

Expanding the BDS Market Development paradigm: Should we be developing BDS markets, or creating markets for poor customers that generate millions of new micro-enterprises?

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The BDS market development paradigm advocates facilitating the provision of a range of services to existing MSMEs that operate in existing markets. But these markets rarely serve the needs of the forgotten majority in developing countries, the hundreds of millions of poor people who are bypassed by existing markets. The fact is that there are huge chasms in existing markets for private sector products and services that serve poor people as customers. Providing services only to existing microenterprises serves to perpetuate this gap. But it also misses a remarkable opportunity to create hundreds of thousands of new microenterprises that could spring into being to produce, distribute, market and install the key multiple impact products capable of creating new markets for poor customers. These new enterprises, in turn, require the provision of business development services.

The creation of new markets that serve poor customers

- creates microenterprises to produce, distribute, market and install products the new product
- increases the income and productivity of the poor people who buy the products, who themselves usually operate as microentrepreneurs.
- Leverages donors funds by stimulating both new MSME opportunities and increased productivity of poor customers

Expanding the BDS Market Development Paradigm

The creation of new markets that serve the needs of poor customers expands, rather than contradicts the current BDS market development model. Business development services are an important part of the activities required to create a new market. But at least three additional key steps are required to create new markets.

- 1. The application of a systematic process capable of identifying and facilitating the creation of new markets** This requires the collection of specific information about poor customers in each market area, including critical information about their income, cash available, and critical constraints to increased income and productivity.
- 2. A disciplined market driven process for new product development** This includes a systematic process for customer feedback and leadership in the design process, and a design process that optimizes product affordability and divisibility.
- 3. A carefully crafted and implemented campaign for promotion, marketing and sales.** This includes a process of systematic market research, the development of culturally relevant targeted marketing and promotion strategies, and testing for effectiveness of each strategy through systematic customer feedback. An effective marketing and promotion campaign is critical in creating sufficient sales volume to support the profitability of the micro-enterprises at each point in the supply chain.

For each of these 3 steps, this paper will summarize key information on:

- a. Background and Rationale**
- b. Process**
- c. Best Practices.**

Finally, we will discuss the relationship between this expanded vision for MES development, and current BDS practice.

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