1. **Project Background**

Describe project objectives.

2. **Rationale and approach of the VBI Market Study**

The rationale for the contracting of a VBI Market Study is primarily the need to plug the enterprise development strategy of the VBI into up-to-date, relevant and reliable market information that indicates which economic sectors the VBI-supported business women should focus on in order to achieve market success, profitability and sustainability.

This VBI Market Study is a self-contained assignment with a precise time-frame and expected output, however – to appreciate its significance - it should also be seen as the crucial foundation of a longer and broader cycle of market analysis within and beyond the VBI Project. The Consultant team is thus assigned the responsibility to provide a clear and realistic direction to the VBI strategy of support to market-oriented women entrepreneurship development, by means of a substantiated and consistent indication of which economic sectors and sub-sectors will be suitable to the beneficiaries’ capacities, as well as displaying the marketing potential necessary for small firms’ viability.

Hence the timing of this Study, to be completed before the beginning of the first VBI training cycle, scheduled to provide key inputs for the fine-tuning of the VBI service package, and in particular for the orientation, entrepreneurial choice and marketing support provided to the local women entrepreneurs.

Several Project components and VBI activities will therefore tie into the market strategy outlined by the VBI Market Study: training, capacity building, business planning, product development, marketing and networking support, and other VBI services will be geared towards supporting the local women SMEs to respond to the existing demand – or stimulating the potential one – as recommended by the outcomes of this Study.

3. **Overall objective of the VBI Market Study**

The **overall objective** of the VBI Market study will be to:

Investigate the SME-oriented markets (primarily at national and regional level), in order to identify those economic sectors / sub-sectors with the highest potential for the type of women enterprises to be developed by the VBI in the Project area, subsequently providing specific, relevant, updated, detailed and reliable advice as to which areas of business the VBI-supported entrepreneurs should select, with a special focus on value-added activities.

4. **Specific objectives of the VBI Market Study**

The specific objectives of the VBI Market study will be to:

I. Map out the current situation in terms of available raw materials, local skills, processing and communication infrastructure, marketing channels and appropriate technologies within the Project target area

II. Assess the local, regional and national demand for those goods and services that could be efficiently produced at a micro- to small-scale of operation by the women assisted by the VBI
and organized in the form of sole producers or micro- to small-scale enterprises as defined by
the Project either producing and marketing on an individual firm basis or networking with other
firms in particular for joint purchasing or marketing.

III. Among the economically feasible sectors and sub-sectors of production, identify those with
higher potential and with an emphasis on value-added activities (e.g. Food production,
processing, and vending; Horticulture; Organic farming; Handicrafts; Cottage industries, and
recycling; Textiles and apparel; Services (salons, cafes, etc); Mining; Construction, etc.) with a
view on service/product and process innovation and identification of potential demand
(especially in the crafts sector).

IV. Identify potential marketing outlets, including relevant trade flows, procedures and regulations,
mainly in the project area, but also in the rest of the country or for export in other African
countries or overseas (e.g. Europe), if relevant to the selected lines of production.

5. Structure of the VBI Market Study

5.1 Phasing

The VBI Market Study will be organized in two phases, i.e.:

(1) ‘Geographic’ phase --- the preliminary mapping of the ‘supply side’ (in the VBI Project
target area) and ‘demand side’, followed by a review and feedback with the project
stakeholders for the selection of sectors with high potentials (see point 5.2).

(2) ‘Sectoral’ phase --- the in-depth analysis of the selected sectors from the supply and
demand point of view, and the final recommendations of viable market strategies for the
supported SMEs.

The current consultancy assignment is aimed at covering both Phases within the agreed consultancy
period.

5.2 Mid-study review

At the end of the Phase 1 of the Market Study (see point 5.1. above), the Consultant will be available
for a consultative review of the preliminary results the project’s partners. The review meeting will be
composed by a structured presentation by the Consultant including findings, available options and
interim recommendations, followed by a discussion with the review panel aimed at agreeing the
specific direction of Phase 2 and – if relevant – the revision of the ToR accordingly.

6. Activities and Work-plan

The daily activities of the Market Study will be specified in and organised by a detailed Work-plan
spelling out the tasks of the consultant, the timeframe and resource allocation for each activity, as well
as the support required from the clients or other actors (if relevant).

