TRADERS, MANUFACTURERS AND HUCKSTERS

AN ANALYSIS OF THE RESULTS OF A PILOT SURVEY
FROM THE EASTERN CARIBBEAN

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Executive Summary and Main Report

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Executive Summary

The Background and Context of the Pilot Survey

1.1 Introduction

The Pilot Survey was carried out with two goals in mind- first to recommend the optimum path for the future data base effort and secondly, to provide an indicative prognosis of the problems of regional businesses interviewed. This latter effort would be providing useful indicators for the program reports envisaged under this contract.

1.2 Background of the Large Scale Survey

LBII's Scope of Work anticipated that the Contractor would utilize seven person months of international staff and twenty nine person months of local staff (the majority of these months for enumerators) services to carry out a survey on all islands and to develop standardized data tables for use in evaluating individual projects. The principal focus was to be on developing baseline data for new and recently implemented projects, with the expectation that some of this data might be usable for older projects as well. It was expected that such data may be useful in quasi-experimental evaluation designs. By the time of the submission of LBII's Work Plan for its two year monitoring, evaluation and design project (October, 1986), it had become clear that the PSO portfolio consisted mainly of old projects, and that quasi-experimental evaluation designs were not likely to be feasible. Subsequently, LBII concluded, that while the sample survey would help conventional evaluations, it should be more closely and directly connected to an impact monitoring system than to evaluations.

When LBII submitted its survey design and questionnaire to the Mission, a number of the survey questions were addressed to and embodied some of the premises of the existing PSO projects. The issue was then raised by the by PSO as to whether such questions posed to businessmen by relatively low level enumerators, would not simply produce superficial responses confirming the (possibly misdirected) premises of the existing program. In order to seek better information on that issue, to test the questionnaire form itself, and to gain some insight into what the business community now wants and needs, the present pilot survey was undertaken in Barbados, St. Kitts & Nevis and St. Lucia. Thus, step by step, the data base effort had been uncoupled from (a) the expectation that a number of major new projects, would be launched at the time it was undertaken; (b) a direct

relationship to the project evaluations; (c) the notion that it would mainly concentrate on objectively verifiable data concerning the present status, as contrasted with professional opinion concerning future needs.

The principal objective of the large scale survey, as defined before the pilot survey was started, was to establish base information about key impact variables of the Private Sector Program such as volume of business exports, employment etc.. It was also designed to establish the "state of the world" in areas such as need for training, technical assistance and credit needs (including term structure and collateral requirements). Another objective was to establish a businessperson's view of the business climate and of the role of the Private Sector groupings such as CAIC.

1.3 Background of the Pilot Survey

The pilot survey was proposed partly as a result of the lack of confidence expressed by the Private Sector Office in the very basis around which private sector projects were designed. The PSO was not sure if the focus of the projects on financial assistance, technical assistance and training were guided more by AID's traditional institutional experience and expectations rather than the needs of the private sector.

1.4 Present State of Data Availability

The key variables identified for monitoring the health of the private sector in LBII's proposed monitoring system are volume of business, level of employment, exports by destination and distribution of businesses by subsector. Presently, there is no comprehensive source of quantitative base data on the state of the OECS economies with the exception of the 1980-81 Census of Population (available for all OECS States). Even that dated source is useful primarily for employment data. While many countries collect at various departments - customs, central bank, tourist department- the movements of trade and tourism, it is unusual to find such data collated, analyzed and presented in a consistent framework. St. Lucia is making a major effort at developing such data and at the same time carrying out a comprehensive Census of Manufacturing and Trade but it seems to be unique among the OECS states.

1.5 Methodological Approach

The primary methodological issues concern sample selection and stratification. The latter issue focuses on a need to divide the sample into two strata. Rather than divide by size alone, though size is highly correlated to the criteria used, the microenterprises were stratified according to

whether they were formally organized or not. One criteria used for formal organization was "bankability" or more properly "non-bankability" which is determined in each country by the respective development foundation. Another criteria was whether or not the business was listed in the business directory. The business directory criteria was defined as inclusion in the Caribbean Business Directory or membership of the Chamber of Commerce or the Manufacturers Association. The "non-bankable" businesses were taken from the National Development Foundation applicant lists. While this does not represent a complete list of such "informal" businesses in the country - it must be conceded that the list would be a fairly representative in small countries with educated populations such as most of the Eastern Caribbean states.

1.5.1 Master lists were developed of the "Formal" sector for Antigua, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines. The master lists were ordered alphabetically and serial numbers assigned. Twenty seven were picked from a randomly generated list for Barbados and ten for St. Kitts and Nevis. In both cases some preference was given to manufacturers among the seventy randomly selected so that a sufficient number of production oriented businesses would be included to allow for useful analysis and comparison. Had this not been done the survey would have yielded very little useful information about the manufacturing sector, as the samples would have been heavily dominated by the trading sector which is predominant in the region.

1.5.2 The "nonformal" businesses lists based on the St. Lucia National Research and Development Foundation (NRDF) register was assigned numbers in chronological order. Again a random number program was used to identify ninety candidates. During meetings with NRDF staff this list was reduced to twenty seven after eliminating all those that had never got underway or had gone out of business.

1.5.3 Field work was undertaken in Barbados between May 11 and June 10, in St. Kitts between June 15 and June 19 and in St. Lucia between May 20 and June 3.

