPP, CCC and GTZ holds the general implementation guidelines for the EIP at national level. Agreements with information suppliers and the EIP exist, at present, only at national level between the CCC and 10 of them (**see chapter 3.1**). These agreements specify the type of information, modes and costs of delivery to the CCC. The link between regional and national level is created through agreements between the 4 regional EIP network partners ISB, PEPC, HESC and the CCC. Here, the roles and responsibilities towards the EIP network are outlined.

The motivation to participate in this network builds on mutual economic or political gains such as

- Access to a large diversity of info sources at low cost
- Increased outreach to a wider clientele
- Access to the knowledge and skills of different sector specialists
- Mobilizing untapped public resources

This network structure is uncommon, since all partners have an equal share in it. There is no central but individual ownership of each network partner. This cooperation is continuously negotiated i.e. to agree upon pricing strategies, access to classified information, etc.

The EIP network is supported by information and communication technology (ICT). The purpose of ICT is firstly to create a common, comprehensive storage and communication platform for different information sources. Secondly, ICT allows speedy access, retrieval and exchange of information among the EIP network partners from this common store. ICT is considered only as a tool for communication and information delivery (**see chapter 2.2**).

6. Product Commercialization - Strategies for BIS

The guiding principle of commercializing BIS is to “**Supply on demand what is needed**” and increase demand “**through value addition of supply**”.

Before the EIP started, each EIP network partner has been serving their clientele with traditional information products in their indigenous fashion. BIS was understood as one among many other BDS offered. The EIPs strategy for commercializing BIS focuses on increasing market shares of its network partners as follows:

1. Increasing the share of **existing clients** (large and corporate clients)
2. Opening new markets by **targeting MSMEs**
3. Establishing BIS as a **distinct BDS**

6.1) Generating Markets and Commercialization of BIS

To implement this strategy, already ongoing BIS are improved by **adding quality** to existing products and **reducing** production **costs** for them. New markets towards MSMEs are opened by tailoring info products to their requirements and limited resources. Both procedures have been described in chapter 4.2. To improve existing BIS as well as developing new ones, it requires the evolution of BIS as a **distinct BDS** within the EIP partner network.

As elaborated in chapter 2.1, **4** major client groups, **16** industrial sectors (**see chapter 3.3**) and **5** types of business information were distinguished for the purpose of marketing BIS. To initiate marketing, the promotional staff was specialized in the identified sectors and standard

operational procedures for product development were established. Catering BIS to different needs of clients takes place through the following **5** modes of delivery :

1. Over the counter (readily available for a few Rupees)
2. Search and over the counter (info search for a few Rupees more)
3. Information brokering (best bargain against commission)
4. Subscriptions (regular info updates at fixed rates)
5. Information consultancies (joint plan of action on actual costs)

As far as stimulating demand, the EIP did not engage itself in a demand stimulating drive yet. However, the EIP plans to promote BIS in a marketing drive by way of media-campaigns via radio, TV, newspaper, seminars or workshops.

6.2) Cost Factors and Pricing

The real **commercial price** of a BIS should consider the real anticipated value for the customer, its costs and expected income margin for the EIP network partner. Since the anticipated value for the customer is hard to determine, the price calculation here is only based on costs and expected income margins. Before EIP started different pricing policies among EIP network partners existed. EIP has carefully analyzed the actual cost factors and started harmonizing them. Listed below are those factors, that have been applied to develop common prices under the 5 modes of delivery.

Table 5: Cost factors for pricing BIS

Modes of delivery	Specific cost factors	Common cost factors
Over the counter	<ul style="list-style-type: none"> • Number of print outs • Holding cost of finished products 	<ul style="list-style-type: none"> • Staff time • Depreciation • Administrative overheads • Development costs • Marketing costs
Search and over the counter	<ul style="list-style-type: none"> • Number of print outs • Computer communication costs • Computer usage time 	
Information brokering	<ul style="list-style-type: none"> • Computer communication costs • Computer usage time • Traveling and subsistence 	
Subscriptions	<ul style="list-style-type: none"> • Holding cost of finished products • Printing and mailing costs 	
Consultancies	<ul style="list-style-type: none"> • Traveling and subsistence • External support consultancies • Computer communication cost 	

For each mode of delivery, common prices of BIS were calculated. As an example, costs per page for an “Over the counter information”, ranges between Rs. 25,- and Rs. 50,-. For a consultancy service a daily rate between Rs. 15.000,- and Rs. 18.000,- is applied, depending on the sophistication of the assignment. The calculation of prices is uniform at all EIP-locations. This was done in order to avoid internal competition among EIP partners and set clear price standards for customers.