The said Work-plan will initially be agreed by the Consultant with the facilitation of TGT and its
partners and the WB in a dedicated meeting, in order to allow the coordination of the clients’
collaboration with the Consultant during the Market Study. A copy of the finalised Work-plan should
be submitted to the contracting agency TGT upon signature of the Contract, and attached to these
Terms of Reference in Appendix II.
Any substantial change to the Work-plan should be communicated to the clients in writing (e.g. by email) or, if not at all possible, at least verbally (e.g. over the phone). This will allow for the correct degree of monitoring of the Market Study progress by the contracting agency.

7. Methodology and Content

The Market Study should utilise an articulated and coherent methodology which will allow for very practical references to the above mentioned economic sub-sectors, and which will show a deep understanding of the Tanzanian markets and a suitable knowledge of the production and trading potential in the target area. Details of the general criteria and approach of market research, in particular for small businesses, are included in the Methodological Note attached to these ToR in Appendix I.

The market study will avail itself of both secondary and primary sources, through desk research and field surveys as applicable, and will provide the client organization with detailed, updated, relevant and reliable quantitative data and qualitative information. This means that the Consultant will be responsible for gathering – either by himself or with the support of properly trained and briefed enumerators – reliable and comparable quantitative data, and will not only rely on qualitative or anecdotal information.

The Study will include a systematic cost-analysis and the identification of the MES (Minimum Efficient Scale) for those industries that might be considered as high-potential economic sub-sectors by the market study. Estimating the MES for a certain type of business allows to verify that the business will be able to be competitive on the market even if it cannot reach enormous economies of scale (e.g. even if it is an SME, as long as it can produce at the MES point of that specific industry).

The Market Study should also clearly indicate the type of market competition characterizing the economic sectors accessible by the VBI-supported entrepreneurs. For instance, certain agricultural markets are typically dominated by ‘perfect’ competition where firms or farmers compete primarily by price and have to ‘take’ the price set by the overall market demand and supply; primary production then only makes sense for those large producers who can exploit considerable economies of scale and compete by means of the lowest price.

On the other hand, crafts production is normally distributed through ‘imperfectly competitive’ markets where competition is by innovation, quality and diversification, and the small - or even micro - scale of operation is not a handicap (because there are no big economies of scale to be exploited, i.e. the MES is relatively small in that industry, see point made above in this section): in this type of markets the individual firm has more chances of ‘setting’ the price, and precisely the one that will capture a good share of the market while still allowing for an ample profit margin. It is anticipated that the VBI entrepreneurs might be more suited to produce for and distribute into imperfectly competitive markets, given their small scale of operation and their reliance on individual skills and diversification.

The Study should clearly indicate which sectors of production are more likely to have a good marketing potential for the VBI-supported entrepreneurs, and should express the order of priority by providing a ‘ranking’ of sectors and sub-sectors that will constitute an effective pointer for the strategies of the women enterprises and of the VBI services supporting them. For each of the recommended business areas, the corresponding market segment should be indicated and described, as well as the suitable marketing strategy and distribution channels specified.

Within the preferred sectors and sub-sectors, detailed, realistic and context-specific suggestions should be made as for the services, products and product lines which are more suited to the VBI

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1 Examples of this situation could be the shoe-making and tailoring industries, where the MES point often coincides at the medium scale of operation, which explains the dominance of relatively numerous and medium to small firms in those industries.
entrepreneurs’ production capacity and more likely to encounter market success locally, nationally or abroad. In this regard, the Study should recommend PD&D interventions and marketing approaches accordingly. Potential Fair Trade channels should also be explored as preferential links to potential European or other overseas export markets.

Issues of legislation, regulation, standards, licencing and trade procedures connected with the recommended sectors of production or services should be looked into by the Consultant and the main findings included in the analysis. One example is the feasibility and valorisation of local traditional agriculture and food processing through the marketing of ‘organic’ products.

8. Reporting

The final output of the consultancy will be a comprehensive Report on the VBI Market Study produced in English.

Quantitative data collected during the Study, and their analysis, should be included in the body of the Report or in Annex. Also Qualitative data, such as interview information and anecdotal evidence, should also be annexed in or quoted by the Report as relevant. Any bibliographical or other source of secondary information should be quoted in detail in a List of References at the back of the Report.

The Report should include in its structure a brief and clear Executive Summary in its opening sections, and a chapter of Final Conclusions and specific Recommendations for action in its final section.