"Analysis of Results from the Formal Sector"

2.1 Introduction

The interview team was pleasantly surprised at the openness and candor expressed by most businesspersons during the interviews. Access was provided to most financial data. Much of this openness may have been due to the cooperation extended by the local chambers of commerce and manufacturers associations who the consultants contacted early. Also, at the very early stages of the interviews the team was made keenly aware as it went over the histories of various business disasters and near disasters that two key areas to focus on were cost control and marketing. The other problems that businesses faced emanated in many cases from these root causes. There was an effort to keep these issues in mind during all visits to businesses.

The fundamental purpose of having the interviews conducted by senior professionals was to provide an independent insight.The interview team can be likened to a team of general practitioners in the medical sense. A special effort was geared to identifying certain key symptoms and make a first attempt to assess the root causes. These preliminary diagnoses need further investigation by specialists. At the same time however, the initial findings could provide useful clues to conceiving program changes as well as defining the merit of undertaking further diagnostic activities.

Before proceeding to the actual findings, it must be noted that the results reflect the experience on two countries. Both of these countries have development banks with fairly good track records in recent years. Also, the sample selection had certain purposive characteristics - it was not wholly random.

2.2 Financial Issues

A great many USAID and other donor funded programs focus on providing loan financing to particular target groups or types of activities. The interview team explored the need for credit and the broad background financial picture. Even though in some cases initial responses indicated some need for financial assistance, when explored the problem often appeared to be elsewhere. The financial constraints seemed to be the symptom of broader problems such as weak markets or poor cost control. It must be noted that most of the businesses interviewed were established and going concerns with a banking history.

2.2.1 Existing Commercial Banks appear to be responsive to financing the working capital needs of most established

businesses with very rare exceptions. Such financing is given in the form of overdrafts which are generally secured against the company's inventory or other assets. In many cases Commercial Banks appeared to be willing to fund well thought-out capital projects. The collateral requirements in many such cases extended to personal property when the business did not own much easily saleable property.

2.2.2 The general perception of the existing DFCs was positive. While complaining about the excessive paperwork required initially - most persons interviewed generally went on to add that the DFCs were generally very understanding and helpful. In the randomly picked formal sector sample of thirty eight only two appeared to be in default of payments to the DFCs.

2.2.3 Few of the businesses interviewed seemed to be aware of the existence of the CFSC and of the businesses who were aware of it - none had received a loan though one was pending. The explanation for this low penetration rate may lie in the fact that lending in the EC area has to be in U.S. $ making the CFSC wary about lending to projects which did not earn foreign exchange. There is an effective bias in favor of the tourism sector (even though this may not be a policy) in CFSC lending in the EC $ area. The tourism sector was not really represented in the sample.

2.2.4 The interview team came across some potential IPIP lients in St. Kitts and Nevis. They were generally those that wanted to build their own factory shells. However the legal code in St. Kitts and Nevis makes it very difficult for the private sector to build factory shells.

2.3 Cost and Competitiveness

The cost structure of businesses is key to their competitiveness in both domestic and international markets. Thus special care was taken to explore this issue. For the trade sector there appeared to be little difference between Barbados and St. Kitts. For manufacturing the differences between the two countries were striking. In St. Kitts further differences between completely enclave industries and those with some local participation were also observed.

2.3.1 The Commercial sector showed varying degrees of awareness of and competence at cost control. It was apparent that in most cases when the firms are profitable little attention is paid to inventory holding costs for specific items. These become a concern too late when the firm is in trouble.

2.3.2 Cost control practices followed in the industrial sector are generally very unimpressive indeed. Many industries, particularly those making multiple output items, have no idea of their costs. They tend to use an average cost plus markup system of pricing for all their products. Sometimes, as in the case of furniture the costs may vary significantly across lines of output and increased demand for the more costly products can move a firm from a profit situation to a loss making situation. Lack of competence in cost analysis threatens the very survival of the businesses.

2.3.3 The interviewers observed that the manufacturing sector in Barbados, tends to be less competitive from the point of view of cost than that in St. Kitts and Nevis. This difference may be attributed to a combination of factors. The most important of these factors is probably the larger domestic market in Barbados within which the firms can survive with protection. This removes the incentive to be cost competitive. The St. Kitts and Nevis manufacturers do not have the advantage of a large domestic market and have to be competitive. They are also helped by a more competitively priced currency and somewhat lower wages. A much larger proportion of St. Kitts manufactured products are exported including a significant amount under the "807" program. Unlike the Barbados garment manufacturers, the St. Kitts garment producers appeared to continue to be competitive in regional markets even after the effective closure of the Trinidad and Tobago market.

2.4 Markets: Domestic and International

Interesting marketing problems were found in the production sector. The principal marketing problems of the commercial sector focused on the purchasing end of the business.

Manufacturers in Barbados kept citing unfair competition from imports and expressing the need to protect domestic industry. At the same time they also complained of the closure of the Trinidad market. St. Kitts manufacturers also cited problems resulting from the changes in Trinidad.

It seemed apparent to the consulting team that while these manufacturers had successfully exported during the boom in Trinidad, they had no clear idea of the nature of export marketing. The ending of easy access to the Trinidad market exposed this weakness. Interestingly, the weakness in knowledge of how to market their manufactured products extends to domestic markets as well. In all cases those manufacturers who had a good knowledge of both their products and their markets were better able to adjust to the end of the export boom to Trinidad.

