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Market Assessment of Business Development Services
NELSPRUIT, SOUTH AFRICA

SUMMARY REPORT

Prepared by BMI FOODPACK

Study on behalf of GTZ BDS/LED

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MARKET ASSESSMENT OF BUSINESS DEVELOPMENT SERVICES – NELSPRUIT, SOUTH AFRICA

COMMISSIONED BY : **THE GERMAN TECHNICAL COOPERATION (GTZ)**
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1. INTRODUCTION

The German South African programme on Business Development Services and Local Economic Development (BDS/LED) is interested in the development of functioning markets for business development services that benefit local SMME's, assisting them to realize their growth potential and hence create more employment. Like many other agencies, The German Development Corporation, (GTZ) believes that addressing market failures to efficient and effective provision of BDS would have a higher chance of providing quality, affordable BDS to a large proportion of small enterprises than traditional, public sector driven and highly subsidized service offers. Relying on the private sector to achieve greater outreach demands a better understanding of how BDS providers could be financially self-sustainable, or even profitable. This in turn, demands a better understanding of the actual demands of BDS in specific markets.

During 2003 the GTZ BDS / LED programme undertook detailed market assessments in two pilot areas to better understand the demand and supply of business services in these two areas. The market assessment researched 16 services in Mbombela municipality (Nelspruit and surroundings, Mpumalanga Province) and Lukhanji Municipality (Queenstown and surroundings, Eastern Cape Province). This document is a summary of the results of the market assessment in Nelspruit and surroundings.

The intention with this Summary Document is to maximise reader interest. Thus, for each chapter the main themes are outlined, and then concluded with more detail either in the form of tables or (further) graphs. More detailed information, in particular on the disaggregation of the data with respect to the size of the enterprises as well as reference to small black owned enterprises is available. Should you require this, please contact GTZ's BDS/LED Programme at their offices in Pretoria, South Africa. Contact details are published on page 1 of this report.

2. RESEARCH METHODOLOGY

The research program was comprised of three phases; the Design Phase, the Qualitative Phase and the final Market Assessment Survey. The document at hand deals mainly with the findings from the final, Market Assessment Phase, although the main findings of the Design Phase and Qualitative Phases are also reported on. The phases are discussed below.

1. The **Design Phase**, which incorporated In-depth Interviews with key people in Nelspruit and what was termed an Info-Seek. This approach entailed the study of all known sources of business listings to identify how many businesses existed in Nelspruit, and what type of businesses these were. As part of the Info-Seek, 20% of the universe (4 095 companies/enterprises) was contacted to establish turnover and ownership details.
2. A **Qualitative Phase** incorporating both in-depth interviews and focus groups discussions to determine which of the original 47 services should be studied in the Market Assessment Phase.
3. The final, **Market Assessment Phase**, was conducted with 440 companies in Nelspruit. The composition of the sample followed that of the universe closely. A 90% confidence level was achieved at sector level. The 16 identified services from the Qualitative Phase were tested in the final phase.

2.1 QUESTIONNAIRE DESIGN

Design of the questionnaire was based on the objectives of the study and the research models recommended.

2.2 INTERVIEWING PROCEDURE

Interviews with respondents were conducted on a personal face-to-face basis. Special care was taken with the fieldwork process to ensure that the quality of data input/gathering was good. The following paragraphs describe briefly how the interview process was implemented and managed.

- Two weeks prior to the fieldwork, an advertisement was placed in the Local Newspaper about the survey. In the advertisement, the survey was described as a *Business Survey* and that the findings will be used to assist growth in the economy. Business owners or Managers were informed of the timing of the survey and were kindly requested to grant interviewers their time.
- An individual team worked under the supervision of a Supervisor. In Nelspruit there were 6 teams.
- Briefings were initially done with the Team Leaders, who then organized a date for their team-briefing. Personnel from the Johannesburg office did all the briefings.
- After each team had conducted 20 interviews a further Post-Fieldwork briefing was conducted.
- Due to the incredibly good response from companies, fieldwork took twice as long to complete. Whether this was the influence of the advertisement or the direct link that respondents had with personnel in Johannesburg or the continual briefings to field, is not known.

Respondent's reacted very well to this survey, and in some instances – when the interview was not completed in the time allocated, respondents insisted that the fieldworker return so that the full interview was given. Most respondents requested to get some feedback about the survey once it was complete.

2.3 ANALYSIS

A semi-structured questionnaire was used incorporating both closed and open-ended questions. The open questions were post-coded upon completion of fieldwork. All data was captured into the STARS system, as well as the MarketScape System®.

2.4 PRODUCTION

BMI FOODPACK is a **full service agency**, meaning that no part of the research process was sub-contracted to other parties, with the exception of fieldwork where a company who acts as BMI FOODPACK's field division in partnership with MarketBase does all the fieldwork. . All coding, editing, data capture, data processing and report production is conducted in-house, using company-owned facilities and processes.

2.5 QUALITY PROCEDURES

There were quality measures that applied at various levels:

- 25% of each fieldworker's work was subjected to check-backs, and if anomalies were found then that individual's work was checked in its entirety.
- Each questionnaire was edited by a field supervisor and either accepted or rejected on the basis of standard company editing criteria.

3. ABBREVIATIONS / TERMS AND DEFINITIONS

The following terms and definitions were used throughout this project:

3.1 ABBREVIATIONS

BDS	<i>For a Business Development Service Company/Respondent</i>
BMR	<i>Black Micro Enterprises</i>
SML	<i>Small Company/Respondent</i>
GOV	<i>Government Respondent</i>
LRG	<i>Large Company Respondent</i>
MED	<i>Medium Company Respondent</i>
ALL	<i>When all respondents mentioned a particular aspect</i>
SE	<i>Small Enterprises</i>
SMME	<i>Small Medium & Micro Enterprises</i>
HR	<i>High Relevance levels noted</i>
SR	<i>Some Relevance levels noted</i>
LR	<i>Low Relevance noted</i>
NR	<i>Not high enough relevance noted</i>
HAV	<i>High Added Value levels noted</i>
SAV	<i>Some Added Value levels noted</i>
NAV	<i>Not high enough Added Value levels noted</i>
NAFCOC	<i>National African Federation Chambers of Commerce</i>
MA	<i>Market Assessment</i>

3.2 DEFINITIONS

SALIENCE	<i>This is a data type that combines recall of services (on both spontaneous and defined basis) with the regularity with which the service is experienced. Within salience, these three data types (i.e. spontaneous and definite recall and regularity of experience) are multiplied by the stated confidence in knowledge and experience (both measured in the survey). Ease of access and knowing where to obtain are also other data types that feed into overall salience. In other words, salience describes the strength of the presence for a particular service. Recall, experience, confidence and knowledge are shown as one data/type or figure.</i>
BENEFIT IMPACT	<i>The benefit impact is a data type that exploits how strong a particular service is in terms of delivering desired consequences.</i>
BENEFIT RESULT	<i>The benefit result is a data type that explains how strong a particular service is in terms of delivering desired, more immediate, benefits.</i>

SPONTANEOUS AWARENESS	<i>Spontaneous Awareness is the proportion of respondents who could name a business development service without any prompting or visual aid.</i>
WITH DEFINITION	<i>Awareness of usage with definition is the percentage of respondents who recognized a service after a definition had been provided.</i>
EMBEDDED	<i>This is a service which is part of a service contract or is available as part of something else. (although the service is used – it is not paid for directly)</i>
KANO MODEL	<p><i>The KANO model was originally designed to check the quality of manufactured products. In later years, the marketing research industry adopted it's use with the aid of questionnaires.</i></p> <p><i>This model was incorporated into the survey to assist Program Managers with Program Design. It was felt that the results could be used to assist Program Managers when selecting Service Providers. The Kano Model clearly shows what the expectations of customers are from Service Providers. For example, if one Service Provider cannot provide a "must have", and another can – then this makes it easier for the Program Manager to make a decision with regard to which Service Provider to use. Another motivation for having included the Kano Model was to make expectations of potential users clear to Program Managers.</i></p>
VAN WESTENDORP MODEL	<p><i>This is a pricing sensitivity analysis developed by Van Westendorp. It was designed to be able to be done in MicroSoft Excel initially, although it can be adapted to be used in other survey software programs.</i></p> <p><i>This pricing model was used, again, to assist Program Managers with their decision-making regarding pricing policies. The Model clearly shows the "range" of pricing that the potential users expect to pay for a service. The advantage of using the Pricing Model is that potential users/current users provide the pricing options themselves within various categories (i.e. good value for money, getting too expensive). The other alternative was to provide price ranges in the questionnaire. This would only have provided an average price that customers would expect to pay, and not a range of pricing, like the Van Westendorp Model does.</i></p>
SMALL, MEDIUM & MICRO ENTERPRISES	<i>Please refer to Paragraph 19 for the definitions of the South African National Small Business Act.</i>
AWARENESS LEVERAGE	<p><i>Awareness Leverage is a statistic that shows how many users who are aware of a service used it. The closer the leverage statistic is to 1, the better the result. For example if 100% of companies are aware of advertising and 80% of companies use it, then the awareness leverage is 0.8.</i></p> <p><i>The graph on Page 23 shows the top-band where a high number of people who are aware of services use the service. When there is a low usage versus awareness (eg. Only 30% of those aware use (leverage is 0.3) this usually indicates some form of resistance to using the service. The "resistance" could be caused by many things – such as pricing, lack of knowledge of the benefits, accessibility of the service etc. When the leverage is between 0.5 and 0.7 this indicates that there is potential for that service.</i></p>

4. BUSINESS DEVELOPMENT SERVICES

4.1 ADVISORY SERVICES RELATING TO PRODUCTION PROCESSES

A service where a company/organization/business/enterprise is advised on the best/latest techniques that have developed with regard to producing a (relevant) item more efficiently or providing a service better. It could include advice on the actual process (the way the item is produced/the service delivered). It could include advice on the design of products or services and their differentiation from other products or services, and how the production of the item/service delivered is managed (i.e. operations). It could also include advice on how to reduce production costs or the costs of delivering the service.

4.2 ENVIRONMENTAL MANAGEMENT TRAINING AND ADVISORY SERVICES

This is a service that would allow you to substantially reduce the costs of production by improving your economic efficiency through the reduction of resources such as water, energy and raw materials as well as the reduction of waste. The service also helps you to choose the right technological solutions for your production processes and to improve your production processes. Both, the reduction of resources and waste and the right choice of technology and production processes allows you to save money and to improve your environmental performance and comply with environmental standards.

4.3 FACILITATION OF BUSINESS LINKAGES

This service provider acts as an agent, broker or middleman that links small and large firms by helping small firms sell products or services to large firms or win tenders and sub-contracts from large firms. The other way around the same broker helps large firms and corporates' to find, for example, small or black economic empowerment companies as potential business partners. Facilitating business linkages also often involves assisting the smaller business to meet the standards and conditions of the contract with the larger business partner.

4.4 QUALITY TRAINING AND ADVISORY SERVICES

A service provider would look at the quality of the finished product or the delivery of a service specifically in terms of the quality (if it is of a good quality or not). There are always quality standards or quality perceptions/expectations of products or services. If the company/organization/business/enterprise is producing or delivering sub-standard or poor quality products then the consultant/company would provide training and advice on how to improve quality, and maintain it. It could mean quality into other areas as well, such as companies lacking experience in how to put quality into their sales program.

4.5 ADVERTISING SERVICES

A company/consultant who provides advertising services or who teaches or advises you on how to advertise your products and/or services. In other words they would offer the following type of service to a company/organization/business/enterprise who would benefit by using this service: where to advertise (to reach their market), how often to advertise (i.e. frequency), which media to use, the development of an advert, and perhaps follow up. Advertising services could also include promotions, and sales drives. The idea of advertising is to either create/maintain awareness, to inform potential users of benefits and could include making known to the market, differentiating factors of a product service – that are better than others on offer.

4.6 IDENTIFYING NEW MARKETS INCLUDING NEW MARKET OPPORTUNITIES

A company/consultant who provides this service would look at what service or product a company/organization/business/enterprise is producing or offering, and find new worthwhile markets than/or in addition to the ones they currently serve. For example, a company may only work on orders in their local municipal area, but there may be a need close by where people/companies pay high rates for the product or service because it comes from elsewhere – that would be an idea of identifying a new market. A new market opportunity could be if a company changed their product slightly, there may be a new opportunity for sales. In both instances the company benefits by increased sales.

4.7 PROVIDING INFORMATION TO MEET SPECIFICATIONS AND STANDARDS

This is a service provider who advises companies/ organization's/ businesses/ enterprises on what the required standards and specifications of their products should be. For example to have SABS (i.e. South African Bureau of Standards) approval on a particular product it must meet certain standards and specifications. This affects the quality of the finished product. Another example could be for the building industry, how much cement is required to build a strong wall (that will not crack/break with time) with the number of bricks. It could also include what materials should be used in the production of a product, for example, for an overseas market – electrical cords are a good example. Different countries require different voltages – this service provider would provide information necessary to that (relevant) company on how to manufacture for an overseas market.

4.8 TRAINING ON USING CUSTOMER FEEDBACK TO DEVELOP NEW MARKETS

This service provider would either train enterprises/business on how to find out from customers how the product or service is used, or adapted by them for their use – or do the customer research for the enterprise/business. The service provider could establish how happy or unhappy they are, and if there is an area of improvement. This information could lead to the creation of a new product for a different market, or more users in a current market. An example could be where a bakery often gets a request for a certain product but does not produce it. By listening to the customer feedback, a new market could be developed. The service provider would actually provide training on how to formalize customer feedback, how to interpret it, and how to implement it. In other words, teach companies to respond to customer feedback in a proactive way.

4.9 ASSISTANCE WITH REGARD TO TENDERING

This service provider would keep up to date on what Tenders are being advertised. They would assist a company/organization/business/enterprise in obtaining of the tender document/how to put together a plan to tender/interpret terms and conditions and assist them in completing a Tender Application on time. They could also provide a service where they put together the physical plan (i.e. making the Tender Application look successful), guide them in ways that could make their tender more competitive and so forth.

4.10 ACCOUNTING SERVICES

A service provider who provides accounting services to a company/ organization/ business/ enterprise is a consultant/company/expert who has studied financial management, accounting, chartered accounting or similar fields and provides financial expertise to companies who do not have this in-house. The service they provide could include bookkeeping services, profit and loss statement (net and gross), cash flows, general ledger, financial statements and so forth. They can use this information to show companies if they are profitable or not, they do projections based on historical financial data. This service provider can also show a company where they should improve, or where they are wasting money by analyzing the financial data in various ways.

4.11 ADVISORY SERVICES IN BUSINESS PLANNING/MANAGEMENT AND MENTORING

This service provider would be a specialist consultant/company who is skilled in management techniques and management generally, as well as how to plan the future of a business efficiently. Sometimes a company/ organization/ business/ enterprise has a good concept/product but is not doing well, because it is being miss-managed. It could be sales management, production management, and administration management. This service provider would show the company more effective ways of management. Also, many businesses do not really plan their business. A business may know, for example, that every year they have a rough patch, but they don't know why this occurs. This service provider would assist a company like that to find the root cause and to plan for it, so they run more efficiently. Mentorship is a specific way of providing this service, where an experienced business person/service provider gives regular advise on all aspects of business to a less experienced business person.

4.12 COMPUTER HARDWARE AND SOFTWARE SERVICES INCLUDING MAINTENANCE AND WEBSITE DESIGN

This service provider would assist and advise a company/organization/business enterprise on either becoming computerized or improving its current computerization. For example, a company may have a computer (or computer systems) that is outdated and has outdated software loaded. They would then assist the company to update. They would provide training on the relevant software. The service provider may know of a particular program that could solve some of the company's problems. In other instances, companies may have computers, but find that their systems are slowing down, or that they often have technical problem. This may indicate that this company is not using their systems correctly, or not maintaining their computers. The service provider would advise them on how to maintain them, or physically maintain them. In another instance a company could benefit from having a web page, but not one designed by someone who has no knowledge of web sites. They would advise or assist the company, or create the physical web page or web site. This service is more than just the selling of computers and software (which is distribution) but includes advising and training on all technical aspects.

4.13 LEGAL SUPPORT/ADVISORY IN LEGAL PROCESSES

A service provider who provides legal support would be a consultant who has studied law, or a company who hires people who have studied law. The service provider could have different areas of specialty such as Patent and Copyright Law, or Company Law or Employee/Labour Law. It is quite a wide field. A company/organization/business/enterprise which does not have this facility in-house could use these services. They could be advised in how to go about a particular aspect such as registration of the company, what type of company to form, the members or directors agreement. A company could use legal services if they need to take a particular action such as recovering bad- debt, or formulating a legally binding contract.

4.14 MANAGEMENT AND BUSINESS SKILLS TRAINING

Most businesses start because someone has an idea/concept or a product for which there is a market. Sometimes the people who start these businesses have no knowledge of business skills or how to develop skills within their organization should the company grow. This service provider would provide the necessary business skills and management training, usually in the form of training courses.

4.15 FINANCIAL PLANNING/BUSINESS PLANS FOR FINANCE

Sometimes a company/organization/business/enterprise has a good product/service and may also have a very good market or client base, but because they do not know how to plan their company on sound financial principles, they go through hardship – or worse close down or are liquidated. This is often an area where the (relevant) company goes wrong. They may not have a set credit policy, or payment policy. They may not know how to access funds, or if they are able to access funds. Prices of supplies might increase which means that they need to increase their prices, but they may increase it too late. Or there may be indirect costs that affect the profitability and/or longevity of a company that the company does not plan for. A company may not be able to work out their “mark-up”, and not have sufficient funds to run a successful operation. Should they need to apply for funds/credit they may not know how to go about this. This service provider would assist such companies in these areas. They would also be able to assist in drawing up a professional business plan for a financial institution such as a bank.

4.16 NEGOTIATION SKILLS REGARDING GOVERNMENT/OTHER CONTRACTS

A service provider who supports a company with negotiation skills could mean either physically hiring the services of a professional negotiator (who may have specialist knowledge of contacts) or being trained to negotiate for contracts successfully. Negotiation skills are based on successful selling and communications skills so this could be incorporated in this training.

5. THE OFFICIAL VIEW OF NELSPRUIT

Source: Extracted from the Official website of Nelspruit

Nelspruit is the capital of the province of Mpumalanga. Nelspruit falls within the Mbombela region in South Africa, which is comprised of Nelspruit, White River and Hazy View. The city lies in the fertile valley of the Crocodile River, 330 kilometres east of Johannesburg in the hot and humid Lowveld. The Malelane Gate, southern access to the Kruger Park, is about 60 kilometres away.

Nelspruit is the trading centre for the surrounding fruit growing area of Mpumalanga. Fertile soils and subtropical climate provide perfect conditions for the production of citrus and tropical fruits, mainly mango, banana, avocado, macadamia and pecan nuts. Nelspruit has a train station and a modern airport, which is serviced several times a day.

The Nelspruit/White River area has about 31000 people employed in the formal sector of the economy and approximately 7000 in the informal sector and has about 13000 unemployed. The labour force of the whole sub-region has increased about 4.3% per annum since 1995. Mbombela's favourable location adjacent to the Kruger National Park, one of the country's major tourist icon's offers numerous opportunities for tourist development.

Nelspruit is strategically positioned to take advantage of cross-border trade with Swaziland, as well as with Mozambique through its harbour at Maputo. Nelspruit plays a pivotal role in providing financial, business and professional support services to the sub-region including Swaziland and Southern Mozambique.

Many corporate institutions such as ABSA and Standard Bank have their provincial head offices in Nelspruit. The area has a competitive advantage in relation to the rest of South Africa as far as Agricultural production is concerned. Agricultural activities in the area include sugar cane, sub-tropical fruit, cotton, vegetables, citrus fruit, sisal, tobacco and coffee. The area produces some 34% of the country's sub-tropical fruit, and 20% of its annual citrus crop. The head office of the Lowveld Co-op is situated in Nelspruit with branches all over the Lowveld. Currently agro-processing revolves around maize milling and fruit and vegetable processing.

Manufacturing activities contribute about 38% to the local economy. This sector has performed well and has expanded at a rate of 6% per annum. The establishment of the Riverside Industrial Park, in Nelspruit, has strengthened the trend.

There is a concentration of the following types of manufacturing activities in Nelspruit, namely machinery, fabricated metal products, wood and wood products, food, furniture and fixtures, motor vehicles and parts, printing and publishing and paper products.

5.1 PERCEPTION OF THE ECONOMY BY NELSPRUIT BUSINESS

Much of the comment received about business in Nelspruit was very positive. Positive comments, however, referred mainly to established large, medium and small businesses. The few negative opinions received were restricted to new businesses, small businesses as well as small Black businesses.