Between the EIP network partners, information is transacted at discounted rates. For example, an “Over the counter information” of an exporter is owned by the CCC. The CCC retails this information at Rs. 25,-. If this information is required at another EIP location, it has to be purchased by the network partner from the CCC. For this transaction the CCC grants a discount of 50% i.e. Rs. 12.50. The EIP network partner, then, retails this information at the same rate of Rs. 25,- and covers costs and income margins from the balance. This mode of transaction applies equally for all BIS within the EIP partner network.

6.3) Measuring and Monitoring economic performance of BIS

At each EIP network partner, a **monitoring system** is in place for already existing, indigenous BIS. These systems are different from each other. Their common features are the measurement of overall revenue and number of sales. The following **Table 7** provides an overview on the 1999 performance at the different EIP network partners.

Table 6: Performance of EIP network partners for the year 1999

Category EIP Network Partner	Number of BIS Transactions	Total Revenue in Rs.	Most commonly used info delivery channel
CCC	4,000	450,000	Over the Counter
ISB	280	550,000	Information Consultancy
PEPC	25	230,000	Business Mapping Service
HESC	100	5,000	Information Brokering

To establish grounds for monitoring and evaluation of EIP, a common procedure for customer registration was developed and introduced for all EIP network partners by the end of 1999. Through this standard procedure, each customer visit is recorded manually. At this point, the BIS required, type of customer and costs are documented. These data will be entered into a electronic database for analysis. The analysis of the database will be used for evaluating EIP performance against its objectives and results. One yardstick is the financial sustainability of BIS itself and performance of the network. Another yardstick is the impact towards income and employment creation at the level of MSMEs and a contribution to regional economic growth. At this stage it is far too early to give a respective evidence.

7. Implications for Donor-funded Interventions

At this stage of EIP, it is too early to assess implications for donor interventions based on an impact of the EIP. The past two years of implementing the EIP do not provide sufficient information for such evidence. However, up to now, a few lessons can be learned in the following 3 areas.

1. Dimension of ICT

During the past decade ICT has created a new dimension for the shape of the global economy. On account of rapid developments in ICT, today even remote areas are connected to a complex global network of information delivery and exchange³. In this environment, ICT driven business information is used mainly by large corporate and multinational enterprises for strategic planning and **not** by MSME's.

However, the significance of validated business information for survival and competitiveness equally applies to MSMEs. Since most MSMEs can not afford investments in ICT and costly, self generated business information, an external access to validated BIS at low costs is required by them. This has created a new open market for traditional providers of BIS to develop respective **commercial products** with ICT. In

³ Clifton Barton, 1999 – Information and Communications Technologies: Are They the Key to Viable Business Development Service for MSMEs ? MICRO ENTERPRISE BEST PRACTICES Development Alternative, Inc.

the area of ICT-based **info-product development**, donor interventions can be sensibly placed.

2. Process of creating an intervention

Donor interventions are required to contribute to the development of **open markets** for BIS under commercial terms. Private organisations with a commercial drive at strategic sensible locations, therefore, appear most suitable implementing partners. Their selection should take account of already existing competencies and capacities. This implies that they are assisted in developing **commercial strategies** for improving ongoing BIS, targeting of MSMEs and establishing BIS as distinct BDS. The market for BIS is based on growth potential of sectors and regions. To stimulate growth with BIS it requires a focus on developing info-products for crucial business decisions of the BIS clientele. (**see chapter 4.**, The Process of Developing Information Products).

3. Roles of donors, public and private sector

The innovative nature of ICT driven BIS, allows for a new definition of modes of cooperation between **public and private** stakeholders. To launch a commercial strategy for BIS from the beginning, it requires both, public and private initiatives. A donor intervention needs to take account of generating marketable products (BIS) and sustaining public interest, i.e. employment and regional growth at the same time. The formation of **alliances** between different public and private actors, thereby, is gaining crucial significance for donor interventions (**see chapter 5**, Delivery Mechanisms of BIS between the Public and Private Sector).