2.5 Pure Enclave Industries and Subcontractors to U.S. Producers

Manufacturing under the "807" program for U.S. producers forms a very important segment of the industrial sector in St. Kitts unlike Barbados. The reasons are described below. St. Kitts appears to be an attractive place for U.S. firms to locate to. The advantages cited are the lack of language barrier, good transport links, an easily trainable work force, low wages and favorable package of fiscal incentives. Government officials, expatriate managers, and local businesses credited the PDAP project with a major role in attracting businesses to St. Kitts particularly, the efforts of the present advisor and her immediate predecessor.

2.6 The Regulatory Environment

Generally, businesses reported favorably on the attitude and practices of government in both countries with certain exceptions notably in the area of land sales or leases. Dissatisfaction was expressed with marginal corporate tax rates (50%) in St. Kitts.

2.6.1 The businesses interviewed in Barbados expressed general satisfaction with government policy regardless of which party was in power. They expressed satisfaction with the recent tax changes, though in some individual cases they complained of the consequent increase in indirect taxes.

2.6.2 The principal complaint expressed by the business community in St. Kitts was the high marginal rate of corporate income tax (50%). This proves to be a major disincentive to many businesses who are not receiving tax holidays. Some expatriate businesses receiving tax holidays expressed the opinion that if the tax holiday was not extended and the marginal tax rate remained where it was now - they would be forced relocate elsewhere.

2.6.3 One area in which businesses both in St. Kitts and Barbados reported having problems with government agencies was in the acquisition of land for business premises, particularly factory sites. The principal problem cited was delay in procedures.

2.7 Labor Relations

Labor relations presented significantly different problems in Barbados as opposed to St. Kitts.

2.7.1 Most businesses in Barbados complained that the labor laws were too "pro-labor" adding, however, that due to this, union negotiators hardly ever asked for benefits

that were not already mandated by the law. Similar comments were made in St. Kitts & Nevis.

2.7.2 The method used for financing severance payments in Barbados came under severe criticism by all sections of the business community (businesses are required to pay a month's pay for every year worked once an employee has been employed for over two years). Two major criticisms were cited. First, the pressure was being placed on businesses just at the time when they are being required to make economies by reducing staff and can afford it the least. Another criticism and potentially more serious is that businesses claim that as a consequence of this law they are forced to lay off workers at the end of two years whose performance is on the borderline and thus would have been given the benefit of doubt and kept on in the past.

2.7.3 In St. Kitts the severance pay is financed by a one percent payroll tax and worker disability payments by another one percent payroll tax. The law came into effect in 1986 - however workers are not eligible for benefits from this fund until 1991 allowing the fund time to build up. If payments need to be made in the intervening period, either an excessive burden may be placed on general government revenues or workers will go without the benefits.

2.7.4 The employers in Barbados did not report significant problems with recruitment. However, the reverse was true in St. Kitts - manufacturers in particular reported major problems in recruiting staff and reducing absentee rates. This is attributed to the fast growth of employment in tourism and the negative image of the manufacturing sector.

2.7.6 The age structure of the population in St. Kitts and Nevis indicates that labor supply problems will remain especially if the tourist industry continues to grow. Innovative arrangements such as nurseries in industrial areas will be needed (as so many of the factory workers are female single parent heads of household), if the manufacturing sector is to continue to grow. Also necessary is a switch to more productive machinery i.e. more capital intensive production.

2.8 Training and Technical Assistance

The consultants identified several areas of potential action for donor funded training and technical assistance programs. The key areas of need were identified in discussions with members of the business community.

2.8.1 The most important form of training needed seemed to be of the type where a trainer with a great deal of experience in a particular line of business would work closely with workers on the factory and shop floors of such businesses for a period of time. Professional trainers' role in such cases would play an organizing role.

2.8.2 Another form of training which seemed to be necessary was on the job training at existing businesses in a different environment, for example, in a plant in the United States. In most cases the businesses seemed willing to bear partial or total costs of such programs from their own resources.

2.8.3 The principal area for technical assistance at the level of individual businesses would be in general and cost management. Such assistance should take the form of design and implementation of cost information systems and training in the use of such systems. This assistance would be most effective if it could be supplemented by the type of assistance provided by the Executive Service Corps.

2.8.4 Marketing is another important area of technical assistance which can be extended both at the level of the firm and at the macro level. Help is needed in both domestic and international marketing.

2.8.5 An area of technical assistance to the government which would be beneficial to the private sector would be assistance in restructuring the various severance pay and disability payment schemes so that they are financially viable.

2.9 Issues Related to the Future of RDO/C's Private Sector Program

Under LBII's contract with USAID, LBII is expected to provide two reports on RDO/C's Private Sector Program. These reports will focus principally on the impact which PSO projects have had in OECS counties in the past. The second report could include some recommendations for the future. Taking this possibility into account, a number of issues pertinent to the future structure of the PSO program became apparent during the Pilot Survey.