The spontaneous descriptions of "business in Nelspruit" are shown below: -

POSITIVE	NEGATIVE
Business is booming	There are quite a few failures
2 nd fastest growing economy in South Africa	Small businesses are struggling
Next to Cape Town, the 2 nd most expensive property in South Africa	Over-crowding in Small businesses
Lively economy	Small and Medium businesses have not reached their full potential
Large/Medium Business doing well	Companies start, but not all survive – longevity is a problem
Properties increasing in value by 12%	People are leaving the CBD
Nelspruit is regional/cross-border hub of business	
<p><i>The above are verbatim comments from Business Respondents in the Design Phase, and are initial reactions to the question:</i></p> <p><i>"Please describe the economy of Nelspruit/business here?"</i></p>	

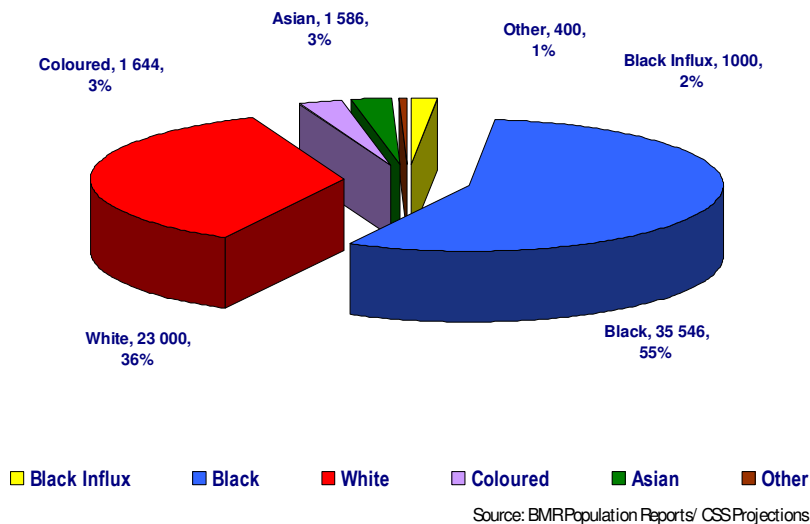
Respondents were asked to clarify their opinions on why business was doing well or badly in Nelspruit. From the responses (given in the table below) it is evident that what some saw as opportunity, others viewed negatively. The comments have therefore been divided into two columns. Under **REASONS**, the **UPSIDES** and **DOWNSIDES** of each idea is shown.

REASONS FOR DESCRIPTION OF BUSINESS IN NELSPRUIT	
UPSIDES	DOWNSIDES
Weekend traffic from Mozambique – good for retailers.	<i>The poor are still poor – despite Mozambique people.</i>
Unavailability of expensive goods in Mozambique is good for Nelspruit.	<i>Circumstance now – causing crime (people are robbing Mozambique shoppers) – can steal dollars.</i>
Money spent comes mainly from Maputo and Swaziland.	<i>Some people are saying the crime has already reduced the number of shoppers.</i>
Over weekends one sees mainly cars from Mozambique.	<i>Maybe the Mozambique traffic will reduce and business may not be ready for that trend.</i>
Nelspruit has Capital status. Capital status has brought lots of construction contracts. Lots of service industries supporting government.	<i>Government only gives contracts out for a period of 6 months. No one is going to invest only for 6 months. Contracts tend to go to larger firms with offices here, but based in Johannesburg.</i>
The Riverside Mall is a focus of growth for Nelspruit. The Crossings Centre development is providing opportunity. The major retailers (chains) are still, luckily, in the CBD.	<i>People are leaving the CBD. Lots of empty office space in the CBD. Too early to say how retail development will affect the CBD.</i>
The International Airport must have boosted business in Nelspruit. We do not yet know to what extent we have benefited – but the Airport has definitely brought more people through Nelspruit. The Airport has approval in phases: 1 st Domestic, 2 nd International and then Export, so it will be good for Nelspruit.	<i>Very little local representation at the Airport. There are rumours that the Airport is for sale. The way that the contracts are structured makes it difficult for Nelspruit retailers there. The road from the Airport to Nelspruit is a problem.</i>
The occupancy rate of hotels and bed and breakfasts is between 60% and 70%. Over weekends occupancy is virtually 100%. Although we are not a tourist destination, we service the tourist industry, so make money from that.	<i>Although 60% of the people that come into Nelspruit are Black, they do not support the Black Bed and Breakfasts. Tourists are not encouraged to spend money here. There is no incentive – like a stay over, or having a meal, or service stops from the Airport to Nelspruit.</i>
<i>Table continues overleaf</i>	

REASONS FOR DESCRIPTION OF BUSINESS IN NELSPRUIT	
UPSIDES	DOWNSIDES
<p>In terms of tourism there are about 2500 beds. In the area we are 2nd biggest to Hazy view. It is not number one, but it is an economic generator.</p> <p>The shoppers from Mozambique are tourist as many spend more than 24hrs here. Business people. Conferences. Tourist on their way somewhere. It affects not only hotels/lodges, but also filling stations, service industries, Spars, Pick n' Pays. Etc.</p>	<p><i>There is a lot of competition; Many of the new places close down. They do not know how to market themselves. Some lodges/services places provide poor service, and then have to close down.</i></p> <p><i>There is no place in Nelspruit, like a centre, where the local people can display their curios. We need a centre for that.</i></p>
<p>The contents of the table are verbatim comments received from the various respondents spoken to in the Design Phase</p>	

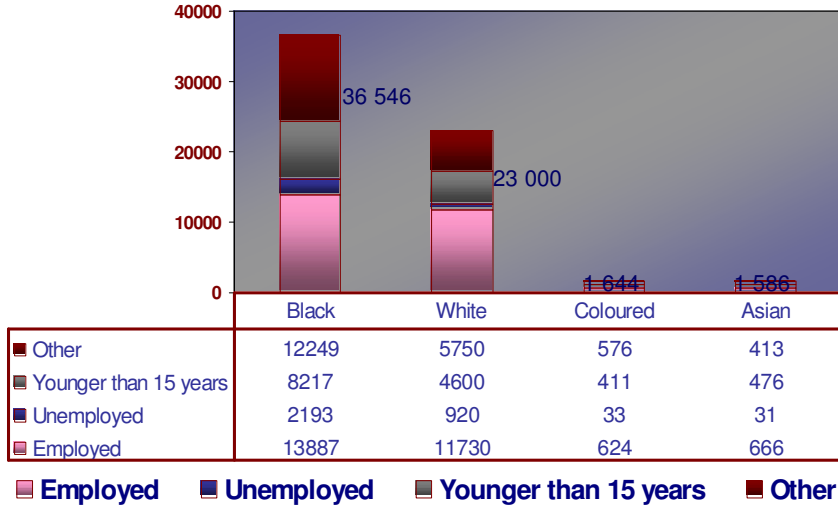
6. POPULATION AND DEMOGRAPHICS

POPULATIONS PROJECTED TO 2003 - NELSPRUIT (TAKING INTO ACCOUNT UNDER-OVER-COUNT-CHANGES)



From the population count conducted in 1996, the Black Population in the Municipal district of Nelspruit was estimated to have increased by an impressive percentage. Prior to 2003 most Black Citizens were living in the surrounding Townships. The capital status of Nelspruit, most likely, influenced this trend more than any other. The “Black Influx” above refers to Black Citizens moving into Nelspruit from other Provinces in South Africa. It is evident, in the chart below) that there is very little unemployment in Nelspruit, confirming the opinion of business people; *that the economy is thriving.*

Labour figures adjusted for 2003- NELSPRUIT
(TAKING INTO ACCOUNT UNDER-OVER-COUNT-CHANGES)

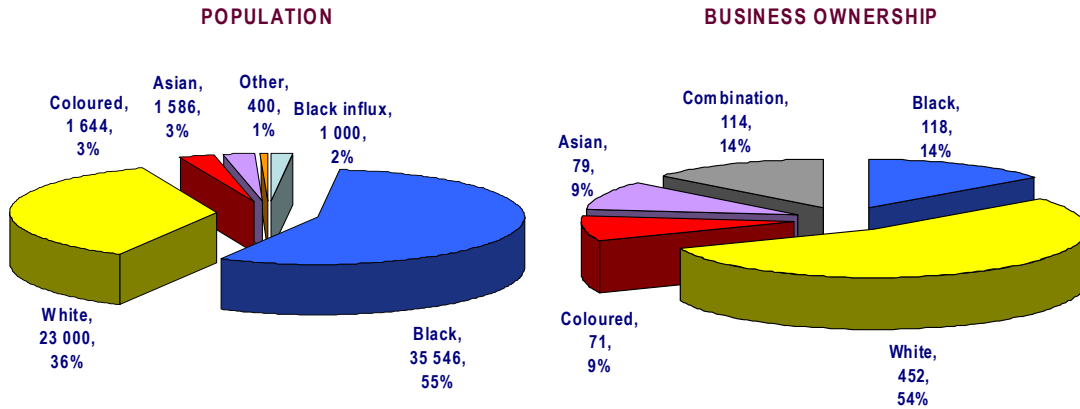


Source: Labour Department/ CSS Projections

7. GLOBAL STRUCTURE – EXISTING COMPANIES

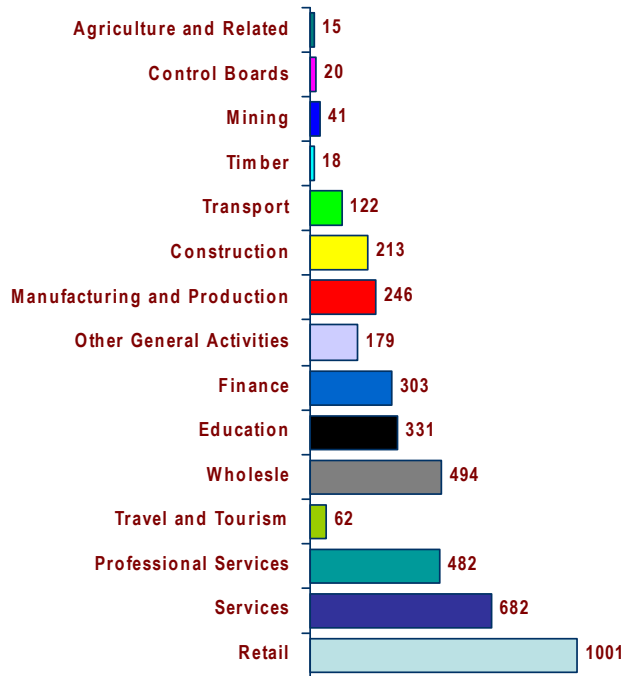
7.1 COMPANY OWNERSHIP

POPULATION VERSUS BUSINESS OWNERSHIP 2003



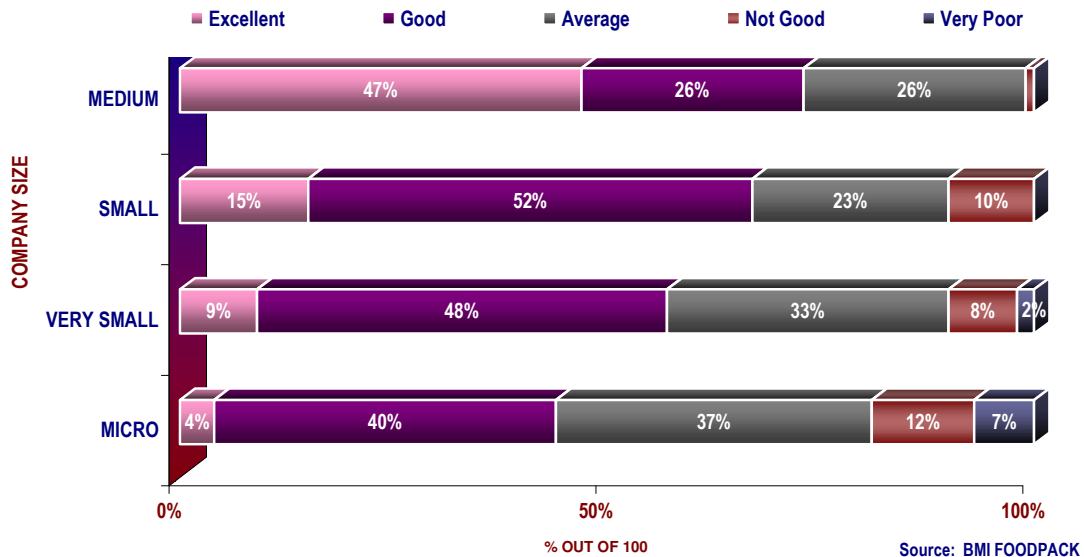
Although the White population in Nelspruit comprises just over a third of the total population group, one out of every two companies is still, however, owned by Whites. It was estimated that Nelspruit had a total of 4 095 existing businesses with the breakdown into sectors shown below.

GLOBAL STRUCTURE OF BUSINESSES



7.2 PERCEIVED PERFORMANCE OF COMPANIES

PERCEIVED PERFORMANCE OF COMPANIES



Medium sized companies, by their own account, appeared to fare much better than smaller companies, but on average, most business owners/managers in Nelspruit chose to describe their performance as Good or Average. Black Micro Enterprises did not appear to have performed as well as other businesses did in Nelspruit.

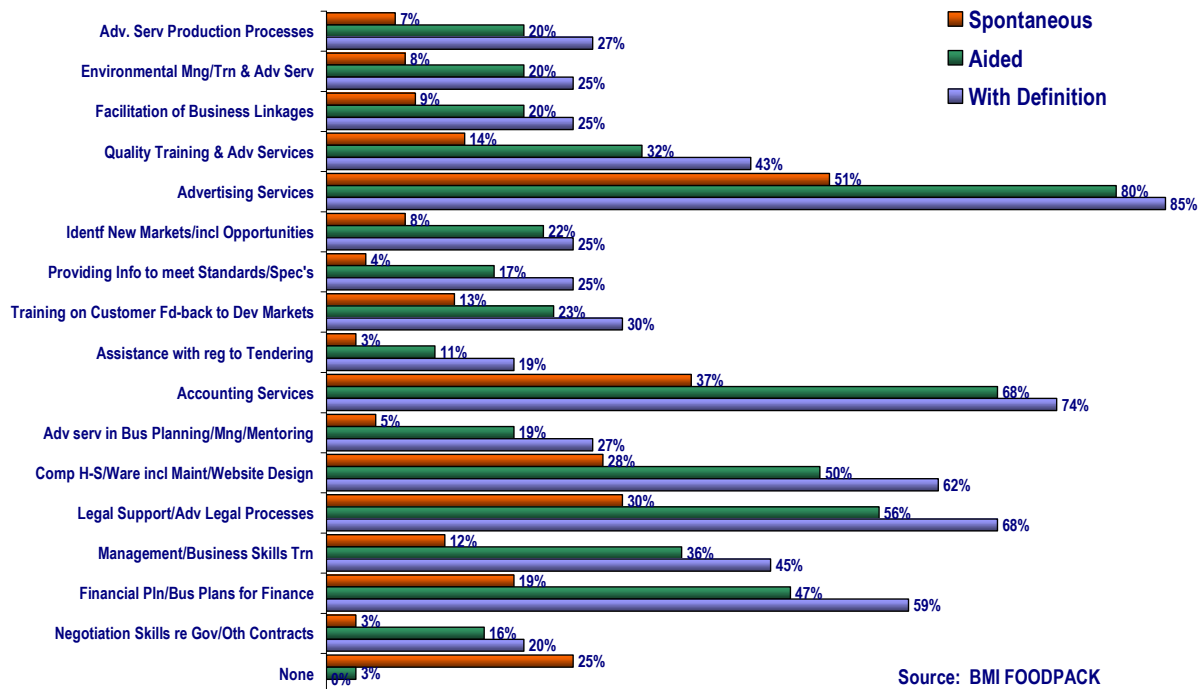
8. KNOWLEDGE OF BUSINESS DEVELOPMENT SERVICES

8.1 AWARENESS OF SERVICES

A quarter of the respondents in the survey (25%) could not think of any business development services off-hand. Once a definition had been provided, this reduced to 0%. Note in the graph overleaf, that in all instances, awareness of a particular service improved once a definition had been provided.

The most well known services, on both a spontaneous and aided basis, were; Advertising, Accounting, Computer Hardware and Software (including website design and maintenance), Legal Support/Advisory in Legal Processes and Financial Planning/Business Plans for Finance.

AWARNESS OF BUSINESS DEVELOPMENT SERVICES IN NELSPRUIT



Once a respondent had indicated that he/she knew of a service, on an aided basis – and prior to a definition being given, the respondent’s knowledge of that service was tested.

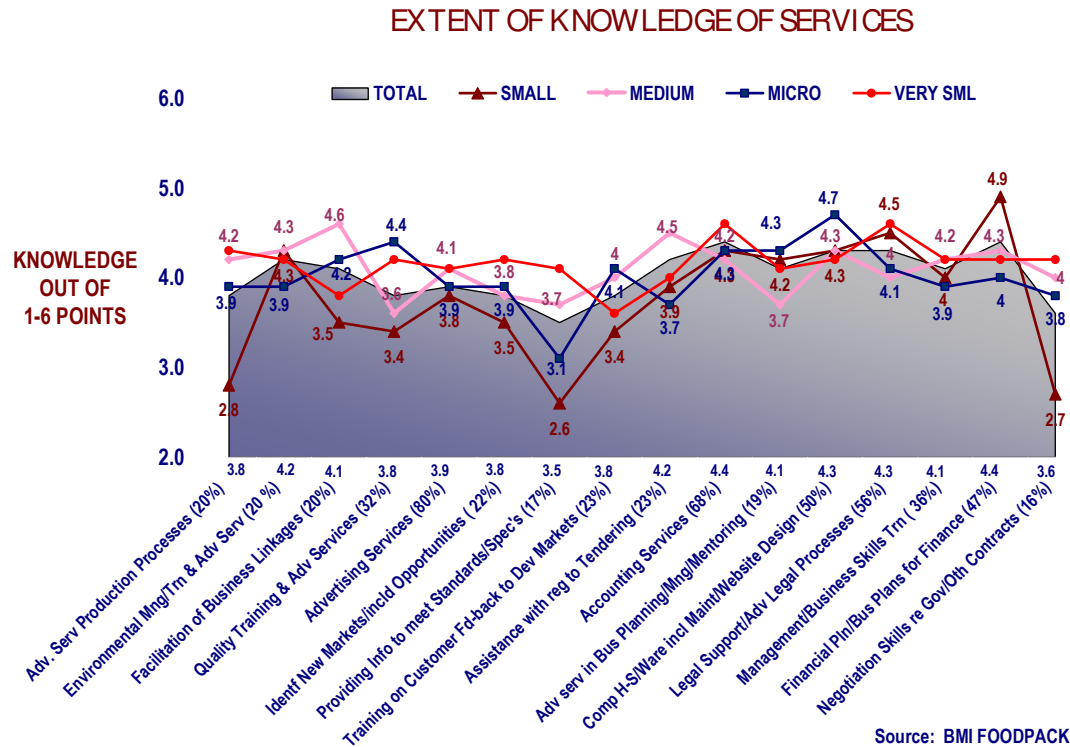
The respondent was not aware that this was a test; they were merely asked to associate certain issues with the service (3 were correct associations and 3 incorrect associations).

These findings were post-coded to produce knowledge on a 6 point scale, with 6 indicating that the respondent knew the service very well, and 1 indicating that the respondent did not know the service at all – despite having knowledge of the service.

Three and four represented quite poor and quite good, respectively.

8.2 EXTENT OF KNOWLEDGE OF SERVICES

Respondent's knowledge of the services that they were aware of is shown in the graph below.



Note: When findings are “re-based” to something else (in this instance Definite Awareness) it means that the percentages shown are as a proportion of those who are aware. The percentage in brackets shows the percentage to which it has been re-based.

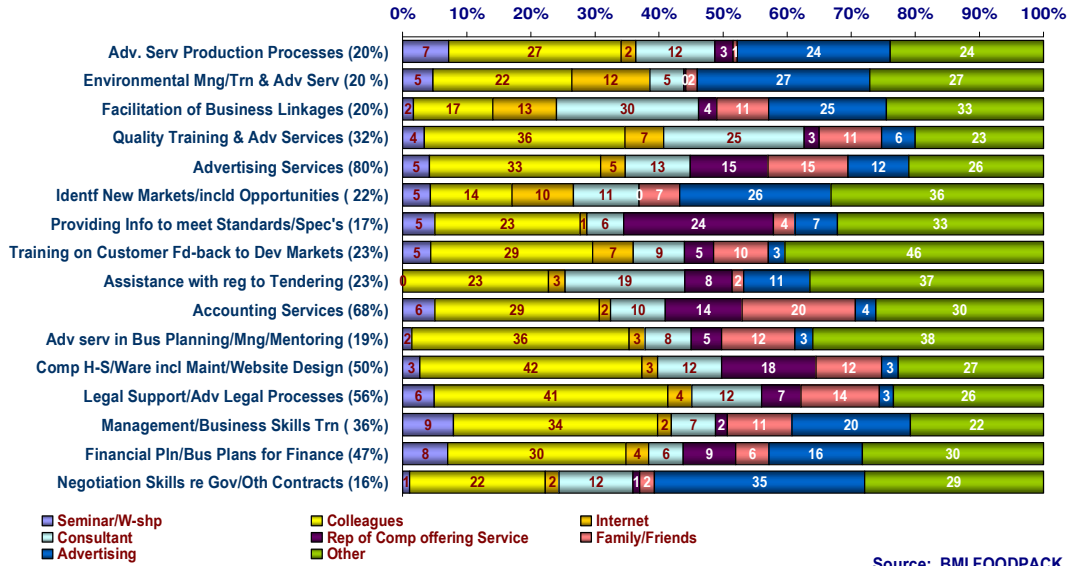
At the total (survey) level, the services where respondents revealed the most knowledge were; Accounting Services (4.4), Financial Planning/Business Plans for Finance (4.4), Legal Services/Advisory in Legal Processes (4.3), Computer Hardware and Software Services (including maintenance and Website Design) (4.3), Environmental Management/Training and Advisory Services (4.2) and Assistance with Regard to Tendering (4.2)

Prior to the survey being conducted, it was expected to observe that knowledge of these services would be lowest amongst Micro Enterprises. The above result reveals however that knowledge of the service was only lowest for 7 of the 16 services amongst Micro Enterprises. This sector showed the best (although not ideal) knowledge levels on the following four services: -

- **Quality Training and Advisory Services**
- **Training on Customer Feedback to Develop New Markets**
- **Advisory in Business Planning/Management and Mentoring**
- **Computer Hardware and Software Services**

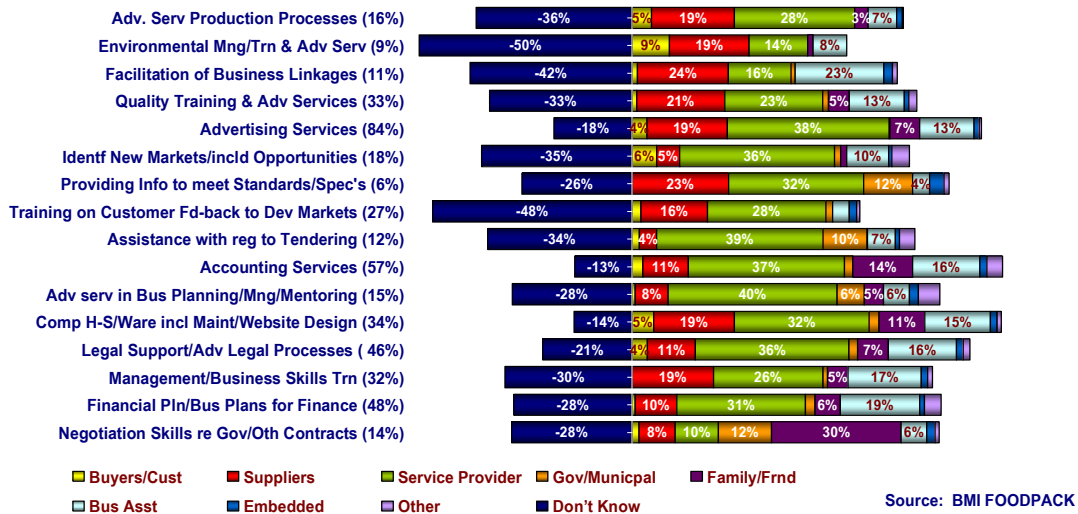
8.3 INFORMATION SOURCES

INFORMATION SOURCES FOR BUSINESS DEVELOPMENT SERVICES
Re-based to Aided Awareness



For almost all services, at total Survey level, colleagues played an important role in providing information for services, when needed. The **Other** category was mostly comprised of **Industry Articles, Trade Magazines**, etc, and it can be seen that these also played a key role in providing information on most services. In a few cases consultants and advertisement also played an important role in raising awareness.

