Terms of Reference

PEPZ Market Research Consultant

(ToR: PEPZ/BDS/BLP/MR0215)
1. Background & Introduction:

The Private Enterprise Programme Zambia (PEPZ) is a UK DFID funded programme aimed at strengthening and building the capacity of Zambia’s private sector to create jobs and contribute to the diversification of the economy. PEPZ will target in particular the Zambian enterprises that have the potential to grow, create jobs and contribute to diversification.

The objective of the Private Enterprise Programme-Zambia (PEPZ) project is to contribute to faster growth and job creation in Zambia, by supporting the development of MSME’s. The programme consists of 4 components i) Business Development Services (BDS), ii) Business Linkages Programme, iii) Business Plan Competition and iv) Impact Investment.

The BDS component, seeks to accelerate the development of progressive and transformative MSMEs by improving their access to effective business support services. It will provide financial assistance to qualified service providers seeking to expand their services providing operational, strategic or training services to MSMEs. Priority will be given to supporting initiatives that result in:

i) Great access to high quality services by reducing unit costs;

ii) Innovative business models developed to deliver service to identified sectors and/or clusters or MSME’s;

iii) The provision of services targeted at the needs of industries, sub-sectors and clusters of businesses or the informal sector with strong growth potential; and

iv) Proposals that support more vulnerable MSME segments, including women and youth.

In order to better understand the dynamics of the market, and to confirm our understanding of challenges in the market, we propose to run a short piece of market research. We recognise that in order to design interventions that will have a positive impact on businesses in Zambia, it is important to take on board the lessons learnt from implementing year 1 interventions as well as to be fully cognisant of what the Zambian business value chain looks like. We think that, currently, clarity is required on what goods and services are in demand within the Zambian market (and potentially internationally), and how well positioned the local MSME’s are to respond to this demand. Undertaking research into these issues will enable us to better understand the current make-up of the market and why it behaves as it does. With this knowledge to hand, the BDS team will be able to determine how the BDS component can be designed to respond to identified market issues. This research, and PEPZ’s response to it, in terms of interventions, needs to be considered in collaboration of the Business Linkages component, which will be also responding to these market demands.

2. Project Objective:

We are looking for a market research consultant (individual or firm) to research the opportunities and challenges to supporting a stronger local market.

In order to better understand the dynamics of the market, and to confirm our understanding of challenges in the market, we propose to run a short piece of market research, to confirm key demand drivers in the market and how well placed the local supply chain is to respond to them.
Undertaking research into these issues will enable us to better understand the current make-up of the market and why it behaves as it does – in particular identifying key market failures that can be addressed within the remit of the PEPZ project.

The market research will consider the following questions:

- What does the Zambian market look like, what is its size, what are the demand drivers and how is the local supply chain able to respond to them?
- What are the market issues that need addressing?
- What system level interventions can be designed (in partnership with BLP and BPC) to respond to market challenges?
- What is the value proposition that PEPZ is looking to develop?

Key outputs from the market research will be:

- A better understanding of what anchor company’s demands are in relation to local companies and what is currently stopping them from buying more Zambian goods and services;
- Constraints and challenges in the market;
- How well placed are MSMEs in the market to respond to demand, and what is preventing them from doing higher volumes of business;
- Confirm the size and quality of business support services available;
- The role of BDS providers in the market and how they are and can support MSME’s to respond to demand in the market. It will also set out whether there are any challenges in the BDS supply chain that need to be addressed;
- Understand the purchasing power, and cultural context of how the MSME’s operate in the market;
- A good understanding of what support, aka business support services, MSME’s need to work effectively;
- The appetite of BDS providers to redesign their services, and work for lower prices in order to provide appropriate services for the MSME’s.

The study will also investigate and test the appetite for business services that are not currently available on the market, as well as the appetite for an integrated model of delivery. Following the market research, the team will develop proposed focus areas for BDS services support in Zambia.

The outcome of this activity is to identify what can make BDS provision in the Zambian market sustainable, and to outline a clear plan of interventions that need to be achieved to develop a dynamic and vibrant services providers. A greater understanding of what the market wants, aligned with increased demand from SME’s to purchase services, should result in BDS services providers giving appropriately scaled and priced products to the market.

The proposed study will study **three** key areas in the market.

**Anchor companies.** The level of imports in to Zambia, including basic foreign sourced goods and services, is cause for concern for the government and the citizenry. Unfettered and prolonged imports of goods and services that could be sourced locally impedes industrialization, economic integration, and has resulted in jobless growth. The perception is that foreign owned corporations dominate economic opportunities, and yet have few, if any, local suppliers in their supply chains.
This is inviting negative attention and perceptions of large corporations as predatory businesses that only make token corporate social investments rather than behaving as good corporate citizens committed to the country and the communities from which they make healthy profits. This will inevitably lead to regulatory measures and consumer and community activism, as has happened elsewhere, especially in this era social media.

And yet there is a growing pool of under-used small and medium sized suppliers in Zambia, which are ready or have potential to be good suppliers to corporations, and to their first and second tier suppliers.