Findings from Barbados and St. Kitts which seem important to the future of the Private Sector Program could be explored further in the other OECS states. The interview results from two countries suggest the possibility of deemphasizing credit programs. If the circumstances of the formal sector in Antigua, Dominica, Grenada, and St. Lucia prove to be basically similar to those in Barbados and St. Kitts-Nevis, it is conceivable that the future program might achieve its best results by treating technical assistance

and training, and perhaps venture capital activities as the highest priorities. A broadening of assistance in public policy areas may also be in order. Nevertheless, LBII strongly cautions against the temptation to extrapolate program-relevant findings from two countries to RDO/C's primary area of interest. Conceivably, other implications of general application will emerge if similar work is carried out elsewhere. The findings of the pilot survey do suggest that an extension of survey diagnostics to other OECS countries could be quite valuable. In combination with evaluation results, such extension could add considerable weight to LBII's second program report.

"Results from Survey of Microbusinesses"

3.1 Introduction

A total of thirty-two microbusinesses were interviewed for the pilot survey on St. Lucia. The principal goals of the pilot survey included developing a preliminary picture of the major constraints and opportunities facing microbusinesses and development programs on the island. Another important goal was to set the direction of the future data base effort for microbusinesses.

3.2 Principal Findings

The survey provided a framework for an initial analysis of the needs of the microbusinesses. Some of the most significant are detailed below.

3.2.1 Finance is not the most pressing need or problem of microbusiness. Most of the microbusinesses in St. Lucia were able to get start-up and working capital funds from their own savings or from their businesses, friends or family. Similarly, the lack of working capital and investment capital were not principal constraints, except in two cases. This finding from the survey, while significant, by no means indicates that financial assistance to microbusinesses should be discontinued. Rather, it reflects interviewer insights that (1) financial assistance may often be appropriate only when technical assistance succeeds in making critical changes in the way the managerial, marketing, and other essentially non-financial functions are carried out by microbusinesses and (2) financial assistance may be a necessary sugar coating on a technical assistance pill that recipients might otherwise be reluctant to accept.

3.2.2 Patterns which emerged in the St. Lucia sample suggest that the microbusinesses can be usefully "segmented" for purposes of determining appropriate types and levels of technical assistance. One such basis for segmentation is a determination of whether the basic strategy followed by the business is "reactive" or "active".

The interviewers found clusters of owner-managers following strategies along a spectrum whose poles could be characterized as "reactive" (highly demand oriented) or "active" (somewhat supply oriented). The former group consists primarily of those microbusinesses that produce a good or provide a service after the customer requests it, while the latter group of microbusinesses is able to build up inventory or market its goods/

services well before any particular customer comes to it. Stated another way, the former group tends to focus more on stabilizing the business, while the latter group seems more interested or more capable of expanding the business. While a number of microbusinesses interviewed fell into various intermediate categories, the distinction could prove useful in carrying out further survey activities, carrying out evaluations, determining the appropriate levels of financial and technical assistance, and, conceivably, in program redesign.

3.3 Program Implications

Interviews suggested that substantial mismatches may exist between the forces driving development programs, the mentality of microbusiness persons, and fundamental requirements for improved business performance. Many entrepreneurs are frustrated because of institutional delays in providing them with funds and because they do not understand or do not expect to receive worthwhile technical assistance from development institutions. Development institutions feel pressures from funding agencies and businessmen to move funds in amounts and at rates that exceed their perceptions of the maximum absorbtion rate of their clienteles, and they have particular difficulty delivering appropriate technical assistance to them. A conceivable segmentation of the microbusiness sector is as follows:

(a) Entrepreneurs just entering the informal sector;

(b) Entrepreneurs who are trying to stabilize their businesses in the informal sector;

(c) Entrepreneurs who are trying to expand their businesses in the informal sector;

(d) Entrepreneurs who are trying to enter the formal sector.

It is conceivable that the microbusiness strategy which shows the greatest cost-effectiveness in terms of development impact would be one which provides separate types of assistance packages for these four groups.

"Recommended Strategy for Future Survey"

4.1 Introduction

One of the principal objectives of the Pilot Survey was to determine the nature of future database development that would prove to be the most effective in terms of both costs and output. Apart from the standard pre-survey field test of two questionnaires (as shown in annexes 1 and 2 of this volume, one for the formal sector and one for the informal sector) presented to RDO/C in March, the Pilot Survey was to make recommendations on the direction of the future database work. The issues to be addressed included whether the standard questionnaire based survey was the appropriate way to go or whether the deeper case study approach should be followed. The questionnaire pretest portion of the survey yielded enough information to modify the survey instruments and proceed to the standard survey as proposed originally. It became clear, however that such a questionnaire based approach was not the most cost-effective way to proceed in fulfilling the database needs of the RDO/C private sector program.

4.2 The Case for Open-ended In depth Interviews

It became apparent that, while the questionnaires provided a useful guide to conducting the interview, following a strict questionnaire format may increase the frequency of misleading responses. At the same time, many of the more interesting results from the Pilot Survey would not have been obtained without the free ranging format of the pilot survey.

4.2.1 In many cases the initial responses to questions were misleading or centered around something that the respondents believed the interviewers wanted to hear. On probing the actual situation proved to be substantially different. A good example is finance. When asked initially if finance posed a problem - the inevitable response was in the affirmative. On further probing it became generally apparent that it was not a pressing need and other problems were higher on the priority scale.

4.2.2 The questionnaires had been designed on a format based on the viewpoint of a donor agency. The respondents perspective focused on very different issues. In most cases the respondents had not even had the time or the opportunity to reflect on their problems. During the discussion with the interview team the respondents themselves were given a chance to reflect and identify their key problems. This kind of give and take is not possible in the objective framework of a standard questionnaire, though a questionnaire (or more

appropriately, a list of questions) could be prepared to serve as a guide to interview teams as to the issues to cover.