KNOWLEDGE OF WHERE SERVICE CAN BE OBTAINED IN NELSPRUIT
RE-BASED TO DEFINITE AWARENESS

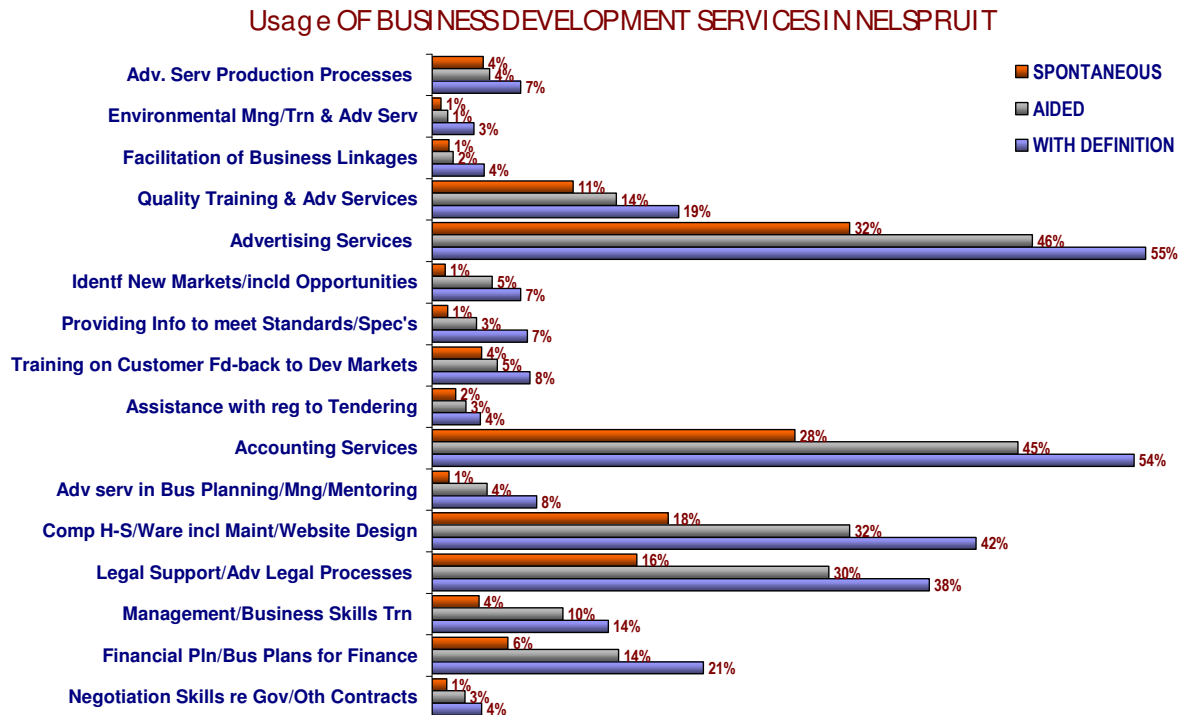


(Note : When findings are "re-based" to something else [in this instance **Definite Awareness**] it means that the percentages shown are as a proportion of those aware once a definition had been provided.)

Services where a high incidence of companies did not know where to obtain them were; Advisory Services in Production Processes, Environmental Management Training and Advisory Services, Facilitation of Business Linkages and Training on Customer Feedback to Develop New Markets. Suppliers tended to play an important role as a potential provider of Facilitation of Business Linkages, Quality Training and Advisory Services and Providing Information to meet Standards and Specifications.

9. OVERVIEW OF SERVICE USAGE

9.1 USAGE OF SERVICES



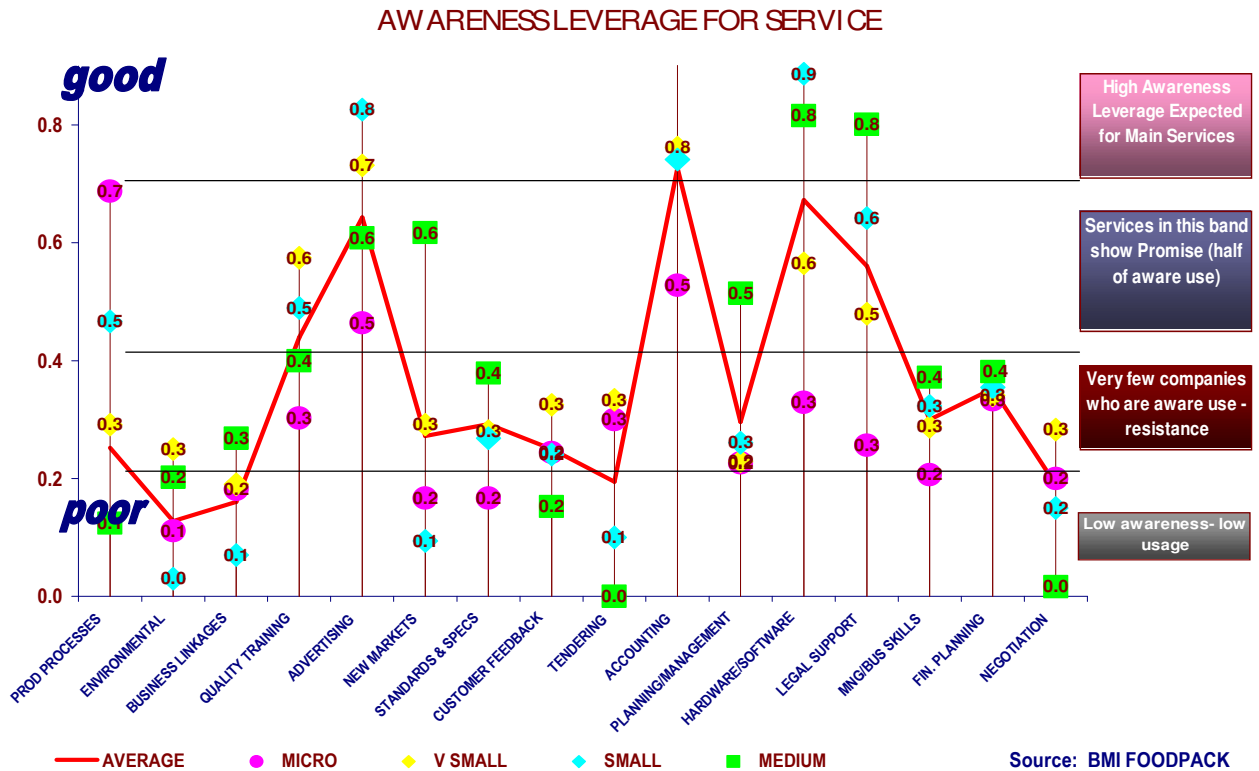
As with Awareness, the Services with the highest usage incidence were;

- **Advertising Services,**
- **Accounting Services,**
- **Computer Hardware and Software Services (including maintenance and Website Design), and**
- **Legal Support.**

The next tier of services where a higher than expected usage was observed were– Training on Customer Feedback to Develop New Markets, Advisory Services in Business Planning/Management and Mentoring, Management and Business Skills Training and Financial Planning/Business Plans for Finance.

9.2 AWARENESS LEVERAGE

In the graph below it can be seen which services show promise in terms of usage.



The above graph indicates that the services that show promise in terms of usage (should awareness improve) were: -

- **Quality training and advisory services (amongst very small enterprises)**
- **Accounting (amongst micro enterprises)**
- **Computer hardware and software (at the total level and amongst very small enterprises)**

9.3 WHERE SERVICES OBTAINED

The two graphs overleaf reveal where companies obtained the services. The source of acquisition of services is compared with the knowledge of where to obtain services.

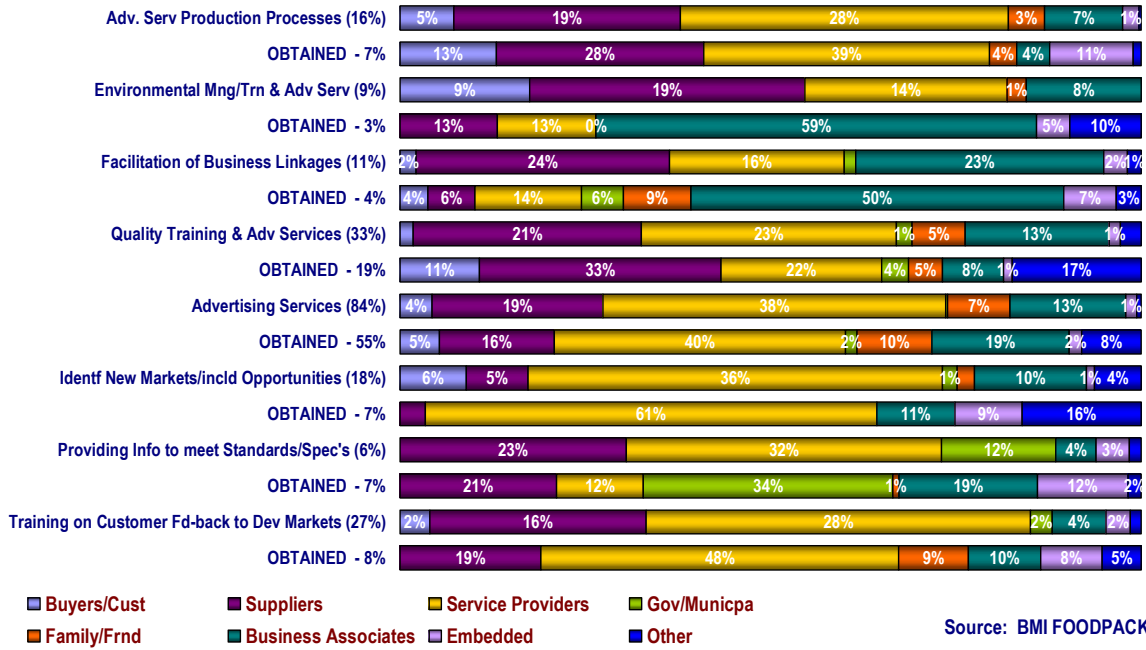
It can be seen in the graphs below that a relationship existed between knowledge of where to obtain a service and where the service was actually obtained.

Note: "Other" in the following 2 graphs represent:

- **Don't know**
- **Read about it**
- **Always known**
- **News paper articles**
- **Trade journals**

WHERE SERVICES OBTAINED v s KNOWLEDGE OF WHERE SERVICE CAN BE OBTAINED

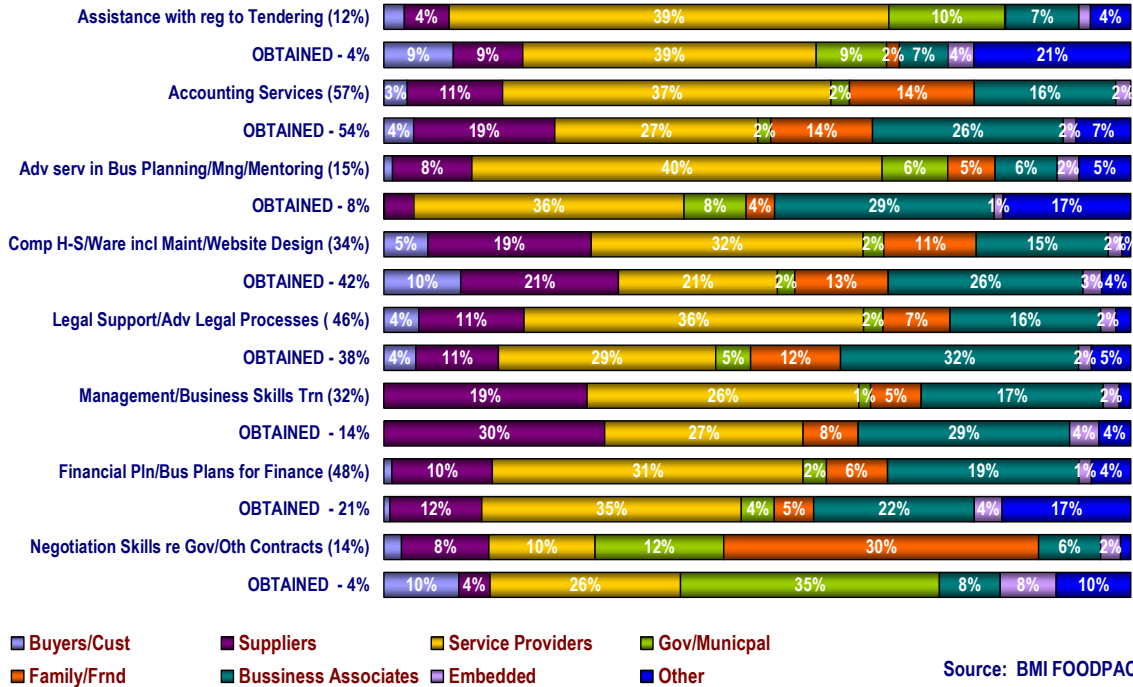
SERVICES 1-8



Source: BMI FOODPACK

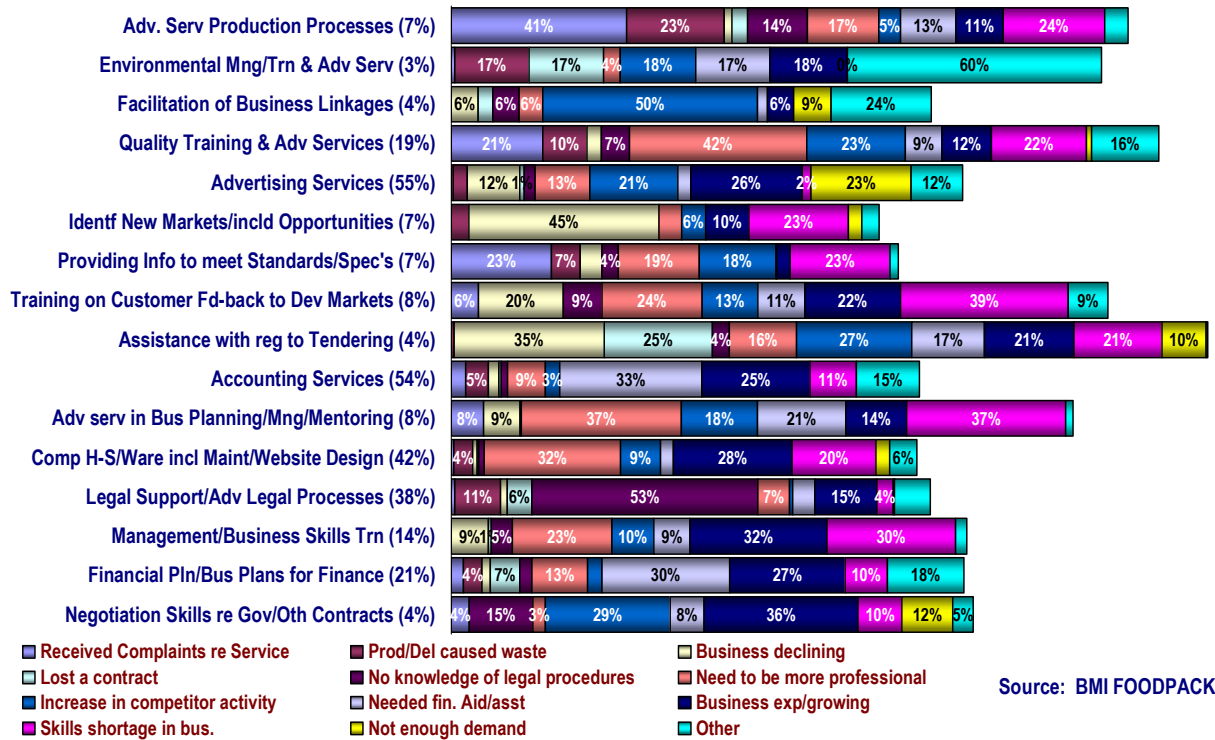
WHERE SERVICES OBTAINED v s KNOWLEDGE OF WHERE SERVICE CAN BE OBTAINED

SERVICES 9-16



Source: BMI FOODPACK

MAIN REASONS GIVEN FOR USAGE OF BUSINESS DEVELOPMENT SERVICES



9.4 MAIN REASON GIVEN FOR USING SERVICE

The main motivation for using a particular service is listed below: -

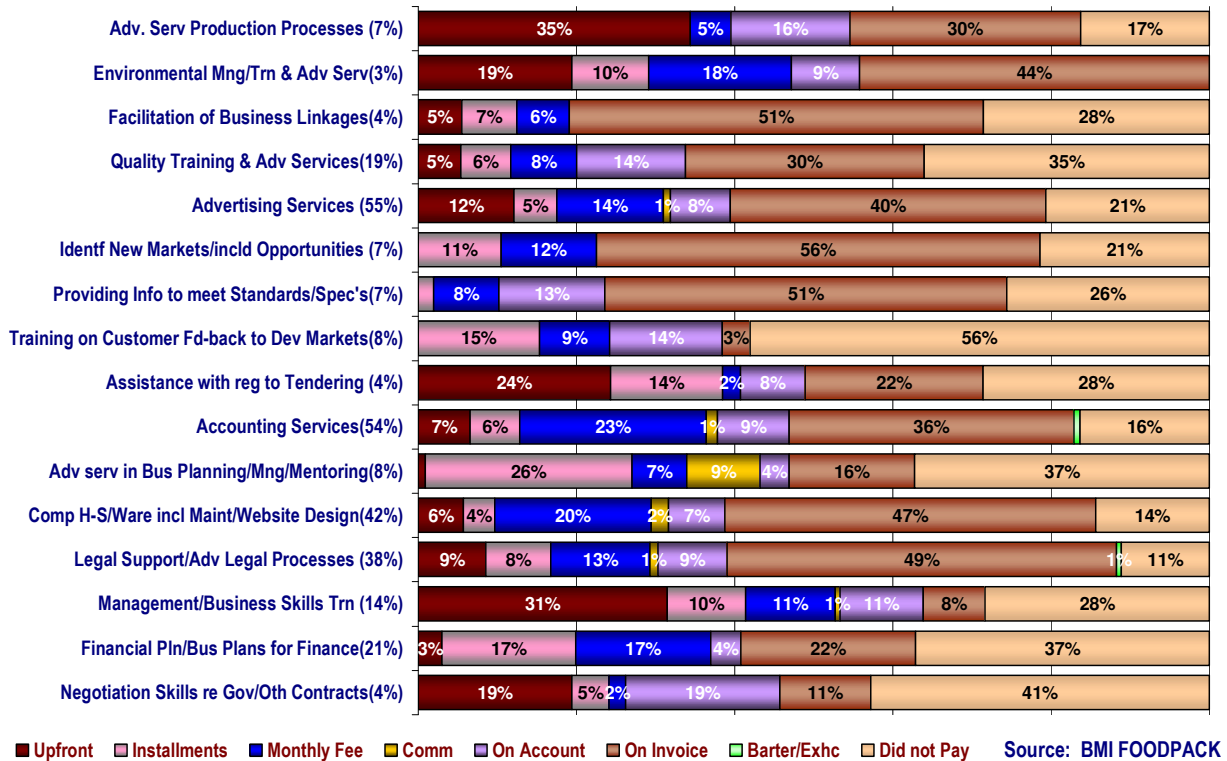
- Advisory Services in Production Processes**
Received complaints about product or service delivered
- Environmental Management Training and Advisory Services**
Other (company was forming new policy/were required to by law)
- Facilitation of Business Linkages;**
An increase in competitor activity
- Quality Training and Advisory Services;**
A need/desire to be more professional
- Advertising Services; (at similar levels)**
An increase in competitor activity, the growth or expansion of the business and not enough demand for product or service delivered
- Identifying New Markets including New Market Opportunities;**
Business Declining

- **Providing Information to meet Standards and Specifications; (at similar levels)**
Received complaints about product or service delivered,
Skills shortage in business
- **Training on customer feedback to develop new markets;**
Skills shortage in business
- **Assistance with regard to Tendering;**
Business declining and An increase in competitor Activity
- **Accounting;**
Needed financial aid/assistance
- **Advisory Services in Business Planning/Management and Mentoring;**
The need to be seen as more professional and Skills Shortages in the business
- **Computer hardware and software services;**
The need to be seen as more professional
- **Legal Support/Advisory in Legal Processes;**
Not knowing the correct/legal procedures
- **Management and Business Skills Training;**
Business expanding/growing and Skills shortage in business
- **Financial Planning/Business Plans for Finance;**
Needed financial aid/assistance and the expansion of the business
- **Negotiation skills regarding Contracts;**
Expansion of the business.