Targeted local sourcing and supplier development are now becoming widely adopted and acknowledged as a progressive way for bringing these marginalized and under-used suppliers and service providers into the mainstream economy, to deepen industrialization, accelerate skills development and grow sustainable jobs. And there are real tangible and intangible benefits for corporations in doing this. As such this study will review the appetite of corporations in the market to engage with local sourcing and supplier development initiatives.

This study will focus on corporations working in the Retail and Energy (petroleum product distribution) sectors.

This section of the study will review and assess the size of the local procurement market available to MSME’s:

1. Articulate the size of the market available to local MSME’s
2. What products and services do anchor companies demand locally? Is there scope to grow out local procurement opportunities?
3. What precludes corporations from procuring more locally?
4. What are the key market trends driving local demand from anchor companies?
5. What is the regulatory context, challenges and opportunities. How conducive is the environment to supporting the implementation of targeted local sourcing and supplier development initiatives?

Zambian MSME’s. To review MSME’s in the value chains servicing identified Anchor companies/corporations. The MSME’s engaged in this study will either have an existing relationship with anchor companies, or work in the Retail and/or Energy value chains and could potentially become suppliers.

The consultant will be required to review the MSME’s and:

1. Develop a profile that articulates the MSME’s management and business planning capacities, operational effectiveness and their back offices systems, capturing good practice, opportunities and lessons learnt.
2. Define key issues, drawing out market trends and themes
3. Test the profiles developed against initial company diagnostics applied to named SME companies
4. Stratify the MSME’s reviewed, by turnover, number of employees, sector and technical nature of the company
5. Prioritise key capacity challenges and opportunities available to the MSME’s. Particular focus should be on access to markets and access to finance
6. Articulate the BDS services required to support these needs, and the current appetite of the MSME’s to pay for these identified services
7. Identify a pipeline of MSME opportunities with anchor companies (indicating expected timelines)

**Business Development Services (BDS) providers.** To review the size of the BDS sector and Zambia, and quality of service. Do suppliers offer relevant, affordable service that enable MSME’s to achieve objectives? To identify market challenges in BDS supply, and core interventions required to address these issues.

1. To identify which firms (local and international) are currently providing the BDS services identified as priority
2. To review the quality of the BDS services provided to MSME’s in the market, as well as additional opportunities to introduce new products and services into the market to satisfy MSME demand
3. To identify key capacity building opportunities for BDS providers, to improve service delivery within the market
4. To identify key BDS skills and competencies required in the market
5. To identify a pipeline of BDS services in the market (indicating expected timelines)

The market research will consider the following questions:
1. What are the key market issues that need addressing?
2. What are the barriers to business experienced by corporations, MSME’s and BDS providers?
3. How inclusive is the business environment in Zambia, are business opportunities available to women, youth, disadvantaged communities, and what impact does this dynamic have on quality of business transactions in the markets?

**3. Results/Outputs:**
Key outputs from the market research will be:

1. A better understanding of what anchor company’s demands are in relation to local companies and what is currently stopping them from buying more Zambian goods and services
2. Constraints and challenges in the Zambian (anchor company and suppliers) market;
3. How well placed are MSMEs in the market to respond to demand from anchor companies (what is the size of the market they can target), and what is preventing them from doing higher volumes of business;
4. Confirm the size and quality of business support services available;
5. The role of BDS providers in the market and how they are and can support MSME’s to respond to demand in the market. It will also set out whether there are any challenges in the BDS supply chain that need to be addressed;
6. A good understanding of what support, aka business support services, MSME’s need to work effectively;

The study will also investigate and test the appetite for business services that are not currently available on the market, as well as the appetite for an integrated model of delivery. For example, working with international BDS providers, academic institutions, train the trainer model; linking the
delivery services to local business incubators; and tying in BDS into the needs of other institutions such as banks.

7. **Consultant qualifications:**

The consultant needs to provide evidence of in depth knowledge of the sector/issue

1. Previous studies/publications in this or relevant fields
2. Clearly defined methodology proposed for the research
3. Clear analytical style of writing

8. **Reporting:**

The report should be submitted as a word document (Calibri 11) with a supporting presentation in power point

- Executive Summary (no more than 1,500 words)
- Assignment methodology
- Assessment of market, and market failures
- Conclusions and Recommendations
- Lessons learned
- Gender and Environmental observations
- Annexes:

The report should not exceed 50 pages excluding annexes.

9. **Information dissemination and Copyright**

Copyright on all reports and other material prepared under this assignment resides with the PEPZ. No report or document shall be distributed to third parties without prior PEPZ approval.

10. **Duration of the assignment:**

The report is to be completed within 3 weeks of the date of the award of the contract, and should be.

11. **Proposal Structure:**

The proposal should be no more than 20 pages (A4 typed), and should include the following:

4. Project concept, methodology and expected outputs
5. Delivery structure
6. Relevant project credentials and CV’s
7. Financial proposal

12. **To Apply:**

Please complete submit the proposal with a short cover letter to clare@pepzambia.com by 17:00hrs, Friday 20th November 2015.