4.2.3 The objective of the survey is to secure an understanding of the business environment in the Eastern Caribbean so that future USAID programs can better target the real needs of the private sector. An in depth open ended interview conducted by experienced professionals will be superior to responses obtained by enumerators. Yet the goals of the survey are broader than that as the next section demonstrates.

4.3 <u>The Case for an Objective Survey</u>

The objective is to establish a quantitative baseline for the Monitoring System so that progress in key variables such as employment, volume of business and exports can be monitored.

4.3.1 The monitoring system proposed for RDO/C by the Berger Team envisages a baseline that incorporates both subjective information and quantitative data. A baseline needs to incorporate quantitative data because that is the only certain way to gauge progress. A purely subjective baseline cannot be monitored to track future changes because subjective perceptions are relative in nature and refer to the time period in which they are made rather than provide a guide to intertemporal changes. Even when there are real improvements as a result of donor assisted programs, the answers in future to subjective questions, being statements of relative positions as opposed to absolute positions, may indicate no impact.

4.3.2 The experience of the consultant team in the formal sector has been that the businesses are reasonably willing to disclose the type of quantitative data mentioned above. They are even willing to discuss profits but the definition of profits in an accounting sense is rather complex and not comparable across countries or even across businesses in the same sector in the same country.

4.3.3 In the case of the informal sector microbusinesses, the same information may not be available with equal ease. This is generally not due to any unwillingness on the part of the micro entrepreneur to provide information but simply because in many cases micro entrepreneurs are simply unaware of these objective facts. It seems that the best way to compile baseline information would be through the institutions that have the closest working relationship with microbusinesses - the Development Funds. Not only do these institutions

develop both the qualitative and quantitative picture of the client during the loan application process (i.e. determine amount of fixed assets, get personal references,etc.) but they also develop a clearer understanding of potential constraints facing the microbusiness during disbursement. During both loan application and disbursement process, the Development Funds should enter into a database information about each micro entrepreneur's level of fixed assets, monthly income, number of dependents, type of household items (televisions, stereo, furniture,etc.). Once this information is compiled, it will then be possible to monitor and evaluate more effectively.

4.3.4 The need for a source of basic data on the regional private sector independent of that collected by the monitoring systems of different projects is best illustrated in a "negative" case. Suppose the whole of the private sector were doing badly but those reached by the AID projects while doing badly were not doing as badly as the rest. The data from the internal monitoring would flag those projects as failures but the availability of independent representative randomly collected data on the regional private sector would indicate that the opposite was true.

4.4 Universality of the Survey Sample

The criterion of universality is an important one from the point of view of the quantitative analyst. A purposive sample as opposed to a random sample is biased and cannot be rigorously extrapolated to the universe. The more stratification is introduced, the higher the cost. Omitting a portion of the universe risks missing significant insights and development impacts. Yet from the point of view of the USAID program there is a need to encourage certain types of businesses and thus more information is required about them.

4.4.1 One issue is whether there is any need to focus on the commercial businesses in the formal sector. Such businesses are much more in evidence in the region and conceivably do not need much assistance from outside agencies. The answer is dependent on the nature of the survey objectives. When the goal is to establish a representative quantitative baseline for that country, it is essential to use a completely random sample. In view of the distribution of the types of businesses in the region such a sample would have a very high probability of being dominated by the commercial sector. If the goal is diagnostics focusing on exports and production sectors, clearly there is no need to include a proportionate group of commercial businesses in the sample. Inclusion of a few such firms would be

sufficient to provide a flavor of the circumstances of these firms, and perhaps to examine their willingness to enter new lines of business. The rest of the businesses could then be drawn from sectors that the private sector development program wants to focus on. In fact every time a diagnostic survey is carried out, it could emphasize a particular subsector, depending on RDO/Cs long term objectives for the development of the regional private sector.

4.4.2 Another issue is how much, if any, additional diagnostic effort should be devoted to the microbusiness sector. Many donor projects focus on microbusinesses and these assistance programs seem to generate unanimous backing in the development community. An important issue to be addressed here is whether microbusinesses in other islands face different types of problems from those encountered by these businesses in St. Lucia. Country-specific politico-legal frameworks appear to have much less of an impact on microbusinesses than on formal sector businesses. However, other country specific factors such as the opportunity to sell to tourists or to engage in agroprocessing also impact on microbusinesses. There is therefore some need to extend the open ended in depth analysis of microenterprises further to explore the existence of country specific variations. It is conceivable that a quantitative survey to establish a baseline can be carried out from the files of the development funds in the OECS countries. There is no low cost way to secure such information on the full universe of micro entrepreneurs in the OECS states. The issue to be considered is whether the bias built in by taking the development fund lists to represent the universe is likely to be so severe that the exercise itself is not worthwhile for establishing a quantitative baseline.