9.5 METHOD OF PAYMENT FOR SERVICES USED

When a service was paid for (which was the majority), it was mostly paid for on invoice after receiving the service. There were some services however, where a proportion of companies paid the required fee upfront or by another arrangement (e.g. instalments). These services were Advisory Services in Production Processes, Assistance with regard to Tendering, and Management and Business Skills Training. But, as also can be seen, quite a number of businesses got the service for free (presumably either from suppliers, business associations, embedded as part of a bigger deal or from colleagues etc, see also section 9.3).

METHOD OF PAYMENT FOR SERVICE USED

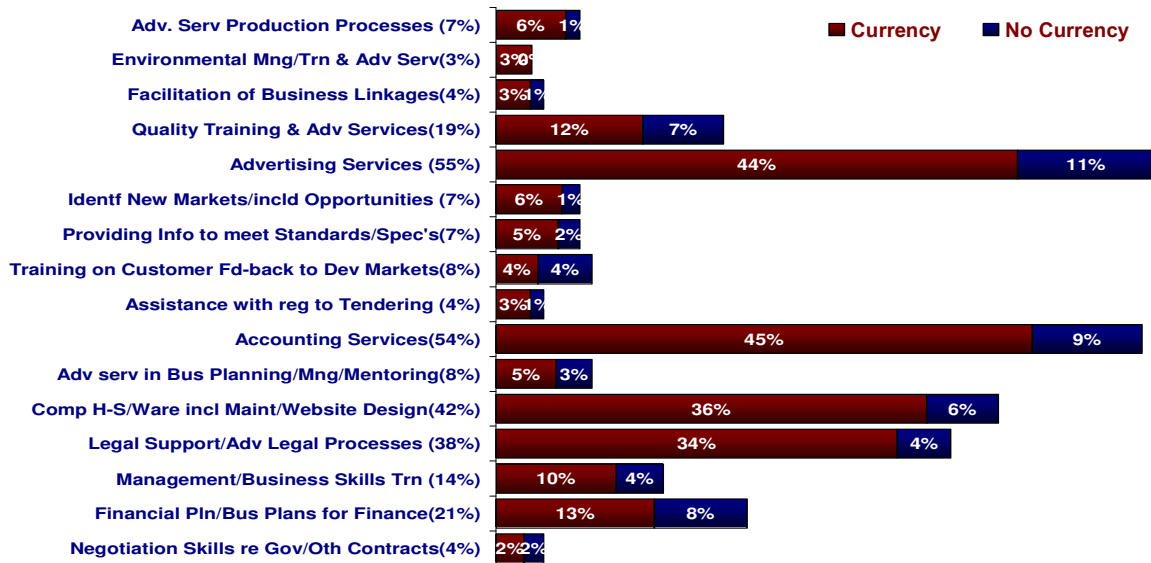


9.6 INCIDENCE OF PAYMENT

The services that showed higher incidences of non-payment, relatively to others, were; Facilitation of Business Linkages, Quality Training and Advisory Services, Training on Customer Feedback to develop New Markets, Advisory Services in Business Planning/Management and Mentoring and Negotiation Skills regarding Contracts.

The figures below refer to the percentage of total respondents that used and paid versus used and did not pay for the service.

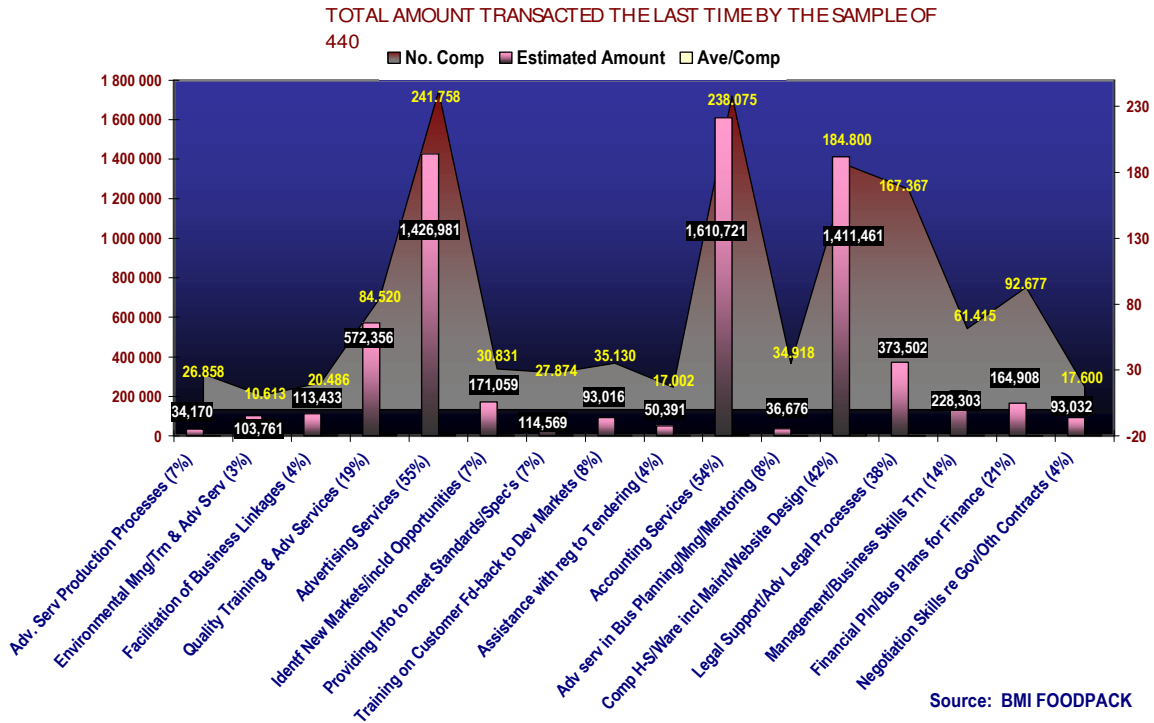
INCIDENCE OF PAYMENT VERSUS NON-PAYMENT



Source: BMI FOODPACK

9.7 TOTAL AMOUNT TRANSACTED LAST TIME

The following graph depicts the percentage of enterprises that used the service, and the cumulative amount of South African Rands spent the last time they used the service.



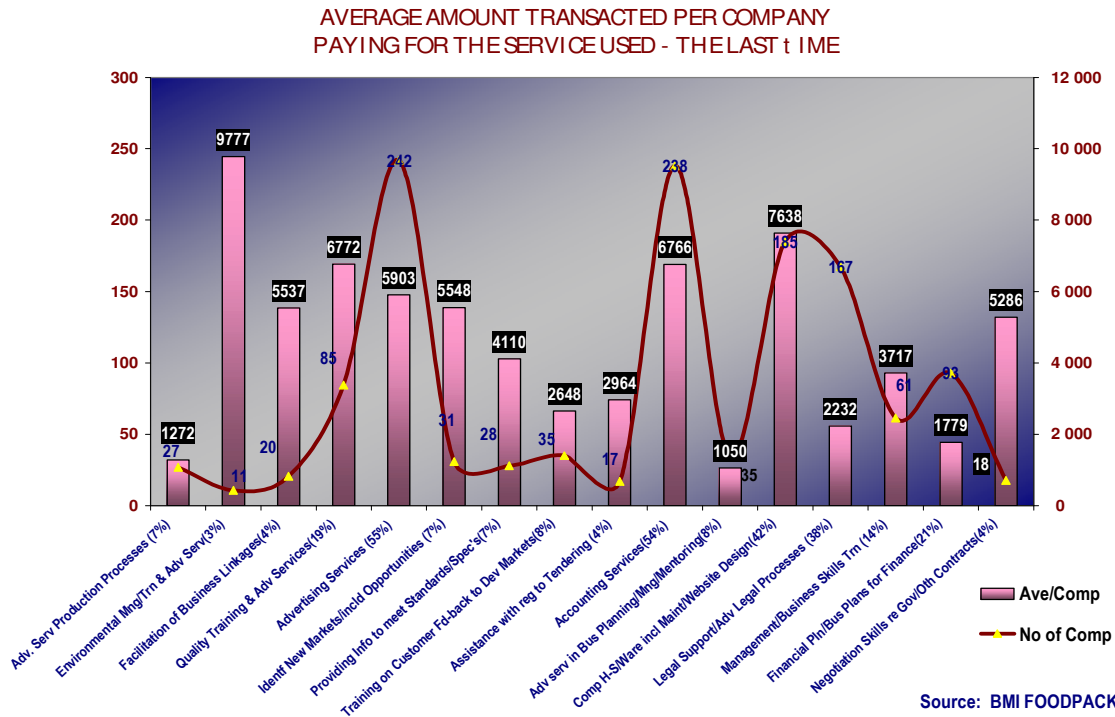
Source: BMI FOODPACK

When the findings in the above graph are taken up to Universe Level (of 4 095 companies) from the survey data taken from 440 Companies, the total transacted amount the last time for each service totalled to an impressive R84.5million.

The actual amount for each service is shown in the table below: -

BUSINESS DEVELOPMENT SERVICES	USAGE	TOTAL ESTIMATED TRANSACTION LAST TIME
Advisory Services Production Processes	7%	R 209 982
Environmental Management/Training & Adv Services	3%	R 477 592
Facilitation of Business Linkages	4%	R 1 766 304
Quality Training & Adv Services	19%	R3 751 547
Advertising Services	55%	R 20 098 858
Identifying New Markets/including Opportunities	7%	R 2 724 163
Providing Info to meet Standards/Spec's	7%	R 863 568
Training on Customer Feed-back to Dev Markets	8%	R 318 965
Assistance with regards to Tendering	4%	R 856 216
Accounting Services	54%	R 20 984 605
Adv service in Bus Planning/Management/Mentoring	8%	R 582 987
Comp H-S/Ware including Maintenance/Website Design	42%	R 21 271 968
Legal Support/Adv Legal Processes	38%	R 4 892 033
Management/Business Skills Training	14%	R 3 413 783
Financial Planning/Bus Plans for Finance	21%	R 1 732 906
Negotiation Skills re Gov/Other Contracts	4%	R 636 923

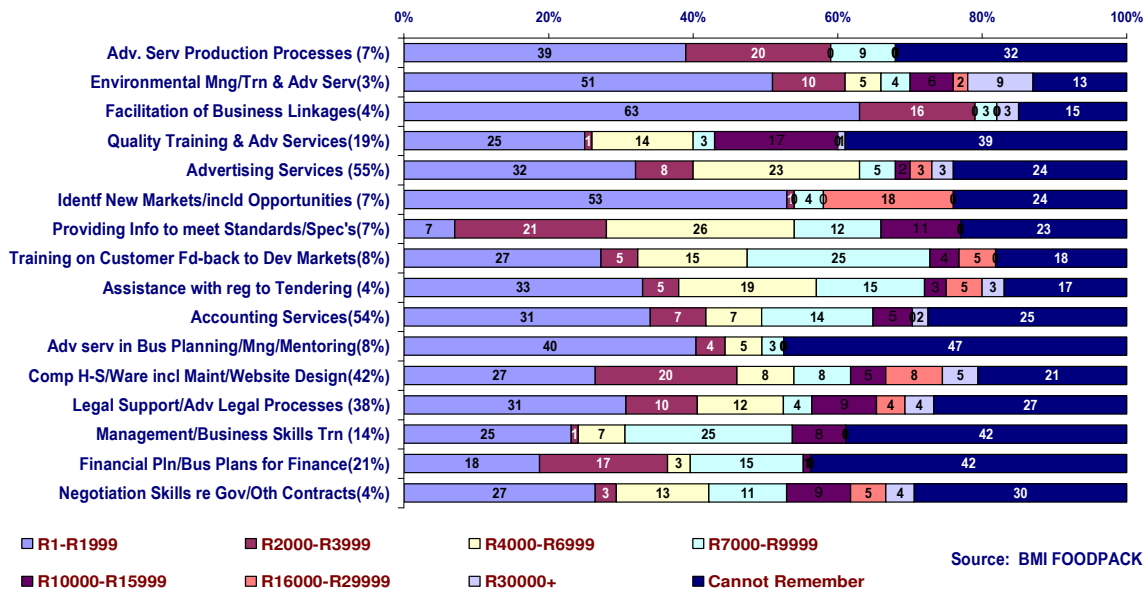
9.8 AVERAGE AMOUNT SPENT PER COMPANY USING THE SERVICE THE LAST TIME



The services that showed higher average amount paid per company per transaction the last time were: -

- **Environmental Management Training and Advisory Services**
- **Computer Hardware and Software Services**
- **Accounting Services**
- **Quality Training and Advisory Services**

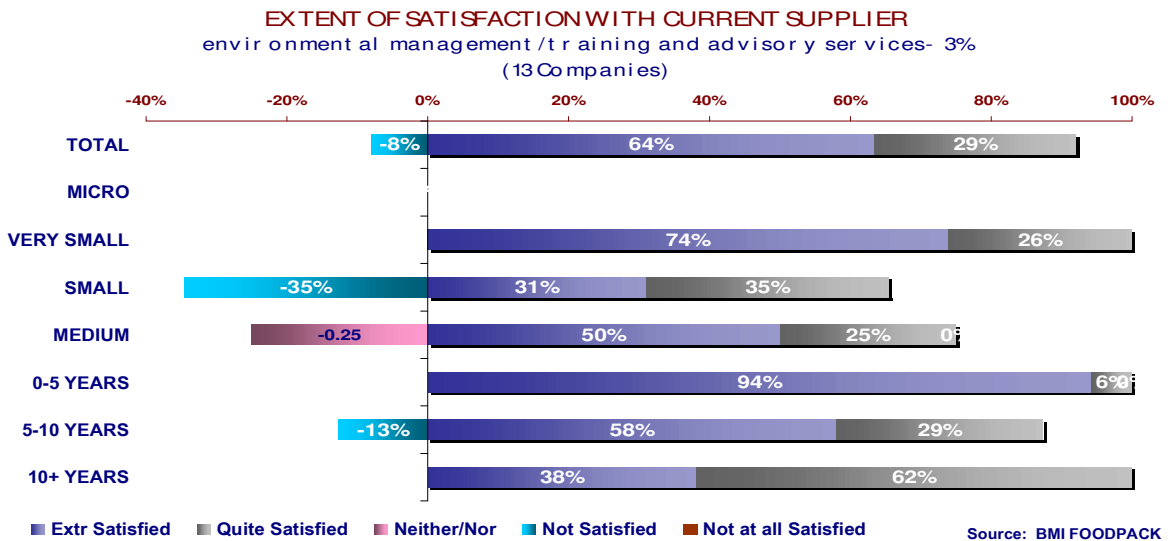
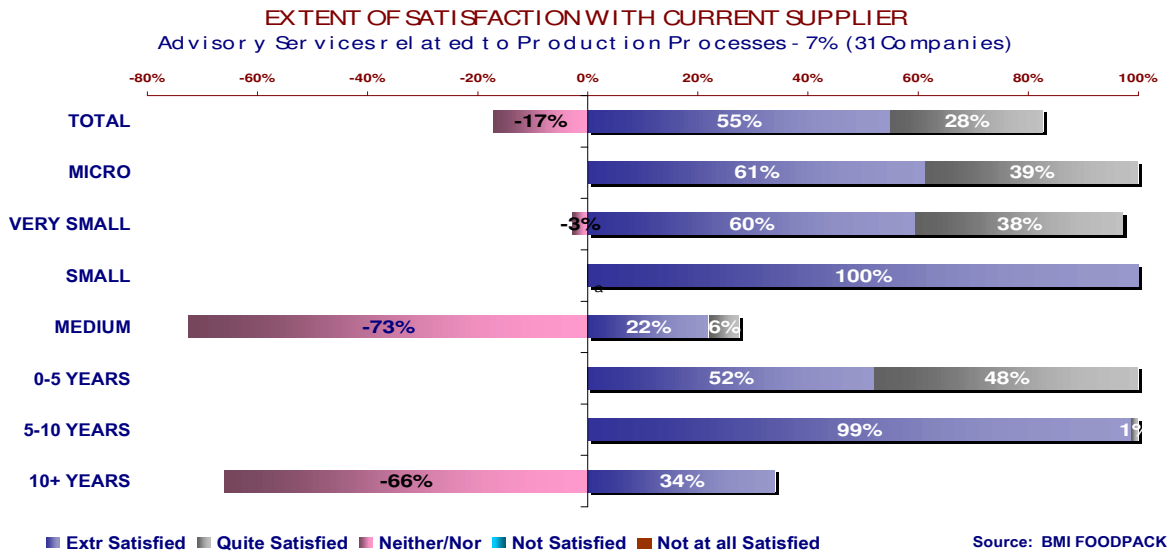
Ranges of Prices Paid for Services the Last Time



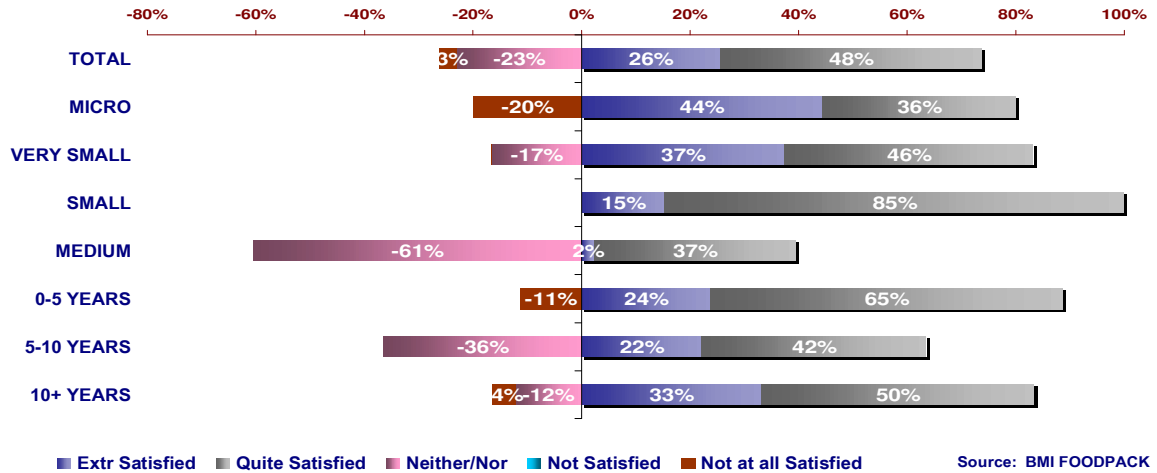
10. SUPPLY OF SERVICES

10.1 EXTENT OF SATISFACTION WITH CURRENT SUPPLIER

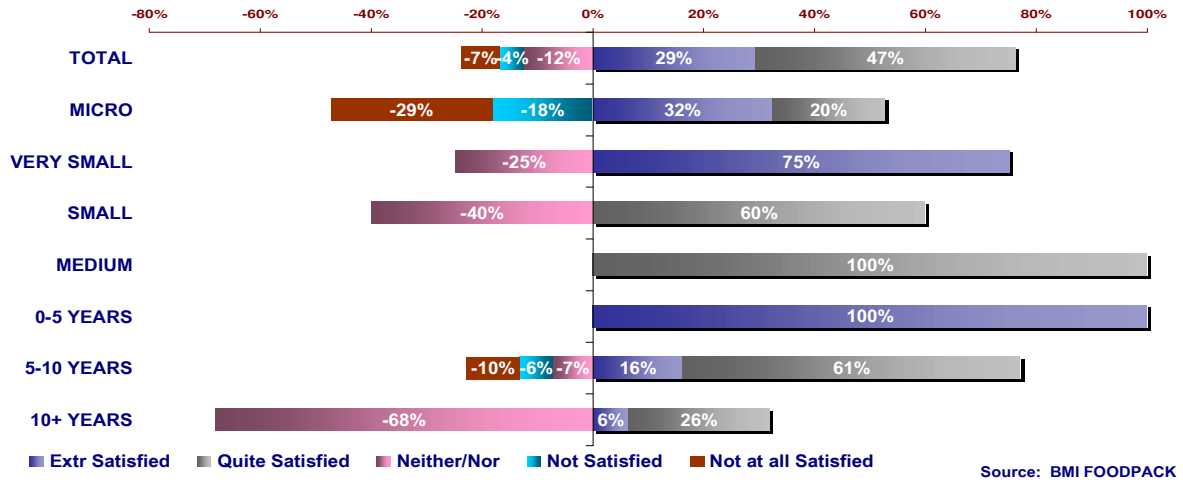
The extent of Satisfaction with the Current Supplier is shown in the series of charts that follow, and the results are based to only those companies who have used the service. **For practical purposes only 10 services will be depicted (data for the other services is available at GTZ's BDS/LED Programme offices).**