The Report should systematically mention and provide details of the institutions, organisations and people who have been the sources for gathering data or qualitative information, or the key informants for drawing conclusions and formulating recommendations.
A. General background on Market Analysis

Market analysis contributes to all the steps in a business from the initial determination of customer needs to final delivery of a product or service. It can be divided into the following general functions:

- market research,
- marketing strategy development,
- identification of specific markets to serve (including market niches),
- use of market analysis in decision making (e.g. pricing and promotion).

Therefore, it is worth noticing that ‘market research’ (through informal day-to-day investigations or through a formalised market study) is but the first step of a longer cycle defined as ‘market analysis’, which needs to accompany the whole business cycle for the enterprise to increase its chances of success.

In the specific case of the present consultancy assignment, the Market Study report (consultancy output) will be produced keeping in mind its very function: a tool to provide precise and reliable pointers to the VBI Project as for those SME sectors that display good marketing potential and high compatibility with the target area characteristics and human resources. The Market Study should thus be carried out and produced as a document that contributes relevant and effective information and guidance for the VBI as a service centre and the Project beneficiaries as existing business women.

i. Market research

Market research entails identifying potential customers and their needs. It strives to develop a thorough understanding of the industries in which the potential customers operate, the regulatory environment, and competing products and services.

Market research involves systematic gathering, recording, and analysis of data relating to the marketing of goods and services. It employs a variety of different types of activities, such as analysis of industry data, demographic data, competitor activities, and customer surveys.

Market research is an organized way of finding objective answers to questions every business-person must answer to succeed, such as:

- Who are my customers and potential customers?
- Where are they located?
- Can and will they buy?
- Am I offering the kinds, quantities and quality of goods or services they want?
- Are my prices consistent with buyers’ perceptions of the product's value?
- Are my promotional programs working?
- What do customers think of my technology and business?
- Who are my competitors?
How does my technology and business compare with alternative technologies and competitors?

Market research deals with people and their constantly changing preferences and actions, which can be affected by numerous influences. Because many of these influences cannot be quantified, market research is not an exact science. Marketing research does, however, seek to gather facts and opinions in an orderly, objective way; to find out how things are, regardless of any preconceived notions; and to find out what people want to buy, not just what the business might wish to sell them.

ii. **Marketing strategy development**

A marketing strategy includes the identification of customer groups which the business can serve better than its competitors and a plan for tailoring its product offerings, prices, distribution, promotional efforts and services towards that particular market segment.

Ideally, the strategy should try to address customer needs which are not being met in the market place and which have the potential for enough business to justify development costs.

A good strategy will recognize the resource limitations of a particular small business or business unit within a large company. Thus, a business must use the market information and its own capabilities to focus on the market segments it can serve best.

iii. **Selection of specific markets to serve**

Given the limitations of a technology and a business, marketing efforts usually need to concentrate on specific market segments. For example, the following are some ways to segment a market:

- **Geographical segmentation.** Specializing in serving the needs of customers in a particular geographical area (e.g., a city, state, or region).
- **Customer segmentation.** Identifying existing customers and promoting the products/services with those groups of people most likely to buy the product. In other words, selling to the heavy users before trying to develop new users.
- **Product or service.** Linking marketing efforts to related existing products and services.

iv. **Integration of market decisions**

The efforts in market research, strategy development and segmentation all are combined to aid in developing approaches to the following four key decision areas in a marketing program:

*Products and Services.* Based on the above considerations, describe the specific products and services and intended customers.

*Promotion.* Specify the type of advertising, sales, and other promotional activities.

*Pricing.* Determine price levels and pricing policies (including credit policy). Consider the effect of discounting policies, volume discounts, special strategies for government contracts or sub-contracts from larger companies, total cost to the customer, and the cost of competing and complimentary products.

*Distribution (Place).* Decide whether to distribute products or services through sub-contractors, prime contractors, or your own personnel.

B. **Market research for small business**
Definition:

Market research is the collection and analysis of information about consumers, competitors and the effectiveness of marketing strategies.

Small business owners use market research to determine the feasibility of a new business, test interest in new products or services, improve aspects of their business, such as customer service or distribution channels, and develop competitive strategies. In other words, market research allows businesses to make decisions that make them more responsive to customers' needs and increase profits.