4.5 Developing Options for the Survey

The analysis of options takes into account anticipated needs for in depth analysis as well as the requirement of setting up a quantitative baseline for the monitoring system. Cost considerations also are taken into account. One very cost effective way to meet the needs for an objective formal sector baseline for the monitoring framework would be to carry out a telephone survey. The survey could be carried out through the Chambers of Commerce and the Manufacturers Associations. These bodies would be paid a fee for their efforts. The sample would be generated on a random basis and would be representative. Similarly, an objective baseline for microbusinesses would be set up by doing file research at the development funds using a random list generated from the walk in register. Diagnostics would be based on a series

of in depth interviews for ten businesses (ten has been picked at the number that can be effectively surveyed in one week) in each country for the formal sector. A similar number would be interviewed for the informal sector. The originally proposed survey would cost an additional $157,000. The seven options developed as a consequence of the findings of the in depth pilot survey range in cost from about $32,000 to about $88,000. The option that we recommend costs about $80,000. The various survey options with costs are compared in the Summary Table attached to this Executive Summary. The schedules for all these options are illustrated in Figure 4-1 (given at the end of Chapter Four of the main text). The individual budgets for each of the eight options are shown in Tables 4-1 to 4-8, also presented at the end of Chapter Four.

4.5.1 Alternative I is the original questionnaire-based survey concept proposed in March of 1987. Two survey instruments would be administered, one for the formal sector and one for the informal sector. Thirty businesses from each of two sectors in the six independent OECS countries were to be interviewed-- a total of 360 establishments in all. The questionnaires was to have been administered by trained enumerators, following standard procedures for implementing statistical surveys.

4.5.2 Alternative II provides for in depth case studies for both the formal and informal sectors in all six OECS states (including the Pilot Survey). A quantitative baseline is to be established for both sectors.

4.5.3 Alternative III provides only for in depth case studies for the five remaining countries. No quantitative baseline is to be established for the monitoring system.

4.5.4 Alternative IV envisages completing formal sector diagnostics for the five remaining OECS states. The quantitative data base for the formal sector will be establish in all six states through telephone surveys. Research in the Development Foundation files will provide the informal sector baseline. In depth interviews for the informal sector will be carried out for only three additional OECS states - Dominica, Grenada and St. Kitts and Nevis.

4.5.5 Alternative V calls for diagnostic surveys for both the formal and informal sectors in three countries. Formal sector diagnostics will be carried out in Dominica, Grenada and St. Lucia. The informal sector survey will focus on Dominica, Grenada and St.Kitts & Nevis. Combined with the pilot survey results, this alternative will provide in depth analysis for both

sectors in four countries: Dominica, Granada, St. Kitts & Nevis and St. Lucia. Objective baselines will be established for both sectors in all six independent OECS states.

4.5.6 Alternative VI envisages diagnostics only for the formal sector. Quantitative baselines will be established for both sectors in all six independent states.

4.5.7 Alternative VII provides for in depth formal sector surveys only in Dominica, Grenada and St. Kitts. No such diagnostics will be carried out for the informal sector. An quantitative baseline will be established for both sectors in all six OECS states.

4.5.8 Alternative VIII provides only for the establishment of quantitative formal sector and informal sector baselines for the monitoring system. It is the least cost option.

4.5.9 The consultants have a preference for Alternative IV. The results of the diagnostics to be conducted under this alternative, integrated with evaluation results, would provide very useful information for the second program report that LBII is scheduled to deliver in the Spring of 1986.

4.6 Schedule for Implementation of Various Options

All the alternatives would be completed by mid-December with field work commencing about the middle of October. The locally based Deputy Chief of Database will start spending time on arranging the interview schedules and coordinating with concerned institutions from about the middle of September. The telephone surveys and the development fund file research will be carried out starting about mid-October.

Summary Table

Costs of Various Alternatives for Large Scale Survey and Outputs from Each Option