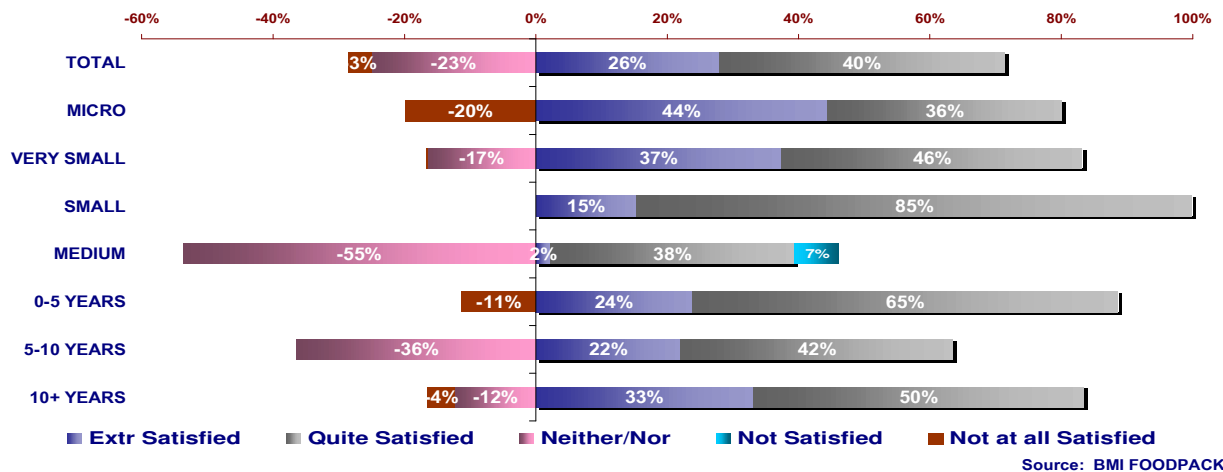
EXTENT OF SATISFACTION WITH CURRENT SUPPLIER
 quality training and advisory services - 19% (84 Companies)



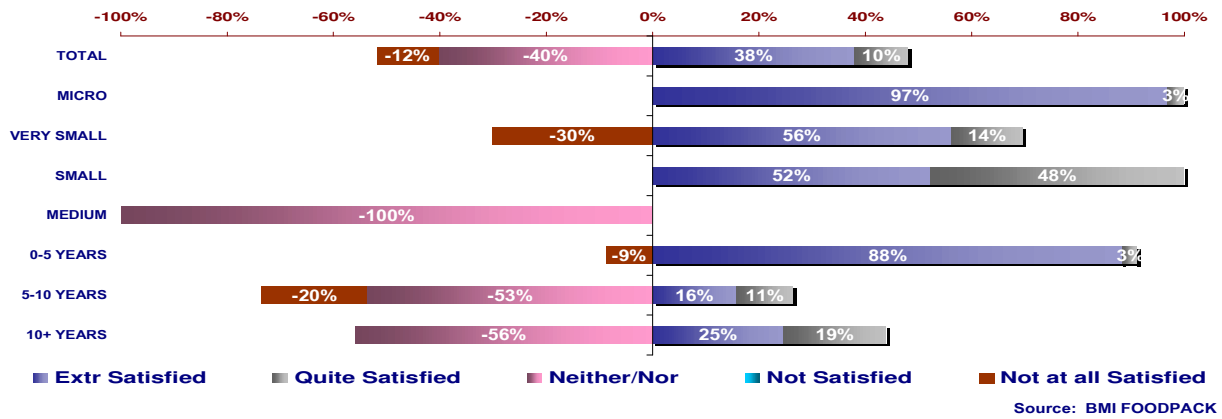
EXTENT OF SATISFACTION WITH CURRENT SUPPLIER
 facilitation of business linkages - 4% (18 Companies)



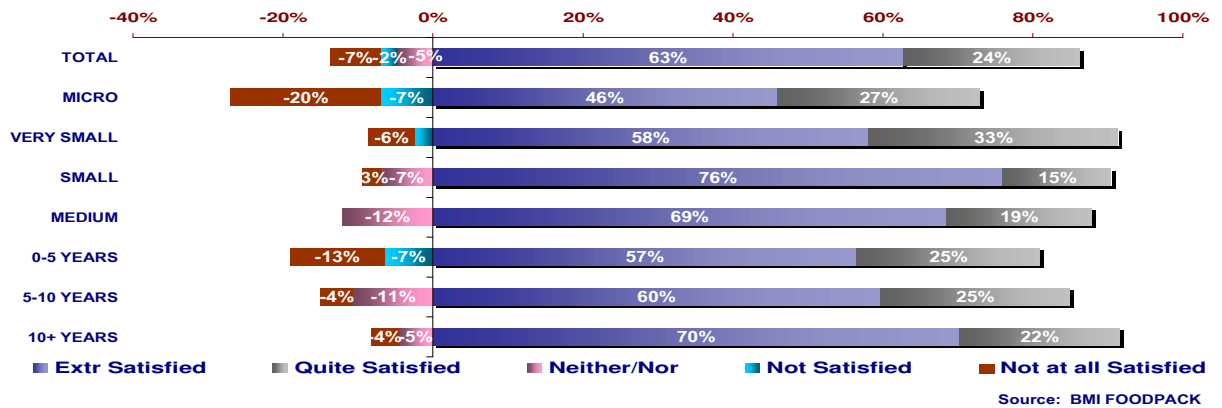
EXTENT OF SATISFACTION WITH CURRENT SUPPLIER
 Advertising services - 55% (242 Companies)



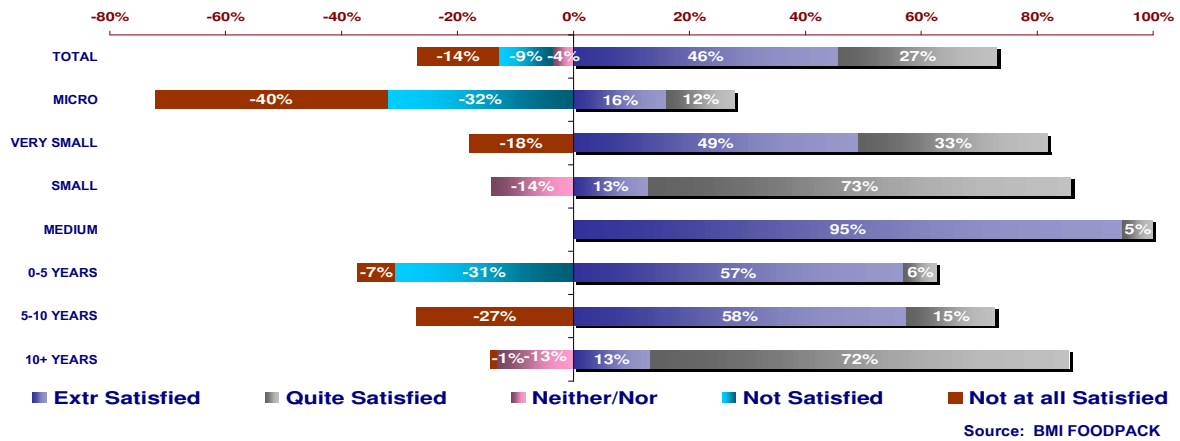
EXTENT OF SATISFACTION WITH CURRENT SUPPLIER
 identifying new market including new market opportunities - 7%
 (31 Companies)



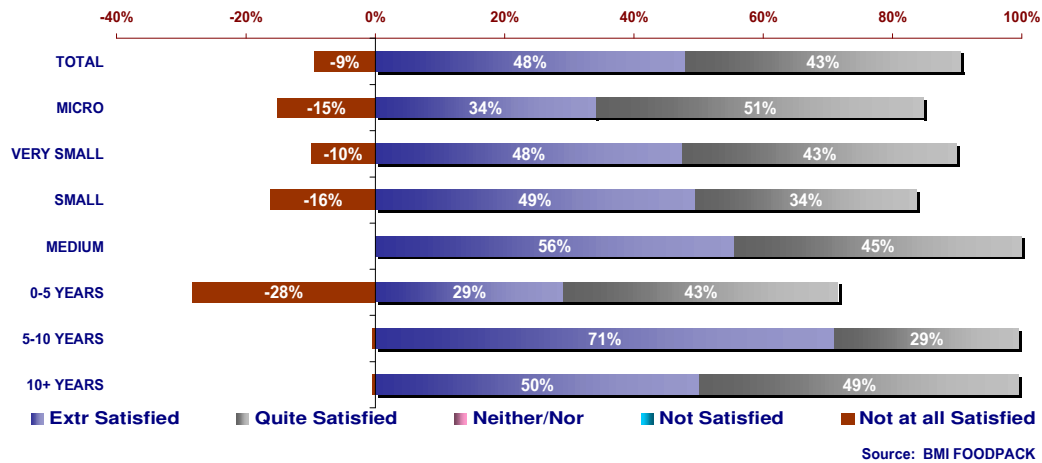
EXTENT OF SATISFACTION WITH CURRENT SUPPLIER
 Accounting services - 54% (238 Companies)



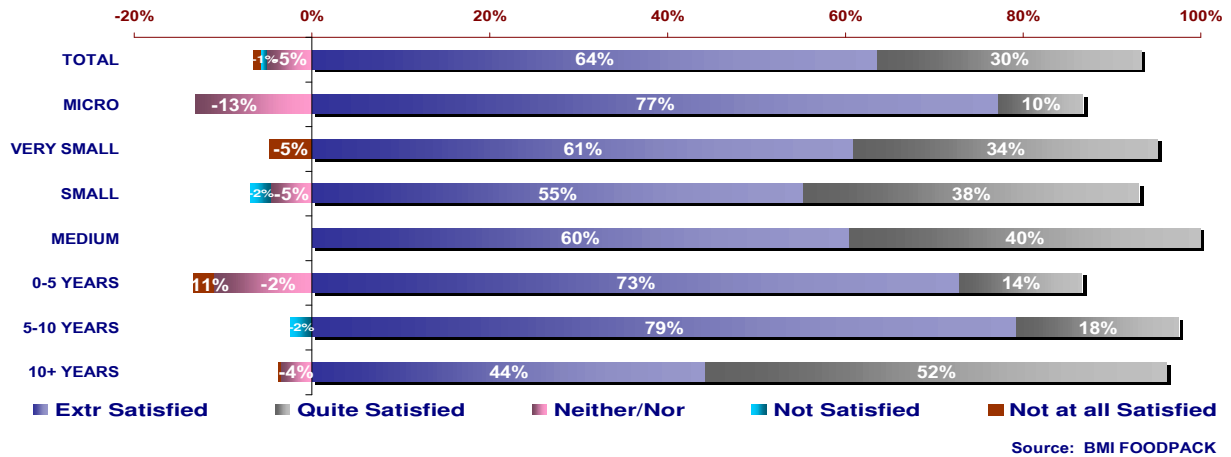
EXTENT OF SATISFACTION WITH CURRENT SUPPLIER
 Advisory Services in business planning/management and mentoring - 8% (35 Companies)



EXTENT OF SATISFACTION WITH CURRENT SUPPLIER
management and business skill training - 14% (61 Companies)



EXTENT OF SATISFACTION WITH CURRENT SUPPLIER
financial planning/business plans for finance - 21% (92 Companies)



10.2 WHETHER THE SAME SUPPLIER WILL BE USED AGAIN

Based on how the respondents used the scale, an average score of 3.95 can be said to be the target of an acceptable satisfaction score. Services where suppliers did not meet the acceptable score were: -

- **Facilitation of business linkages**
- **Quality Training and Advisory Services**
- **Providing Information to meet Specifications and Standards**
- **Assistance with regard to Tendering (one of the two lowest scores)**
- **Advisory Services in Business Planning Management/Mentoring**
- **Negotiation skills regarding Government Contracts (the lowest score)**

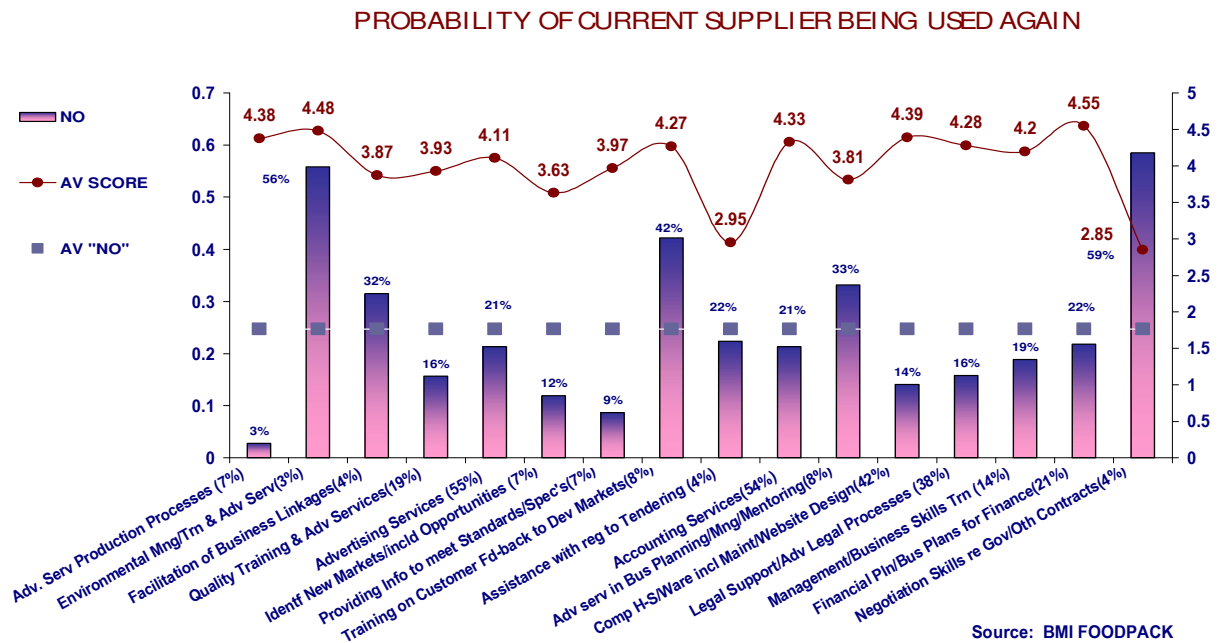
The graph below reveals, however, that in many cases there is no apparent relationship between extent of satisfaction and whether the supplier would be considered again in the future.

Note that despite the fairly high satisfaction with the supplier, consideration for future use is relatively low on the following services: -

- **Environmental Management Training and Advisory Services**
- **Training on using customer feedback to develop new markets**

For the following services low satisfaction did tend to influence low future consideration: -

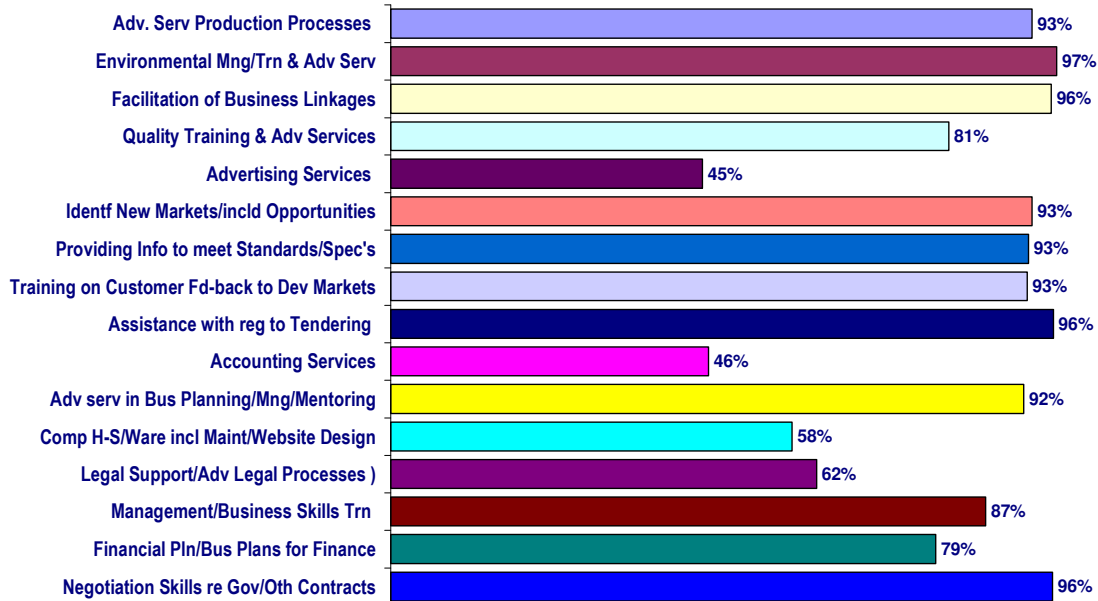
- **Facilitation of Business Linkages**
- **Advisory Services in Business Planning Management/Mentoring**
- **Negotiation skills regarding Government/Other Contracts**



11. GAP IN THE MARKET

11.1 NON USAGE OF SERVICES

BUSINESS SERVICES NOT USED



Source: BMI FOODPACK

The above graph is simply an inverse depiction of services definitely used. It can be seen, despite the booming economy of Nelspruit, that there is still a high instance of businesses not making use of support services that could assist them to function more effectively or with growth.

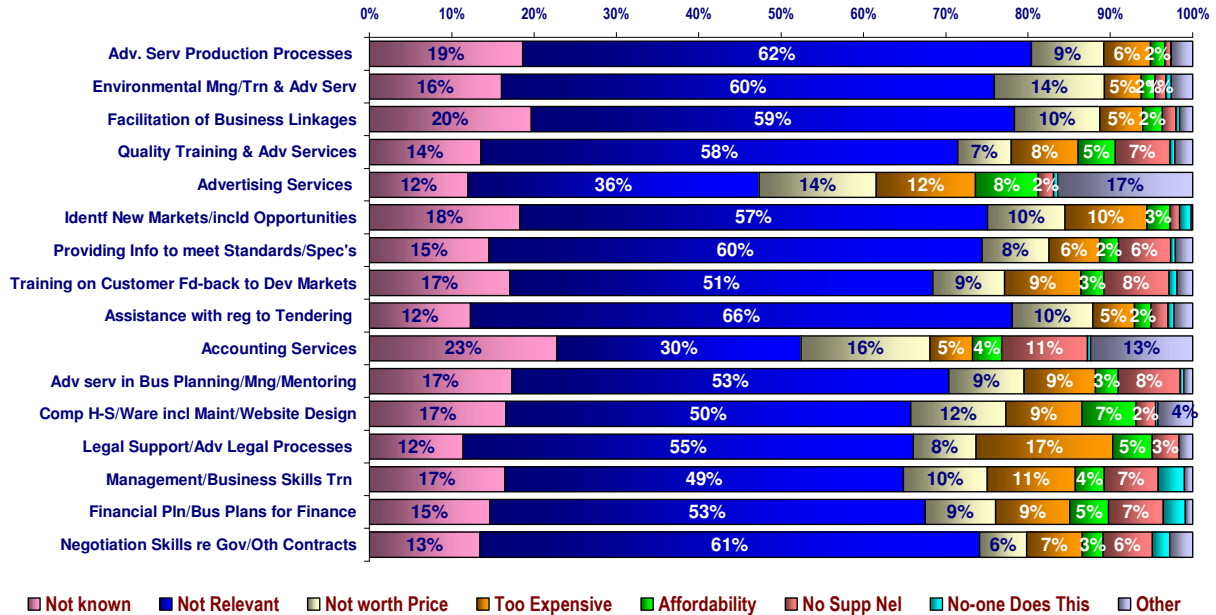
The average incidence for non-use of services was 82%. The following services fell well below this average: -

- **Advertising Services**
- **Accounting Services**
- **Computer Hardware and Software Services including Maintenance/website**
- **Legal Support**
- **(and to a lesser extent) Financial Planning/Business Plans for Finance**

11.2 MAIN REASON GIVEN FOR NOT HAVING USED SERVICES

Of interest is naturally the reasons given for not having used any of these services before. This is shown in the graph below:

REASONS FOR NOT HAVING USED BUSINESS SERVICES IN NELSPRUIT



Source: BMI FOODPACK

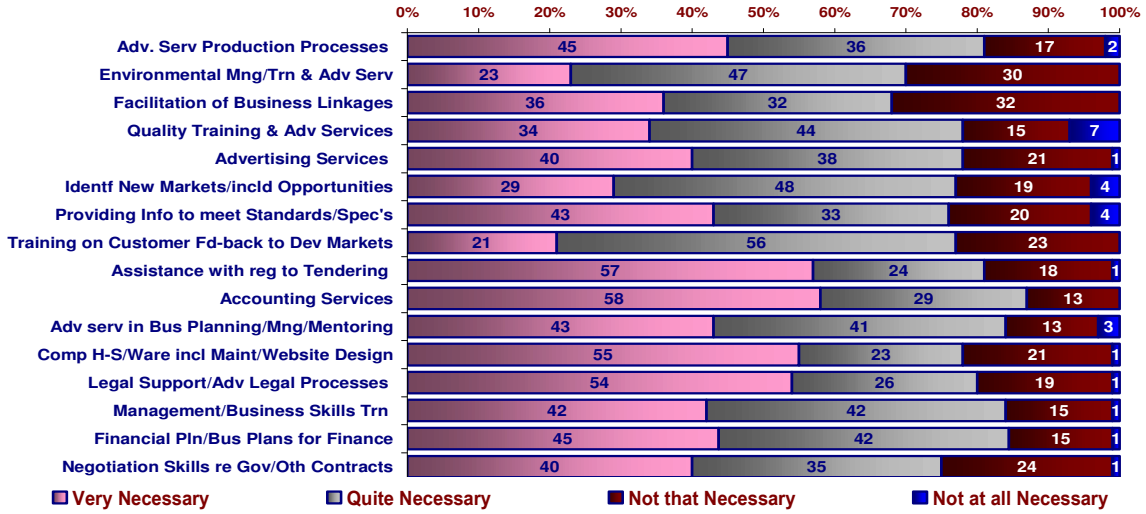
When a service was not used, it was mainly believed – for all services – that it was not relevant to use the service. The fact that there was no knowledge of the particular service also played a role in non-usage of services.

11.3 PERCEIVED EXTENT OF NECESSITY OF SERVICES

Regardless of whether the companies interviewed felt that any service was one that could assist them with growth or to function more effectively, they were asked how necessary, or not, each of the 16 services were.

The result in the graph overleaf reveals that almost all services were believed to be very or quite necessary by the majority of companies interviewed.