While market research is crucial for business start-ups, it is also essential for established businesses. It is accurate information about customers and competitors that allows the development of a successful marketing plan. But market research is not just a component of the business plan to be shelved and forgotten. It needs to be an integral, ongoing part of a business' development. It is crucial to analyze a market and target the right clientele before wasting resources on advertising or on developing a new product or service.

Conducting market research essentially means gathering the information an entrepreneur needs to make decisions about his/her business. Market research is the systematic gathering, recording, and analyzing of data relevant to selling the goods and/or services produced.

Markets should be researched continually and informally (e.g. conversations with clients or traders) but more formal market research is also necessary to keep the business vital and growing.

The Market Research Grid (see diagram below) shows the two types of data sources and the three areas of research that are important to any business. The entrepreneur needs to gather information from and about his/her customers to focus any marketing effort, maintain and improve customer service, and to guide the efforts in developing new products and/or services.

The environment section of the Market Research Grid refers to those economic, social, and political forces that shape business. Gathering information about the environment allows entrepreneurs to stay abreast of and respond to particular trends or events that impact on a small business. Whether it is a predicted drop in interest rates, or the closure of a local mill, one needs to be aware of it and judge the ripple effect on the business, for good or ill.

Secondary data sources are market research data that have already been collected by someone else. Telephone books, government publications, and sources such as national statistics, trade journals, and surveys conducted by other organisations are all examples of information that has already been gathered and can be used to get a first glimpse of what customers want, what the competition has done, and what the environment is like.

Primary sources, on the other hand, provide first-hand information. When an entrepreneur surveys his/her customers or questions the competition, s/he is gathering information directly from the source. While this kind of market research data can be the most costly and time-consuming to source, it can also be the most valuable, because it is the most current and the most specific.

### Market Research Grid

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<th>Customers</th>
<th>Competition</th>
<th>Environment</th>
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The first step in market research is to frame the questions one wants answered. The first area to research is the competition and the monitoring business trends. However, the bulk of the market research will be consumer-based. The approach has to be systematic, consistent and progressive. For example, it can start with a market research survey of current customers, focused on whether or not they would be interested in a specific service or product. This could be as simple as asking everyone who came into a store, or as formal as a questionnaire. If the response is positive according to the
criteria set, one could move on to telephone or face-to-face interviews with randomly selected members of a targeted population. If the feedback were positive, one could proceed to more in-depth market research survey interviews with selected respondents.

Especially for small businesses, it is important that research tries to identify potential or existing niche markets. A niche market is a focused, targetable portion of a market. By definition, then, a business that focuses on a niche market is addressing a need for a product or service that is not being addressed by mainstream providers. One can think of a niche market as a narrowly defined group of potential customers.

What is the advantage of establishing a niche market? It is the great advantage of being ‘alone’ there: other small businesses may not be aware of a particular niche market, and large businesses will not want to deal with it because the scale is for them inefficient. The trick to capitalizing on a niche market is to find or develop customers who are accessible, whose number is growing fast enough, and that are not ‘locked’ into the network of one or more established vendors already.

Basic principles to keep in mind when designing and carrying out market research are the following:

\[ \text{i. The information will only be as good as the market research sample.} \]

To get useful market research data, the sample group needs to be relevant to and representative of the target population. It also needs to be addressed formally and objectively at some point, because informal market research is always tainted to a degree by the relationships of the people involved.

\[ \text{ii. The survey or market research questionnaire should be designed carefully.} \]

They should be focused specifically on the information needed, well structured and logical. Questions should be culturally and socially sensitive.

\[ \text{iii. The survey or market research questionnaire should be kept fairly short.} \]

If possible, a market research survey or questionnaire should all fit on one page. Some people are intimidated by long forms; others see multiple page forms as just too much of an imposition on their time.

\[ \text{iv. Opportunity for detailed answers should always be provided.} \]

Not everyone will take advantage of it, but some will, and sometimes these written-in comments are the most valuable of all.

\[ \text{v. Market research recording techniques should be selected and organised first.} \]

A system of recording the data and qualitative information should be worked out in advance.

\[ \text{vi. Evaluation criteria should be set beforehand.} \]

In order to ensure an objective evaluation of the research outcomes, benchmarks for what is considered a ‘good market’ for a certain product/service should be established before data collection in order not to bias data analysis and conclusions.