ITEM / OPTION	ALTERNATIVES I	II	III	IV	V	VI	VII	VIII
Tasks to be Performed								
1.Detailed Diagnostics								
a. Formal Sector	No	Yes	Yes	Yes	Partial	Yes	Partial	No
b. Informal Sector	No	Yes	Yes	Partial	Partial	No	No	No
2.Objective Survey								
a. Formal Sector	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
b. Informal Sector	Yes	Yes	No	Yes	No	No	No	Yes
Output from Option(1)								
1. Analysis of Basic Problems in Business								
a.Formal Sector								
-Antigua	Yes(2)	Yes	Yes	Yes	No	Yes	No	No
-Dominica	Yes(2)	Yes	Yes	Yes	Yes	Yes	Yes	No
-Grenada	Yes(2)	Yes	Yes	Yes	Yes	Yes	Yes	No
-St. Kitts and Nevis	Yes(2)	Yes	Yes	Yes	Yes	Yes	Yes	No
-St. Lucia	Yes(2)	Yes	Yes	Yes	Yes	Yes	Yes	No
-St.Vincent	Yes(2)	Yes	Yes	Yes	No	Yes	No	No
b.Informal Sector								
-Antigua	Yes(2)	Yes	Yes	No	No	No	No	No
-Dominica	Yes(2)	Yes	Yes	Yes	Yes	No	No	No
-Grenada	Yes(2)	Yes	Yes	Yes	Yes	No	No	No
-St. Kitts and Nevis	Yes(2)	Yes	Yes	Yes	Yes	No	No	No
-St. Lucia	Yes(2)	Yes	Yes	Yes	Yes	No	No	No
-St.Vincent	Yes(2)	Yes	Yes	No	No	No	No	No
2. Detailed Cases of Businesses								
a.Formal Sector								
-Antigua	No	Yes	Yes	Yes	No	Yes	No	No
-Dominica	No	Yes	Yes	Yes	Yes	Yes	Yes	No
-Grenada	No	Yes	Yes	Yes	Yes	Yes	Yes	No
-St. Kitts and Nevis	No	Yes	Yes	Yes	Yes	Yes	Yes	No
-St. Lucia	No	Yes	Yes	Yes	Yes	Yes	Yes	No
-St.Vincent	No	Yes	Yes	Yes	No	Yes	No	No
b.Informal Sector								
-Antigua	No	Yes	Yes	No	No	No	No	No
-Dominica	No	Yes	Yes	Yes	Yes	No	No	No
-Grenada	No	Yes	Yes	Yes	Yes	No	No	No
-St. Kitts and Nevis	No	Yes	Yes	Yes	Yes	No	No	No
-St. Lucia	No	Yes	Yes	Yes	Yes	No	No	No
-St.Vincent	No	Yes	Yes	No	No	No	No	No
3. Baseline Data for Monitoring System								
a.Formal Sector								
-Antigua	Yes(2)	Yes	No	Yes	Yes	Yes	Yes	Yes
-Dominica	Yes(2)	Yes	No	Yes	Yes	Yes	Yes	Yes
-Grenada	Yes(2)	Yes	No	Yes	Yes	Yes	Yes	Yes
-St. Kitts and Nevis	Yes(2)	Yes	No	Yes	Yes	Yes	Yes	Yes
-St. Lucia	Yes(2)	Yes	No	Yes	Yes	Yes	Yes	Yes
-St.Vincent	Yes(2)	Yes	No	Yes	Yes	Yes	Yes	Yes
b.Informal Sector								
-Antigua	Yes(2)	Yes	No	Yes	No	No	No	Yes
-Dominica	Yes(2)	Yes	No	Yes	No	No	No	Yes
-Grenada	Yes(2)	Yes	No	Yes	No	No	No	Yes
-St. Kitts and Nevis	Yes(2)	Yes	No	Yes	No	No	No	Yes
-St. Lucia	Yes(2)	Yes	No	Yes	No	No	No	Yes
-St.Vincent	Yes(2)	Yes	No	Yes	No	No	No	Yes
Base Cost (in '000s U.S. $)	156.6	87.7	82.6	80.4	69.6	63.7	52.7	32.3

Notes:

1. Alternative IV is the recommended one
2. The outputs include that based on the Pilot Survey results
3. The originally proposed survey framework would have yielded much higher quality data on the baseline but the results on the diagnostics may be less complete.

C H A P T E R O N E

The Background and Context of the Pilot Survey and the Large Scale Baseline Survey

T H E M A I N T E X T

The Background and Context of the Pilot Survey and the Large Scale Baseline Survey

1.1 Introduction

The concept Pilot Survey came out of the process of defining a large scale baseline survey of the Private Sector in the Eastern Caribbean which had been proposed as part of USAID Contract No.538-0119-C-6027 "Design, Evaluation and Monitoring of Private Sector Program and Projects". As part of that survey Louis Berger International, Inc.(LBII) had been proceeding to define the goals, objectives and implementation design for the survey. The LBII team started it's preliminary task of defining the survey as early as October, 1986. The bulk of the work in developing the survey started in February, 1987. This report will start by defining the logic behind the large scale survey and then proceed to the pilot survey which is being undertaken to make sure that the objectives of the large scale survey are the ones critical for an effective analysis of the private sector in the Eastern Caribbean.

1.2 Background of the Large Scale Survey

The Scope of Work in LBII's contract anticipates that baseline data gathered by enumerators would be utilized in quasi-experimental evaluations of PSO Projects. When it became clear that the number of anticipated new projects were not likely to be large enough to allow for a quasi-experimental design, the emphasis shifted to using the sample survey as a means of initiating the monitoring system. A baseline survey defines the universe as it exists and by selectively resurveying annually a small subsample from among those businesses surveyed progress can be monitored on a regular basis. It is essential that the existing universe be carefully defined otherwise projects that are actually very successful may be defined at evaluation as unsuccessful, this is particularly true in development projects because due to management and other problems very few projects are outstanding successes and there is always room to criticize them. However, if the state of the world before the project has been scientifically defined it is less likely that a successful project will be criticized as not successful since the real gains will be tracked when a baseline survey establishes the state of the world before and the project's record will not be compared against some ideal state. (The notion here is not one of strict scientific experiment where an exactly similar but untreated sample is observed and compared with the treated sample - it is one of keeping tracking of changes in the world as a whole). The idea of a large scale baseline survey originated out of the need to prevent such situations from recurring.

1.2.1 Initial Objectives of the Large Scale Survey

If the survey is to provide a baseline for monitoring the impact of USAID private sector programs, it is necessary that the it address the key impact questions such as employment, exports and total sales. Apart from these issues only a few more can be addressed and at the same time preserve the quality of data as well as hold down the costs of the survey. Given the limited number of variables that can be effectively addressed various PSO Project Officers were contacted to solicit their opinions as to the key issues addressed by the respective projects. The variables discussed were limited to the type of variable that can be usefully addressed in a survey.

The consultants were able to focus on a few key variables to be analyzed in the survey of the formal sector businesses: employment, exports, collateral requirements for credit, lending term requirements for production investment, demand for factory infrastructure versus the structure of IPIP lending, demand for training, and demand for technical assistance.