PERCEIVED "extent of NECESSITY"
OF BUSINESS DEVELOPMENT SERVICES



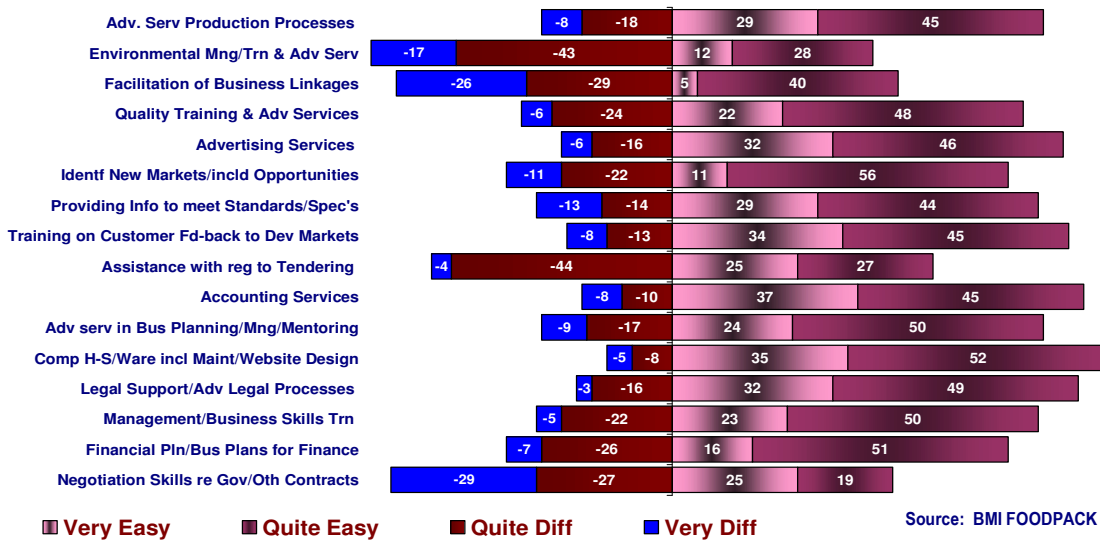
Source: BMI FOODPACK

11.4 EXTENT OF EASE OR DIFFICULTY OF OBTAINING SERVICES

The services that were believed to be more difficult, than others, to obtain were; Environmental Management/Training and Advisory Services, Facilitation of Business Linkages, Assistance with regard to Tendering and Negotiation Skills regarding Government/Other Contracts.

EXTENT OF EASE/ DIFFICULTY OF OBTAINING SERVICE

Rebased t o Companies Consider ing t o use Ser vice

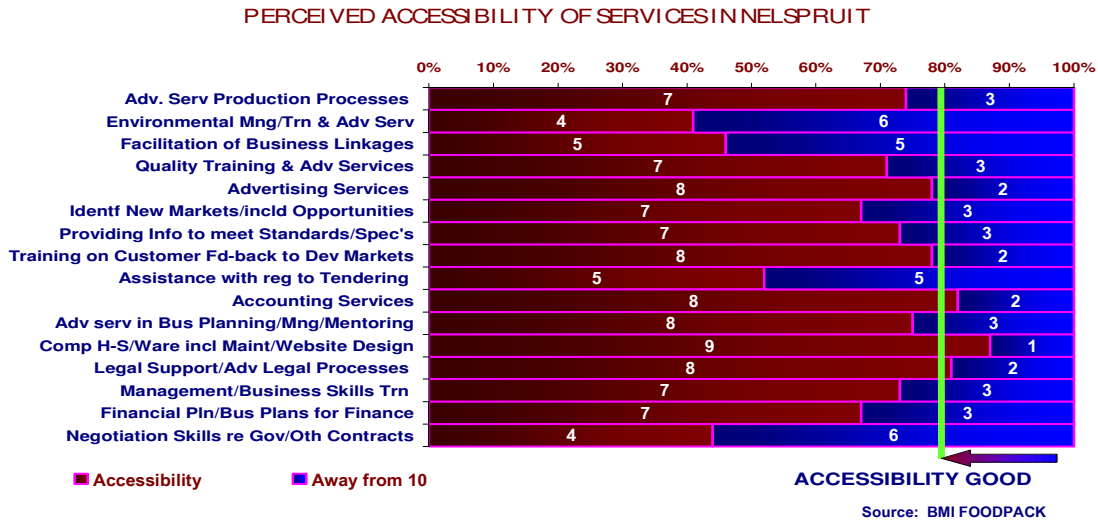


Source: BMI FOODPACK

11.5 PERCEIVED ACCESSIBILITY OF SERVICES

The graph below shows the extent to which the services are perceived to be Accessible in Nelspruit. In terms of accessibility, a service would need 7.8 points out 10 to indicate whether or not the service would be considered easy to access.

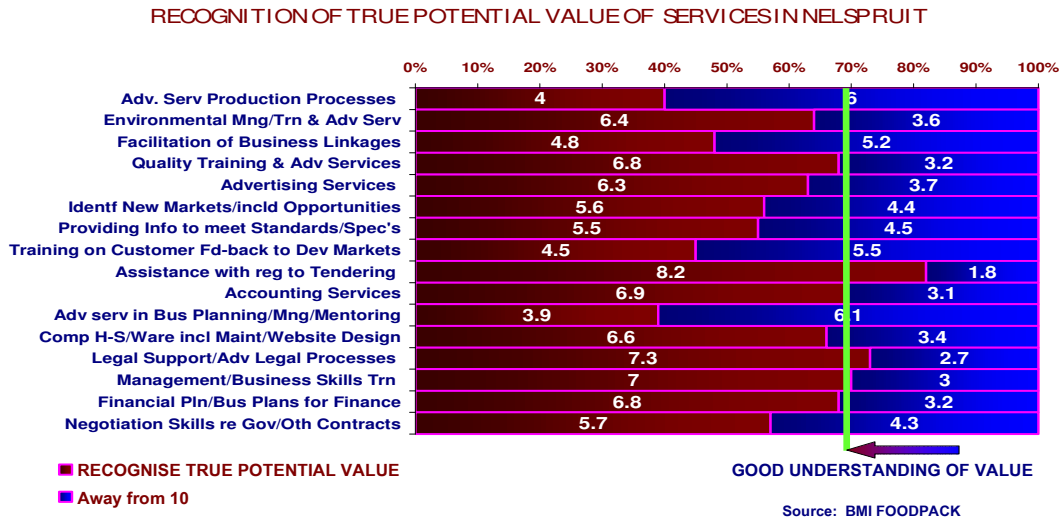
The position of the “good” point on the graph (green line) was determined by obtaining an average of each data-type (e.g. accessibility out of 10) and using the standard deviation and standard error of each service to assist optimal placing on the graph.



Services that do not appear to be at all accessible in terms of ease of access are; Environmental Management/Training and Advisory Services, Facilitation of Business Linkages, Assistance with Regard to Tendering and Negotiation Skills regarding Government/Other Contracts. It can be seen however that almost all services (with the exception of five) - are below the acceptable limit of accessibility.

11.6 RECOGNITION OF TRUE POTENTIAL VALUE OF SERVICES

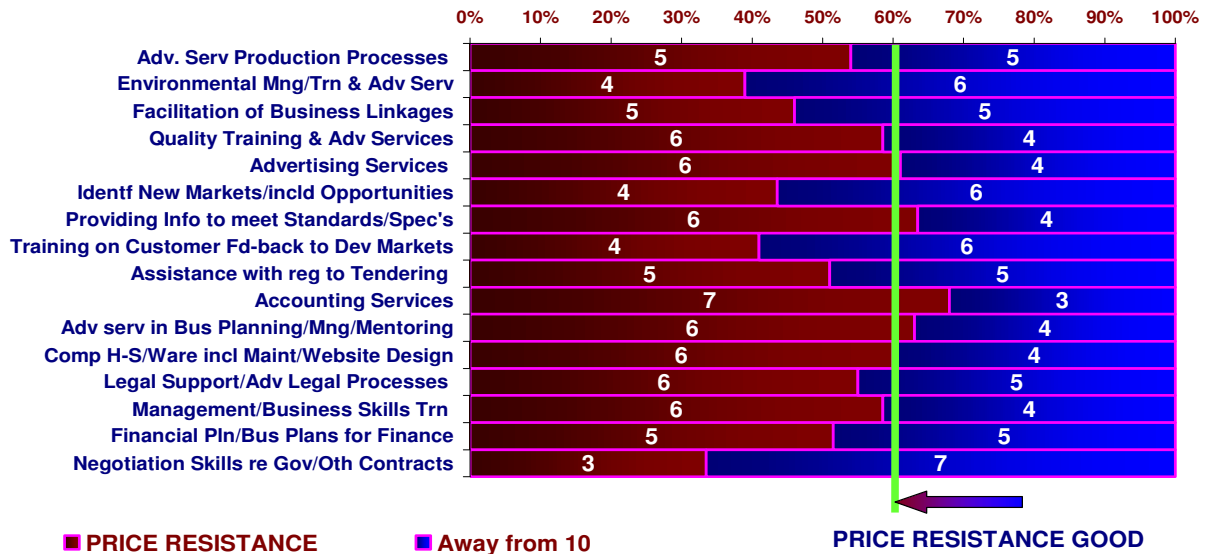
Again, with the use of a 10-point Scale, the graph below shows the extent to which companies in Nelspruit recognize the True Potential Value of the Service (i.e. they might consider the Service to be Necessary but do not fully understand the Value of the Service).



11.7 PRICE RESISTANCE OF MARKET

Again, with the use of a 10-point Scale, the graph below indicates for which services the market is resistant to price. In other words, the findings below reveal for which services – once used – companies would resist a price offer by another supplier.

PRICE RESISTANCE OF MARKET FOR SERVICES ON OFFER IN NELSPRUIT



Source: BMI FOODPACK

It can be seen that companies in Nelspruit would “shop around” for price on the following services (and that loyalty to a current supplier would not be that high)

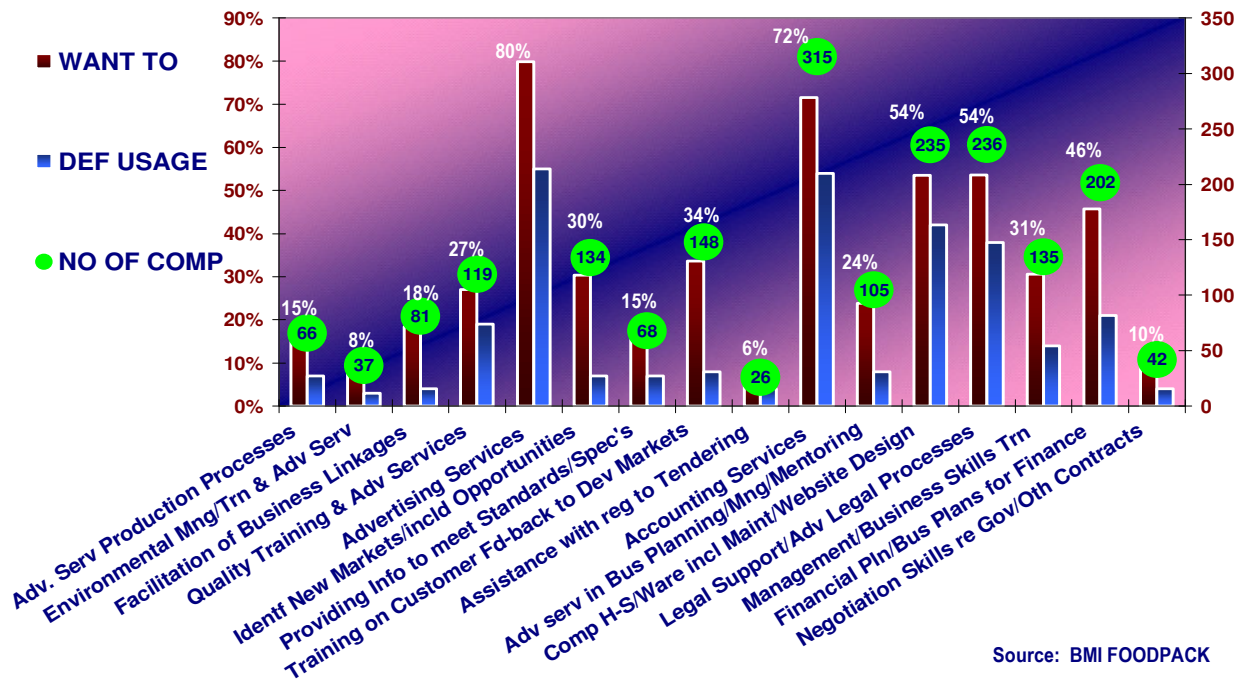
- ***Environmental Management/Training and Advisory Services***
- ***Facilitation of Business Linkages***
- ***Identifying New Markets including New Opportunities***
- ***Training on Using Customer Feedback to Develop New Markets***
- ***Assistance with Regard to Tendering and Negotiation Skills regarding Government/Other Contracts.***

12. FUTURE DEMAND

All findings discussed in this section on the report refer to *future demand potential*.

12.1 SERVICES CONSIDERED FOR FUTURE USAGE

PREDISPOSITION TO USING SERVICE IN THE FUTURE BASED ON DEFINITION PROVIDED



Source: BMI FOODPACK

In the graph above it can be seen that the five services that had the highest past usage incidence still show the highest future usage incidence (Advertising, Accounting, Legal Support, Computer Hardware/software services and Financial Planning).

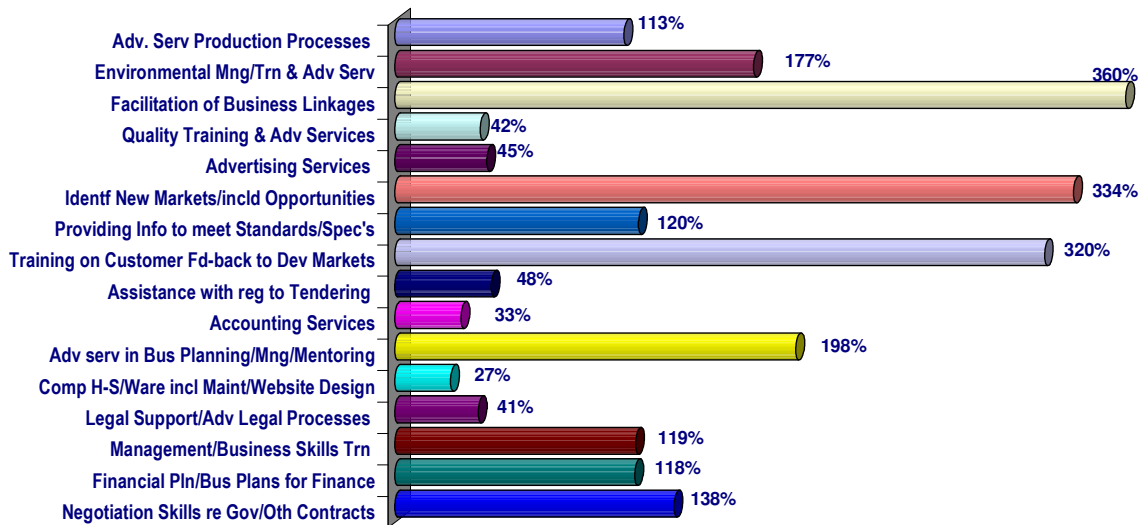
Note, on the other hand, the increase in percentage of the following noteworthy services: -

- **Facilitation of Business Linkages**
- **Identifying new markets including new opportunities**
- **Training on using customer feedback to develop new markets**
- **Advisory services in business planning/management and mentoring**
- **Management and Business Skills Training**

The increase, in percentage terms off the current base of users, is shown in the graph below, merely for interest: -

12.2 PERCENT INCREASE OFF CURRENT BASE OF USERS

% INCREASE ON CURRENT BASE OF USERS OF SERVICES



Source: BMI FOODPACK

12.3 ESTIMATED NUMBER OF TRANSACTIONS OVER THE NEXT TWO YEARS

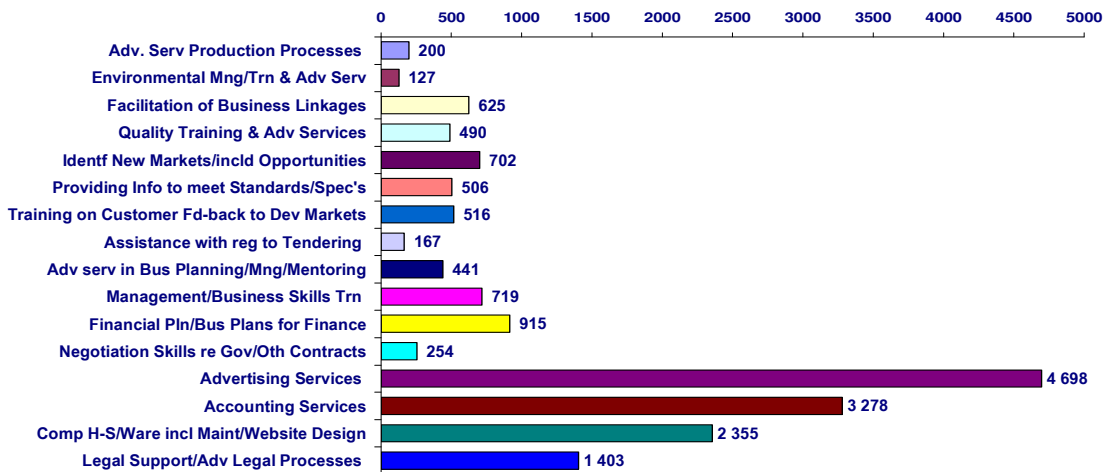
Respondents were provided with definitions of the business services. Based on the definition, they were asked to indicate whether this service would be of any value to them.

Based on the perceived benefit that the service would provide, they were asked to indicate how often they would make use of the service within the next 6 months, next twelve months, next 18 and next 24 months.

Respondents based the frequency of usage on their current lack of skill, or perceived need of the benefit that the service would provide. One of the intentions of this line of questioning, was to determine whether or not companies would be committed to usage of the service over a period of time – or whether they would only access the service once and no longer. In other words, we wanted to **establish commitment** over **a period of time**, rather than **a point in time**.

The number of Transactions over the **next two-year** period from a sample of 440 companies was estimated and shown in the graph below. Over page, the number of transactions for the **next two years** for Nelspruit as a whole have been estimated and shown in the table following the graph.

NUMBER OF TRANSACTIONS OVER A TWO YEAR PERIOD
FROM A SAMPLE OF 440 COMPANIES



Source: BMI FOODPACK

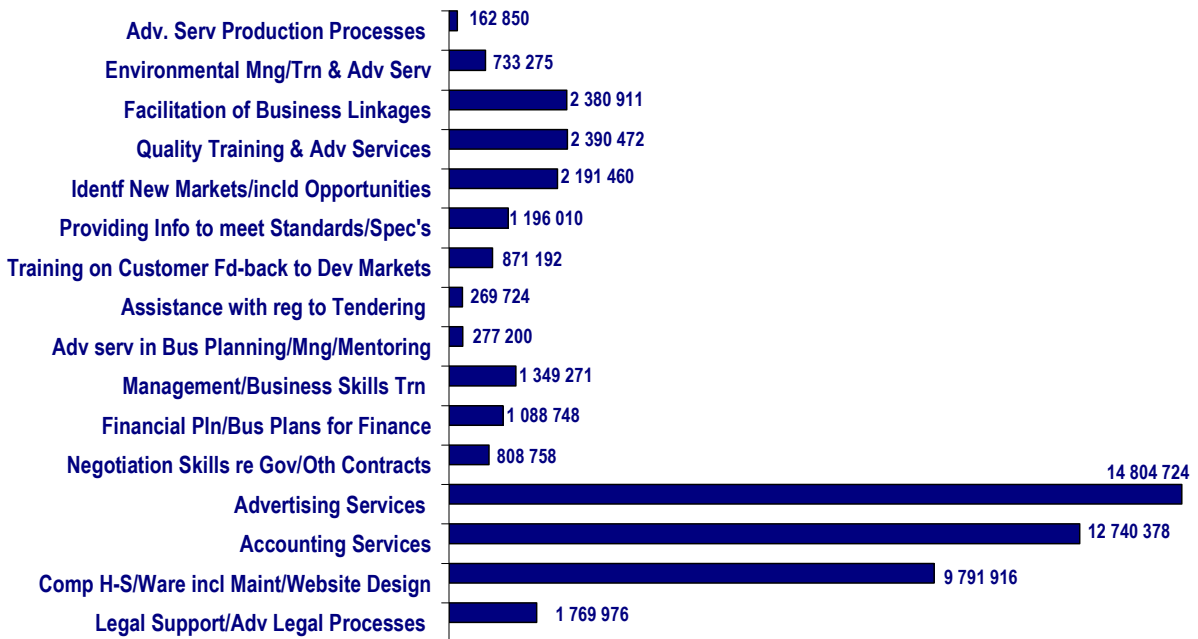
BUSINESS SERVICES	% Future Demand	Estimated Number of Transactions (At Universe Level)
ESTIMATED NUMBER OF TRANSACTIONS OVER NEXT 24 MONTHS BASED ON FUTURE USAGE INTENTIONS		
Adv. Services Production Processes	15%	1 367
Environmental Mng/Training & Adv Services	8%	868
Facilitation of Business Linkages	18%	4 272
Quality Training & Adv Services	27%	3 349
Identifying New Markets/including Opportunities	80%	4 798
Providing Info to meet Standards/Spec's	30%	3 458
Training on Customer Feed-back to Dev Markets	15%	3 527
Assistance with regards to Tendering	34%	1 141
Adv services in Bus Planning/Mng/Mentoring	6%	3 014
Management/Business Skills Training	72%	4 914
Financial Plan/Bus Plans for Finance	24%	6 254
Negotiation Skills re Gov/Other Contracts	54%	1 736
Advertising Services	54%	32 110
Accounting Services	31%	22 405
Comp H-S/Ware including Maintenance/Website Design	46%	16 096
Legal Support/Adv Legal Processes	10%	9 589

12.4 ESTIMATED VALUE OF TRANSACTIONS IN RAND OVER THE NEXT TWO YEARS

Apart from Advertising Services, Computer Hardware and Software Services, Accounting Services and Legal Services - which will still take the lion's share of the value of transactions over the next two years – other services with promising values are Facilitation of Business Linkages, Quality Training and Advisory Services, Identifying New Markets including New Market Opportunities and to a lesser extent Management and Business Skills Training.

The estimated values of these Transactions for Nelspruit in Total have also been estimated and are shown in the graph below: -

ESTIMATED VALUE OF TRANSACTIONS OVER A TWO YEAR PERIOD FROM A SAMPLE OF 440 COMPANIES- (Rm)



Source: BMI FOODPACK

12.5 PERCEIVED WILLINGNESS OF SERVICE PROVIDERS TO WORK WITH SMME'S

A sample of companies who provide these services were interviewed in Nelspruit and were asked how well informed they believed they were with regard to the needs of SMME's. They were also asked to what extent they would be willing to have SMME's as customers.

The results are shown in the table overleaf. It can be seen that there appears to be a definite interest from suppliers to work with SMME's

<i>BUSINESS DEVELOPMENT SERVICES</i>	<i>How Informed Providers are of needs of SMME's</i>	<i>How willing Providers are to have SMME's as customers</i>
Data Type----->	Average Score out of 4 (4 Very Well Informed)	Average Score out of 5 (5 Very Willing)
Advisory Services Production Processes	3.00	4.50
Environmental Management/Training & Adv Services	3.25	4.50
Facilitation of Business Linkages	4.00	5.00
Quality Training & Adv Services	3.00	4.00
Advertising Services	3.50	4.25
Identifying New Markets/including Opportunities	4.00	5.00
Providing Info to meet Standards/Spec's	2.75	4.50
Training on Customer Feed-back to Dev Markets	2.50	4.50
Assistance with regarding to Tendering	4.00	5.00
Accounting Services	4.00	3.50
Adv service in Bus Planning/Management/Mentoring	2.50	5.00
Comp H-S/Ware including Maintenance/Website Design	4.00	5.00
Legal Support/Adv Legal Processes	4.00	3.75
Management/Business Skills Training	4.00	5.00
Financial Planning/Bus Plans for Finance	4.00	5.00
Negotiation Skills re Gov/Other Contracts	4.00	5.00

12.6 CAPACITY OF SUPPLIERS OF THESE SERVICES IN NELSPRUIT

Suppliers interviewed were asked what they believed their main strengths and weaknesses were. They were then asked to rate their company on several aspects that described capacity. A 10-point scale was used as this is a common way of describing how poor or good something is.

The average score for each aspect of capacity was calculated so that the suppliers across all 16 services could be compared. The table below shows the result.

CAPACITY – RESPONSE BY SUPPLIERS TO QUESTIONS											
BUSINESS SERVICES	MAIN STRENGTHS	MAIN WEAKNESS	Necessary Skill	Proper Facilities	Capital or Staff	Training	Ability to Market	Overall	Management	Resource	Management
PRODUCTION PROCESSES	1) Professional Consultants 2) Specialist Retail Experience 3) Knowledge of markets	1) Transport 2) Cost of Transport – Courier	7.5	7.5	5.5	4.5	8.0	6.0	8.0		
ENVIRONMENTAL SERVICES	1) Have good support from Government 2) Becoming policy for companies	1) Don't have "clout" with businesses 2) Expense when converting programs	6.5	6.0	4.5	5.0	9.0	6.0	9.0		
BUSINESS LINKS & IDENTIFYING NEW MARKETS	1) More customers all the time 2) Develop new operations	1) Coping with demand 2) Getting long-term commitment	5.0	7.0	3.0	4.0	8.0	5.0	8.0		
QUALITY TRAINING AND ADVISORY	1) Lots of experience 2) Grow our knowledge all the time	1) Trying to change current thinking is difficult	7.0	6.0	4.0	6.0	7.0	5.0	7.0		
ADVERTISING SERVICES	1) Printing capacity 2) Lots of demand 3) Good marketing	1) Far from JHB 2) Courier expensive	6.0	6.0	3.5	8.0	8.0	7.5	7.5		
STANDARDS AND SPECIFICATIONS	1) Expertise in design 2) Keep informed of changes 3) Keep informed of new requirement	1) Super-vision 2) Lack of skills 3) Poor commitment	4.0	5.0	6.5	5.5	8.0	6.5	8.0		
CUSTOMER FEEDBACK	1) Good client service 2) Good management	1) To get people to see value of service 2) Expectations of price is it is "cheap"	8.0	8.0	7.0	6.5	9.0	6.5	8.0		
TENDERING SERVICES	1) Do market research 2) Know of all developments	1) Capacity 2) High operational costs 3) Long time to see returns	8.0	5.5	5.0	7.0	8.0	5.5	8.0		
ACCOUNTING SERVICES	1) Trained staff 2) Offer business Advisory service 3) Knowledge of markets	1) Lots of competition	9.0	9.0	6.0	8.0	8.0	8.0	10		

CAPACITY – RESPONSE BY SUPPLIERS TO QUESTIONS											
BUSINESS SERVICES	MAIN STRENGTHS	MAIN WEAKNESS	Necessary Skill	Proper Facilities	Capital for start-up	Training	Ability to Market	Overall Management	Enough finance	Resource financial	Management
BUSINESS PLANNING	1) Good managers 2) On-going training	1) Short term deadlines 2) Pressurised 3) Short staffed	8.0	6.0	4.5	6.0	8.0	4.0	8.0		
COMPUTER H-S/WARE	1) Well qualified technicians 2) Technical Report 3) Knowledge of Internet	1) Training customers 2) Not enough sales	8.0	7.0	5.0	5.0	7.0	6.0	8.0		
LEGAL SUPPORT SERVICES	1) Good reputation 2) Good Attorneys 3) Attract good people	1) Opposition strong 2) Some expenses very high	9.0	9.0	8.0	8.0	8.0	8.0	8.0		
MANAGEMENT & BUSINESS SKILLS	1) Good service 2) Know market 3) Quality managers	1) Not enough staff 2) Penalties	6.0	6.0	7.0	7.0	8.0	5.0	7.0		
FINANCIAL PLANNING	1) Quality of customer service 2) Repeat business 3) Mobile sales force	1) Clients have had bad past experience 2) Dishonesty with clients 3) Pressure	5.0	7.0	4.5	8.0	8.0	7.0	9.0		
NEGOTIATION SKILLS	1) Staff commitment 2) Customers come back 3) Need only one experience with a customer = loyalty	1) Not enough funding 2) Skills	6.0	6.0	3.5	5.0	8.0	3.5	7.0		

Three main themes became evident from this line of questioning: -

- **Most suppliers felt that their capacity to train staff was poor**
- **Very few suppliers rated their necessary skills as good**
- **Very few suppliers, also, mentioned that they had the necessary funding to grow**

12.7 EXPECTATIONS WITH REGARD TO DELIVERABLES OF SERVICES

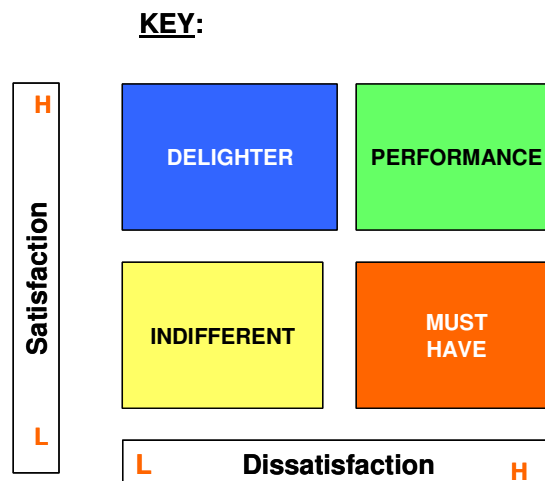
For practical purposes this section of the summary only deals with the following six services. Data for all the other services is available at GTZ's BDS/LED Programme offices.

- **Facilitation of Business Linkages**
- **Accounting**
- **Identifying New Markets including Opportunities**
- **Financial Planning/Business Plans for Finance**
- **Advisory Services in Business Planning/Management and Mentoring**
- **Management and Business Skills Training**

The results of the Performance Quality Model are shown below for the six services.

QUALITY PERFORMANCE - EXPLANATION

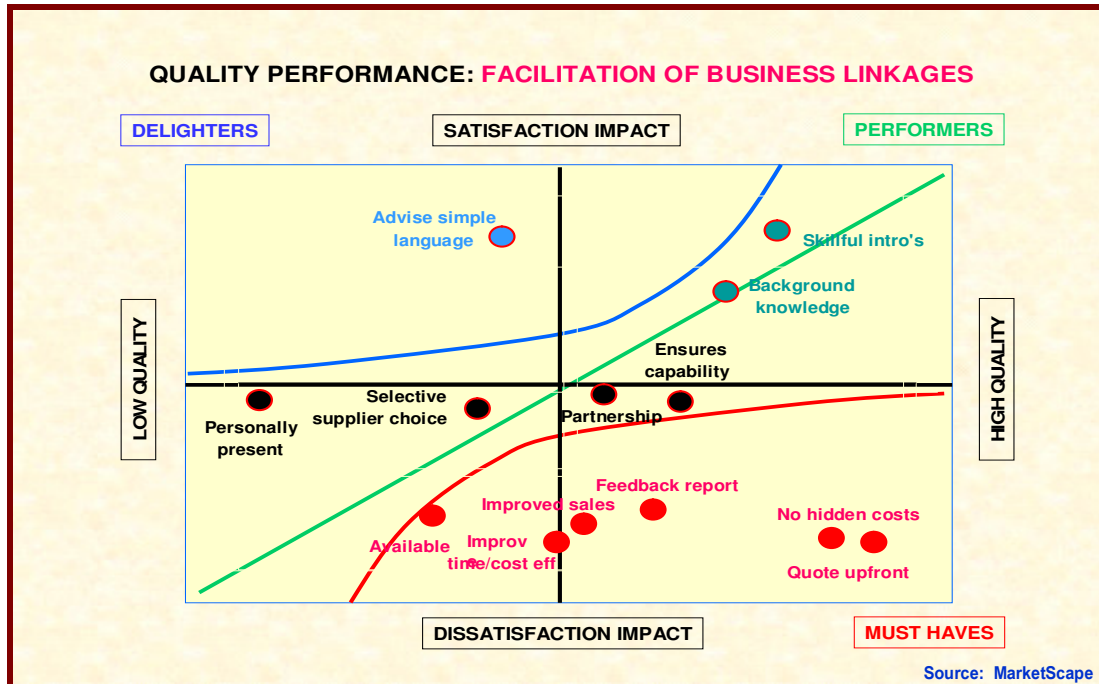
The quality performance is based on the Kano Model, with slight adaptations. This mapping technique simply makes apparent what attribute/service features should be present to make it attractive for the customer. The following can be used as a guide to understanding the Performance Quality Map: -



The key to understanding the Performance quality grid is the following: -

- ***A must have is an attribute that leads to dissatisfaction if not present but does not affect satisfaction***
- ***An indifferent attribute does not lead to satisfaction or dissatisfaction***
- ***A performance attribute is an attribute that services providers are judged on (i.e. if one service provider has it, and the other does not then the one that has will better be able to satisfy the customer)***
- ***A delighter attribute is a service aspect that leads to satisfaction if present, but does not influence dissatisfaction***

12.7.1 Facilitation of Business Linkages



The following is an explanation of the above chart and will assist the reader to understand the charts that follow:

The following attributes were rated by respondents as those attributes that would lead to **dissatisfaction** if a Service Provider did not offer them or did not conduct themselves satisfactorily if they were offered. These attributes would not delight users, but would at the very least need to be present. In other words, they are considered by the market to be “givens”, and they are expected as part of the overall service provision: -

Givens/Must Haves

- *No hidden costs (all costs must be discussed and known up-front)*
- *Continuous feedback reports on progress (i.e. users need to be informed regularly with regard to progress without them having to do follow-up with the service provider)*
- *Improved sales (when a company pays for facilitation of business linkages they expect to see an increase in their sales)*
- *Quote upfront (when a company pays for facilitation of business linkages – the quote upfront is necessary and no extra costs must come in later)*
- *When a company pays for facilitation of business linkages they expect the service provider to be available when necessary during the duration of the service provision.*
- *When a company pays for facilitation of business linkages they expect that a benefit would be improved cost and time efficiency in their procedures who how they do things*

Performers/Judging Criteria

A performer attribute is an important attribute is one that leads to dissatisfaction if not present (or done well) and leads to satisfaction if present or done well. That is, all service providers are judged on how well or poorly these attributes are met. They affect the reputation of the Service Provider and also act as differentiators.

For Facilitation of Business Linkages, the performers are: -

- *The service providers must be able to handle skillful introductions. They must know that there is synergy between the company paying for facilitation of business linkages and the company with whom the link is made.*

- The companies paying for facilitation of business linkages need the Service Provider to have a thorough background of the company and the industry in which the company operates.

INDIFFERENT ATTRIBUTES

An indifferent attribute is one that leads neither to satisfaction nor dissatisfaction if not present or not done or performed well. In other words, it makes not impact either way.

For facilitation of business linkages, companies are indifferent to the following:-

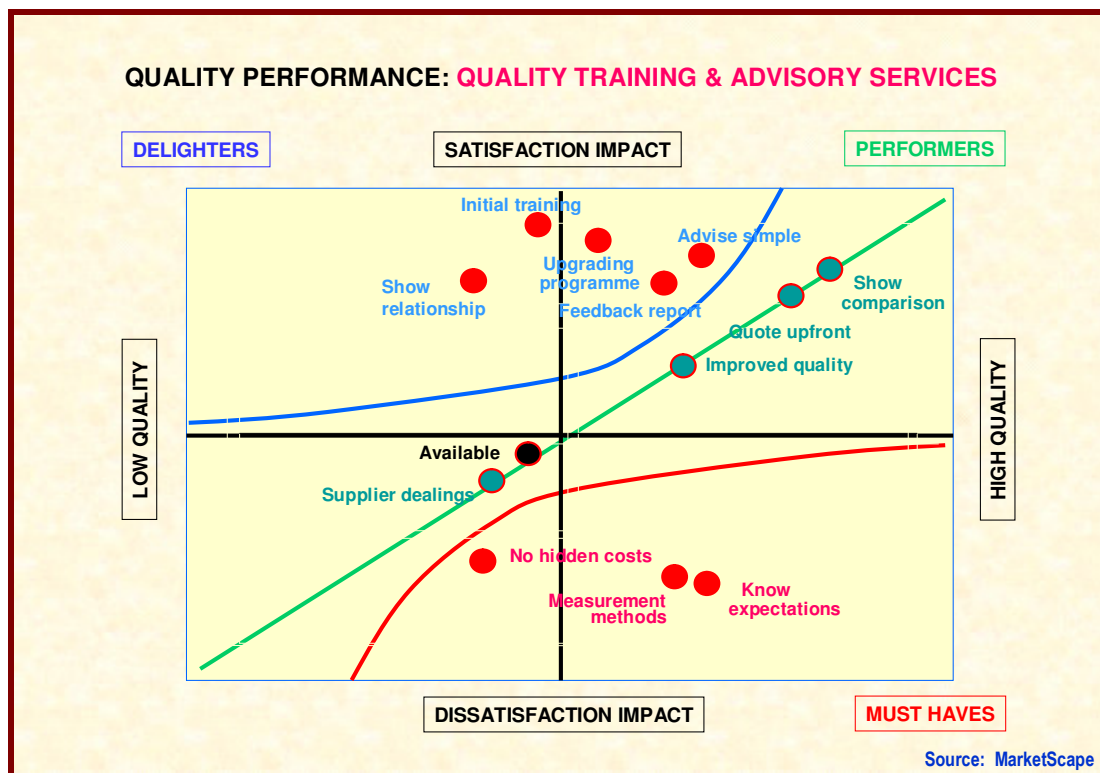
- The service provider being personally present in all linkage dealings.
- The service provider first ensuring that the company has the capability of handling the "link" opportunities.
- An on-going partnership with the company once the link has been made.
- Being too selective in choosing links.

A DELIGHTER.

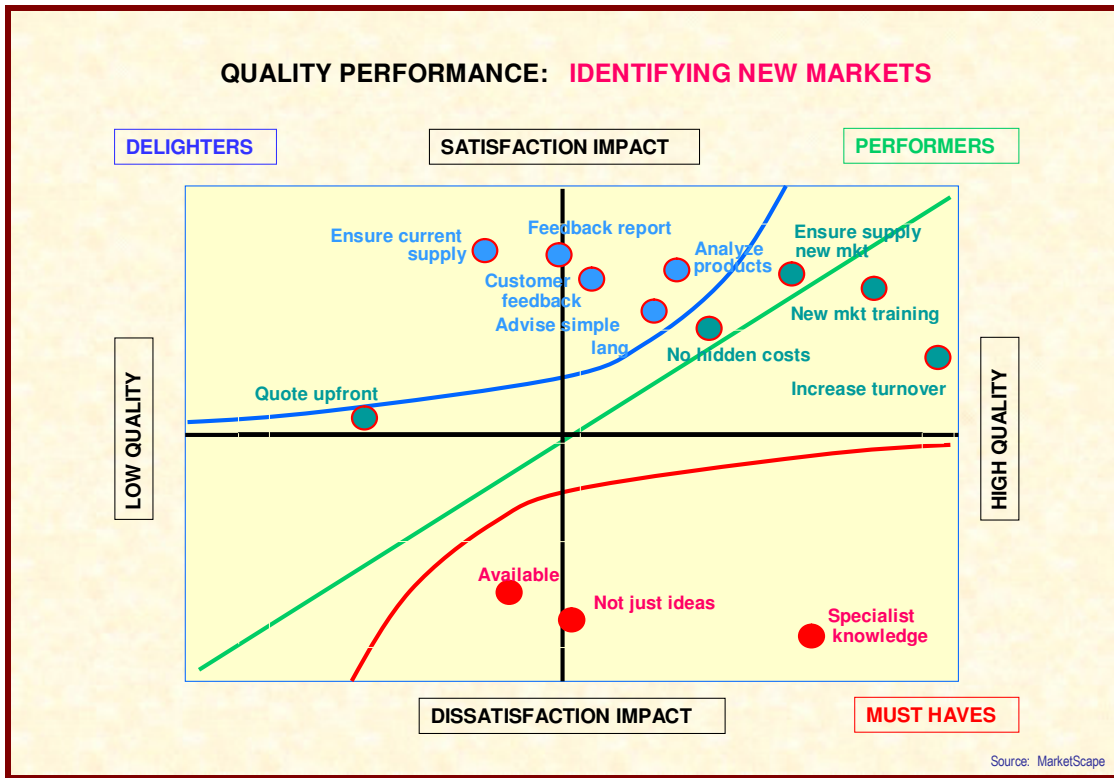
A delighter is the opposite of a given or must have. A must have leads to dissatisfaction if not present or done well – but does not influence satisfaction. A delighter leads to satisfaction if present or done well, but does not lead to dissatisfaction if not present or not done well.

For facilitation of business linkages; if a service provider advised their clients in simple language it would result in client satisfaction, but if not possible to do so, then a client would not be dissatisfied with the service.

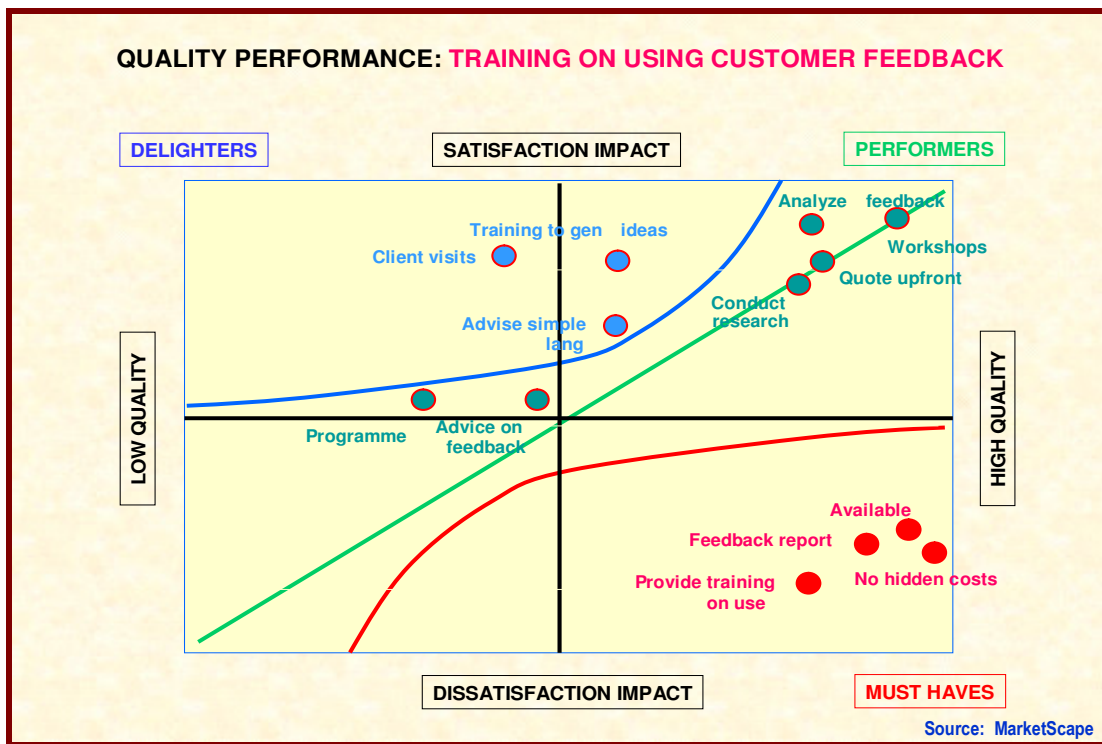
12.7.2 Quality Training and Advisory Services



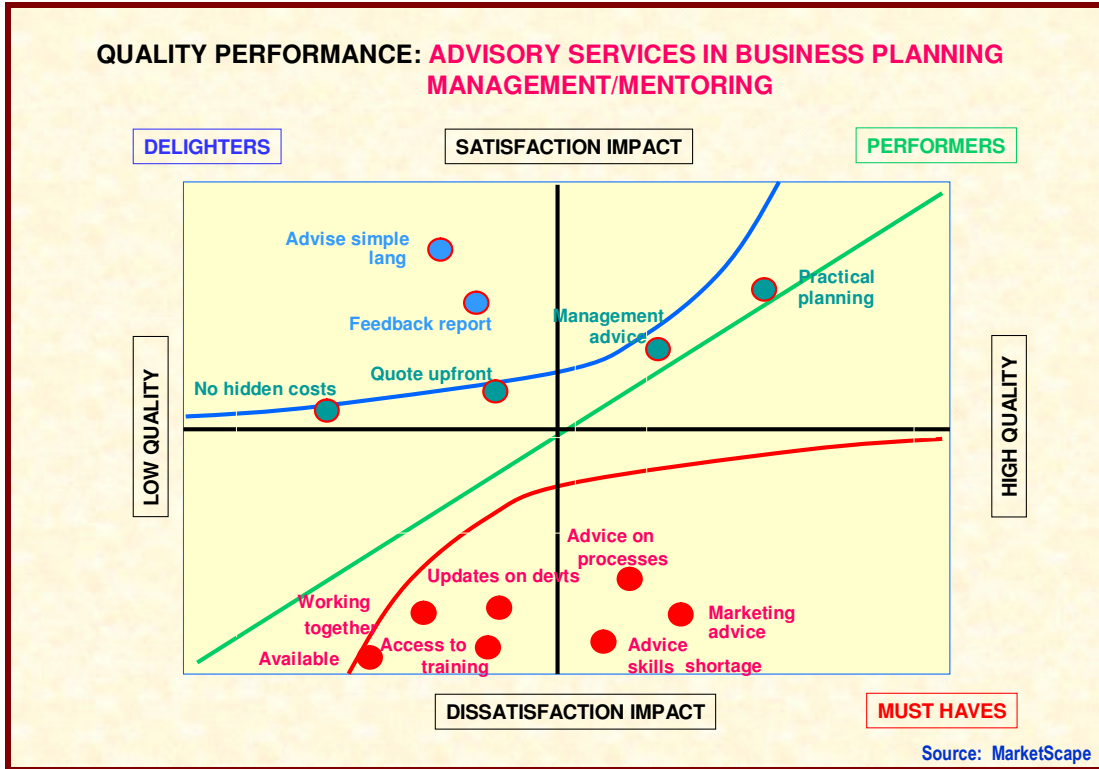
12.7.3 Identifying New Markets



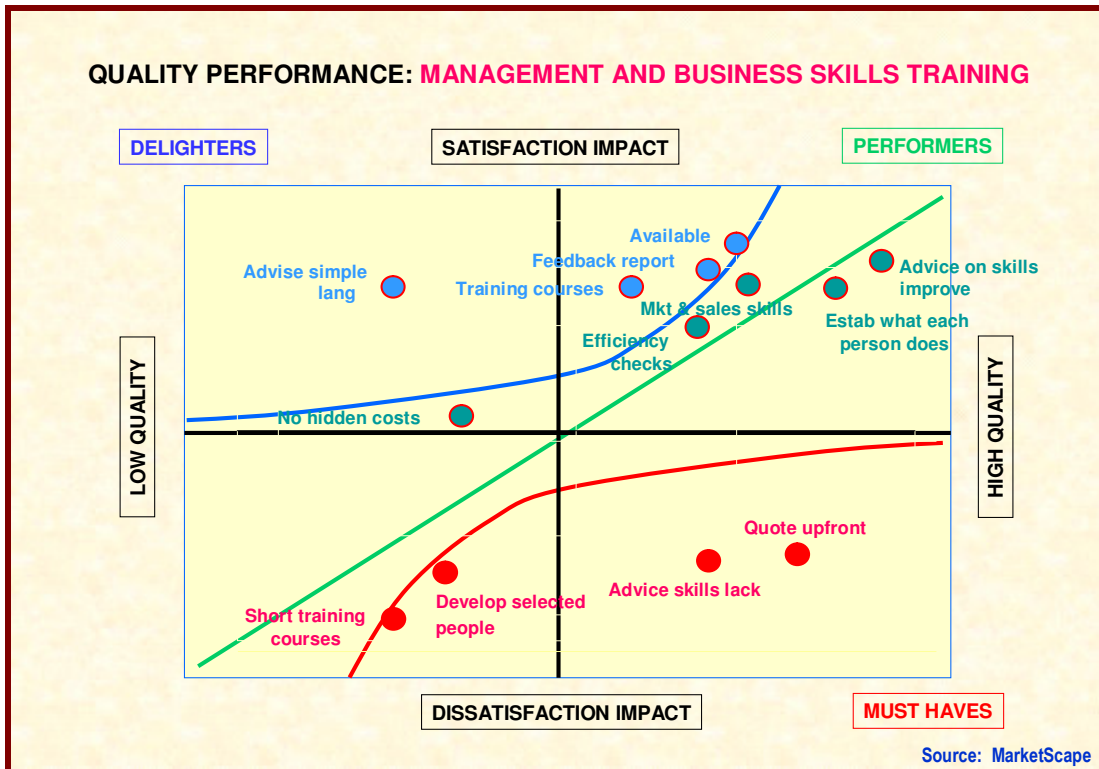
12.7.4 Training On Using Customer Feedback



12.7.5 Advisory Services in Business Planning/Management



12.7.6 Management and Business Skills Training



13. PERCEIVED BENEFITS AND CONSEQUENCES OF SERVICES

13.1 IMMEDIATE PERCEIVED BENEFITS OF SERVICES

The benefits were compiled on the basis that they were common to most of the services, so that the services could be compared in terms of benefit results. The technique employed ensured that all business services could be compared on common ground by calculating a benefit ratio against the total market average in Nelspruit; being equal to 1.0.

The row in **yellow shading with red font** in the table below reveals the relative benefit weight in terms of importance to companies. During the Qualitative Phase, respondents were asked what benefits they would expect if they used a particular service. These became the Benefit Ratio Indexes in the Market Assessment Phase. Each of these benefits were analysed to calculate the overall benefit attribute contribution to 100. For example, (in the table below) it can be seen that "Improved Quality" contributed – at the total level – 12% towards an overall 100%.

The attributes (benefits) for each service were statistically manipulated to determine the probability of that service (e.g. Advisory Services in Production Processes fulfilling the overall need (100). The table shows that Product Research and Development only fulfilled it to a probability of 0.75. With the benefit ratio we are interested in delivery close to 1.00, or those exceeding 1.00. Here it can be seen that it is important for companies to experience the following benefits from any business service.

- **Productivity of the company being improved (9 index)**
- **An improvement in customer/potential customer relationships (13 index)**
- **The business running more smoothly and efficiently (9 index)**
- **Good quality of product or service delivery (14 index)**
- **High standards in every area of business (9 index)**

BENEFITS	Productivity	Skills / resource waste	Customer relations	Professional dealings	Latest techniques	Correct practices	Efficiency	Insight	Staff satisfied	Runs smoothly	Quality	EV area of business	BENEFIT RATIO
Attribute weight	9	5	13	6	8	6	7	7	7	9	14	9	
ADVISORY	67	7	4	2	11	5	7	7	7	8	11	13	0.75
ENVIRONMENT	10	46	4	6	7	3	9	5	5	10	6	3	0.81
BUS LINKS	10	5	38	15	4	7	6	11	6	6	3	6	0.49
QUAL TRAINING	11	11	13	22	12	11	10	9	10	5	19	9	0.84
ADVERTISING	10	11	31	26	10	5	15	4	7	12	9	5	1.08
NEW MARKETS	10	7	30	18	13	8	5	4	6	9	8	6	1.17
INFO ON STDS	10	13	8	15	5	29	9	3	7	10	12	16	0.77
CUSTOMER FEEDBACK	12	8	36	8	8	10	6	11	8	9	11	5	0.80
TENDERING	4	5	11	13	9	31	9	8	11	10	7	9	0.80
ACCOUNT SERVICES	10	9	14	11	11	28	14	19	10	21	14	7	1.19
BUSPLAN MENTORING	9	14	8	13	17	12	9	11	18	31	10	7	1.32
COMPUTER	8	9	7	11	16	7	25	17	13	19	9	12	1.21
LEGAL	1	4	7	5	8	52	8	15	6	15	7	13	0.95
MGT SKILLS TRAINING	15	14	9	8	11	9	18	17	22	35	16	26	1.27
FINANCIAL PLANNING	8	4	5	8	8	10	3	32	7	38	10	18	1.80
NEGOTIATION	3	3	6	19	4	30	7	3	7	9	9	8	0.74

1 = AVERAGE

We are particularly interested in which services deliver a higher than market average in total on the benefit result in total. These were: -

- ***Identifying New Markets Including Opportunities***
- ***Assistance with Regard to Tendering***
- ***Advisory Services in Business Planning/Management and Mentoring***
- ***Computer Hardware and Software Services***
- ***Management and Business Skills Training***
- ***Financial Planning/Business Plans for Finance***

13.2 PERCEIVED CONSEQUENCES OF USING SERVICES

In the table below it can be seen that the following consequences emerged with higher index scores and that the use of any service would have to produce these results, relatively, more so than other benefit impacts:

- ***An increase in turnover (12 index)***
- ***Increase in profits/business running profitably (11 index)***
- ***Good reputation in the market place (11 index)***
- ***Customers of the company (obtaining the service) knowing that they are important to the company (9 index)***

The business services that emerged as services that would produce higher than market average benefit impact were: -

- **Identifying New Markets including Opportunities**
- **Accounting Services**
- **Advisory Services in Business Planning/Management and Mentoring**
- **Management and Business Skills Training**
- **Financial Planning/Business Plans for Finance.**

END RESULTS	Conf that detrim mist are avded	Increase turnover	Increase profits / business profitability	Have pride in business	Loyal customer who refers	Good reputation	Off latest / best to customer	Have a competitive edge	No nasty surprises re client/leg/inst action	Employ/hire more people/keep and develop staff	Professional image	Customers know they are important to us	Growth of business every year	END RESULT RATIO
Attribute weight	8	12	11	6	9	11	8	5	4	4	6	9	7	
ADVISORY	58	8	8	2	3	10	9	6	8	7	8	10	6	0.6
ENVIRONMENT	14	29	25	5	5	5	9	6	3	6	3	1	4	0.9
BUS LINKS	7	25	29	5	3	9	3	7	6	7	8	6	5	1.0
QUAL TRAINING	15	9	14	23	11	18	14	9	6	6	11	5	4	0.8
ADVERTISING	5	39	21	7	13	18	9	10	5	5	10	13	8	1.0
NEW MARKETS	4	26	21	5	10	13	6	15	6	4	4	6	9	1.3
INFO ON STDS	31	5	6	11	7	10	12	10	19	3	9	7	3	0.6
CUSTOMER FEEDBACK	5	16	10	5	22	24	13	9	10	7	9	16	8	0.8
TENDERING	24	4	11	8	7	14	11	10	17	6	5	8	9	0.8
ACCOUNT SERVICES	29	19	21	11	13	9	9	15	19	6	10	11	18	1.2
BUSPLAN MENTORING	9	10	15	21	14	7	6	12	8	8	11	7	14	1.2
COMPUTER	13	3	12	8	6	8	19	21	13	8	23	9	7	0.9
LEGAL	19	8	5	10	10	10	10	8	45	12	7	3	6	1.0
MGT SKILLS TRAINING	20	20	19	11	12	12	14	13	13	17	34	24	32	1.4
FINANCIAL PLANNING	9	9	25	10	5	11	5	6	7	11	12	9	34	1.8
NEGOTIATION	27	3	9	6	6	8	9	8	24	8	9	9	8	0.8

1 = AVERAGE

14. CONCLUSION AND THE WAY FORWARD

The purpose of this market assessment was to look jointly with South African SMME support institutions at options for interventions to promote the development of some specific BDS markets to demonstrate the validity of the concept as a pilot in South Africa.

The Market Assessment is followed by a phase where the data is mined and service profiles are created that basically contain the most essential information regarding the current and desired state of each service, the characteristics of the market and some possible options for intervention.

14.1 OPTIONS FOR INTERVENTION

Following the first analysis of the market assessment data it becomes apparent that there are three kinds of interventions that require different intensities of involvement from the programme and its partners:

14.1.1 Interventions around Awareness Building and Information Sharing

Many of the gaps between supply and demand of the services assessed can be “narrowed” by stimulating the interaction between small companies and their service providers. Ultimately service providers need be more aware of the demands and specific requirements of various service consumer groups, and adapt or differentiate their service offerings accordingly. From the service consumer viewpoint, it would be ideal if they became more aware of the options and characteristics of various service offerings and put pressure on service providers to comply with their demands.

Thus, one of the first options would be to try and raise awareness around unmet demand and opportunities by sharing the information with relevant partners and service providers. This can be done by packaging the MA data into service profiles and “storylines”¹ which can be distributed to service providers (or their associations) who can then adapt or better differentiate their product offerings to small companies. Various kinds of “service profiles” and “data packs” can be created that contain information relevant to certain kinds of service providers. Membership organizations, local media and other development partners can play an important role in the adaptation, propagation and publishing of the various formats. Seminars or networking events can be used to raise not only awareness of the MA and the relevant results, but stimulate action of service providers and their potential customers.

Many publicly funded development organizations can play a critical role in the awareness raising and consumer education activities, alongside sector or membership organizations putting pressure on service providers to better present their service offerings.

14.1.2 Facilitated Interventions

In certain cases distributing and dissemination of information will not be enough, and it will be required that we engage in one-to-one or preferably one-to-many discussions with potentially interested service providers and provide assistance to product change processes and their marketing. These kinds of interventions will often revolve around making changes (improvements) to existing services or offerings, or to develop new or differentiated services for specific target markets, and GTZ and its partners will primarily play the role of a BDS facilitator².

¹ A “Service Profile” or “Storyline” takes the most important data relevant to a service from the Market Assessment, and presents an interpretation of information to specific target groups in an understandable format. Further analysis and interpretation may be required once the intervention is planned.

² *BDS Facilitator* is an international or local institution, which has as its primary aim to promote the development of local, BDS markets. This may include a range of services to BDS providers (e.g. development of new service products, promoting good practice and building provider capacity) and to BDS consumers (e.g. information, education about the potential for BDS purchase). A BDS facilitator may also perform other important functions, including the external evaluation of the impact of BDS providers, and advocacy for a better policy environment for the local BDS market.

14.1.3 Completely New Service Design and Creation

In the event where the Market Assessment shows demand for a specific service that is currently unmet due to no or extremely weak supply, it might be necessary to establish the provision of this service, if the benefits to the small companies outweigh the costs of the development of this new service supply. This could involve that new services must be conceptualized, or existing service providers from other areas must be attracted to meet this specific demand. This kind of intervention would often require expertise in the specific field of the service or the target group, and could even require additional research in order to establish the feasibility of the intervention, etc.

15. DECIDING ON THE INTENSITY OF INVOLVEMENT

Each of these categories of interventions can be done in varying intensities (from light touch to intense involvement). Where possible GTZ BDS will always prefer interventions where our involvement will be "lighter", aimed at building local capacity and resilience of existing local partners and interested organizations. In some cases it may be deemed appropriate that the more resource intensive approach of designing or introducing completely new services are followed, but this will only be considered where the impact of this kind of intervention will be catalytic in the unlocking of service bottle necks in the local economy.

16. WHAT FOLLOWS THESE INTERVENTIONS

Where possible, service products will be captured as "generic products" that can be used as a foundation for the design of similar services in other areas. This will increase the knock-on effect of the interventions and will ensure that other organizations that adopt this process can also benefit from the learning.

17. GTZ's BDS/LED PROGRAMME IN SOUTH AFRICA

At present (June 2004), the BDS/LED Programme of GTZ will pilot two interventions that in the case of Nelspruit refer mainly to awareness raising and information sharing and in the case of the Eastern Cape covers all options from awareness raising to service design and creation.

The partner institution in Nelspruit will be the Local Chamber of Business and Tourism, who will contribute important local knowledge relating to their members that include both small business and service providers. The chamber's role will be that of a network manager, that will link service providers and their customers, and provide opportunities for interaction between them. The assumption is that service providers will adapt their products to the demands of their customers. GTZ's role will be to provide technical advice and expertise at the network meetings, and to assist the chamber to become an efficient network manager and provider of information regarding BDS services.

In the Eastern Cape, GTZ partnered with the Eastern Cape Manufacturing and Advisory Centre (ECMAC). ECMAC manages the Manufacturing Advisory Centre Programme in the Eastern Cape. ECMAC started off as direct service provider to SMMEs in the manufacturing sector, and gradually evolved towards a more facilitating and networking role. ECMAC has decided to launch a new centre in East London that will focus exclusively on the provision of BDS market development functions, and GTZ will assist the ECMAC Programme with this pilot. Although this centre will provide information and awareness building around BDS, it will also actively engage with service providers as a facilitator to develop their products offerings to SME's.

The end objective would be to disseminate the learning from the pilot to other ECMAC centres and eventually to the whole MAC Programme in South Africa.

18. TECHNICAL NOTE

The project was completed over approximately 12 months, and now that it is complete, the opinion is that the Design Phase and the Qualitative Phase could have been conducted concurrently, rather than separately. This would have saved a considerable amount of time, and to a lesser extent, costs.

In hindsight, while it is possible to cover 16 services at a time, it would shorten the research period considerably, if the number of services covered would be reduced.

We recommend to look at no more than six services at a time. In addition, if research focuses on specific sectors of the economy, again, time and resources can be saved.

19. SOUTH AFRICAN NATIONAL SMALL BUSINESS ACT

The definitions of small business according to industry sector given in the table below, are based on the National Small Business Act No. 102. 27 November 1996.

SECTOR OR SUBSECTORS IN ACCORDANCE WITH THE STANDARD INDUSTRIAL CLASSIFICATION	SIZE OR CLASS	TOTAL FULL-TIME EQUIVALENT OF PAID EMPLOYEES LESS THAN	TOTAL ANNUAL TURNOVER LESS THAN	TOTAL GROSS ASSET VALUE (FIXED PROPERTY EXCLUDED) LESS THAN
Agriculture	Medium	100	R 4.00 m	R 4.00 m
	Small	50	R 2.00 m	R 2.00 m
	Very small	10	R 0.40 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Mining and Quarrying	Medium	200	R30.00 m	R18.00 m
	Small	50	R 7.50 m	R 4.50 m
	Very small	20	R 3.00 m	R 1.80 m
	Micro	5	R 0.15 m	R 0.10 m
Manufacturing	Medium	200	R40.00 m	R15.00 m
	Small	50	R10.00 m	R 3.75 m
	Very small	20	R 4.00 m	R 1.50 m
	Micro	5	R 0.15 m	R 0.10 m
Electricity, Gas and Water	Medium	200	R40.00 m	R15.00 m
	Small	50	R10.00 m	R 3.75 m
	Very small	20	R 4.00 m	R 1.50 m
	Micro	5	R 0.15 m	R 0.10 m
Construction	Medium	200	R20.00 m	R 4.00 m
	Small	50	R 5.00 m	R 1.00 m
	Very small	20	R 2.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Retail and Motor Trade and Repair Services	Medium	100	R30.00 m	R 5.00 m
	Small	50	R15.00 m	R 2.50 m
	Very small	10	R 3.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Wholesale Trade	Medium	100	R50.00 m	R 8.00 m
	Small	50	R25.00 m	R 4.00 m
	Very small	10	R 5.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Commercial Agents and Allied Services	Medium	100	R50.00 m	R 8.00 m
	Small	50	R25.00 m	R 4.00 m
	Very small	10	R 5.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m

Table continues overleaf

SECTOR OR SUBSECTORS IN ACCORDANCE WITH THE STANDARD INDUSTRIAL CLASSIFICATION	SIZE OR CLASS	TOTAL FULL-TIME EQUIVALENT OF PAID EMPLOYEES LESS THAN	TOTAL ANNUAL TURNOVER LESS THAN	TOTAL GROSS ASSET VALUE (FIXED PROPERTY EXCLUDED) LESS THAN
Catering	Medium	100	R10.00 m	R 2.00 m
	Small	50	R 5.00 m	R 1.00 m
	Very small	10	R 1.00 m	R 0.20 m
	Micro	5	R 0.15 m	R 0.10 m
Transport	Medium	100	R20.00 m	R 5.00 m
	Small	50	R10.00 m	R 2.50 m
	Very small	10	R 2.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Storage	Medium	100	R20.00 m	R 5.00 m
	Small	50	R10.00 m	R 2.50 m
	Very small	10	R 2.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Communications	Medium	100	R20.00 m	R 5.00 m
	Small	50	R10.00 m	R 2.50 m
	Very small	10	R 2.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Finance	Medium	100	R20.00 m	R 4.00 m
	Small	50	R10.00 m	R 2.00 m
	Very small	10	R 2.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Business Services	Medium	100	R20.00 m	R 4.00 m
	Small	50	R10.00 m	R 2.00 m
	Very small	10	R 2.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Community	Medium	100	R10.00 m	R 5.00 m
	Small	50	R 5.00 m	R 2.50 m
	Very small	10	R 1.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Social and Personal Services	Medium	100	R10.00 m	R 5.00 m
	Small	50	R 5.00 m	R 2.50 m
	Very small	10	R 1.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m