Questions regarding the business community's attitude to the policy environment were also to be addressed. Such questions would be useful for groups like the CAIC in checking that the policies they are focusing on are actually the ones that the business community is interested in.

With respect to surveying the informal sector businesses the key issues to be focused on are need for technical assistance, training and credit. Also proposed were basic questions on employment and volume of business.

The issue of attitudinal versus factual questions was also addressed. Out of a fear that too many factual questions could give the impression of inland revenue agents on the prowl, it was decided to minimize such questions and use a significant number of multiple choice attitudinal questions. However, some of these attitudinal questions could have been rewritten in the light of the need to elicit some facts. The choices offered as answers can include factual issues. The preference for multiple choice questions was guided by the need to limit the range of answers to the key issues that the survey needed to address.

One important issue addressed in the development of the large scale survey was the key question as to whether retail trade establishments and hotels and restaurants should be included in the sample to be surveyed. This requires that some key philosophical and practical issues to be considered in order to arrive at a decision. On the philosophical side are questions whether the AID should be focusing on industries such as tourism which seem to be develop in the region almost organically (with some exceptions). It could be argued that these investments would take place in any case and AID involvement could be

artificially raising the already viable rates of return by lowering initial costs.

A good reason for incorporating trade and services into the sample is that much of small and microbusinesses targeted by the SEA Project involve retail trade and services. The tourism industry has been the recipient of a significantly large proportion of CFSC loans.

The rationale for including the smaller traders and service establishments (as key targets for the SEA Project) does not apply to the larger trading houses. They are an important source of employment in the Eastern Caribbean states and a decision needs to be taken whether or not to include them in the survey. The argument in favor of such inclusion is to make the survey more representative. The argument against their inclusion would be based on the additional costs of doing so relative to the benefits as the sample would need to be stratified and a minimum number selected from each strata. If the sample were not stratified the likelihood is that commercial businesses would dominate and not enough other types of businesses would be included. It was decided to resolve this question based on the results from the Pilot Survey.

1.2.2 History of the Large Scale Survey

The database effort actually started with a brief visit to RDO/C in October of 1986. The effort resumed towards the end of February, 1987 with attention being paid to the relationships between the sample survey, the monitoring system and the financial cluster evaluations. After a series of discussions on various versions of the proposed questionnaire which itself went through several revisions RDO/C scheduled a meeting for April 1, 1987 to decide whether or not to proceed with the survey. At that meeting despite objections to specific questions it was decided to give a go ahead to the survey. A meeting was scheduled for the following day, April 2, 1987 to go over the detailed questions. It was at his meeting that several philosophical objections to the survey as approved the preceding day was made by the Private Sector Office.

Later the concerns crystallized around two points. First that the questionnaire was based on existing AID projects (a justified observation as is clear from the preceding discussion) but there had no systematic effort made to judge whether this was the correct mix of projects when viewed from the vantage point of the target population i.e. the private sector. The second point was that it was not clear if most businessmen sitting in their forest of problems have had the time or opportunity to do the type of strategic planning necessary to survive in today's difficult business environment. It was further argued that even if an individual businessperson had the opportunity to do so it was likely that he/she would lack the necessary perspective to identify the key problems. The PSO and LBII agreed that the

survey should be preceded by a diagnostic exercise which would not only pose questions of businessmen but also exercise the analytic abilities of the professionally qualified interviewers to establish whether or not the problems identified by the businesspersons were the correct problems or whether they were only the external symptoms of the true underlying problem. These diagnoses would help in designing a questionnaire that was based on the true problems of the private sector rather than the problems assumed at the project design stage.

It was decided that an in depth pilot survey would be a very useful way to address some of these important issues. The benefits of such an exercise was deemed by the PSO to far outweigh the incremental costs of such an exercise.

1.3 Background of the Pilot Survey

The pilot survey can be conceived of as an enlarged and expanded pretest for the large scale survey. It is expanded in two senses. First, the sample size is much larger than is common for pretests. Secondly, it ranges over a much broader set of issues than that addressed normally in a questionnaire. In doing the latter the interviewers also probed beyond the responses given by the interviewees to form their own professional judgement concerning the problems facing the private sector in the region.

The pilot survey was proposed partly as a result of the lack of confidence expressed by the Private Sector Office of the very basis around which private sector projects were designed. The PSO was not sure if the focus of the projects on credit, technical assistance and training; were guided by the needs of the private sector or by the convenience of AID and/or its implementing agencies.

Apart from testing the validity of the assumptions underlying USAID's private sector project design, the Pilot Survey was also designed to develop individual case studies including diagnoses of the business problems as identified from site visits. These cases (which include the diagnoses) provide a very good base of information on the problems facing businesses in the Eastern Caribbean. All of the cases are presented in Volume III of this report.

The pilot survey had as its primary goal the need to identify whether the best method establishing a baseline was a formal questionnaire based large scale survey carried out by enumerators or whether some other kind of effort were called for. The nature of key problems facing private sector businesses in the region as identified in the pilot survey would provide a very good guide as to the direction a survey should take. When problems are less easy to quantify such as the lack of knowledge or understanding of markets they are more difficult to capture in a restricted questionnaire format than the case where the problem is a

straightforward shortage of capital.

The pilot survey in effect would act as a guide for the future direction to be taken by the large scale survey not only concerning the design of the questionnaires and/or survey format but also whether the sampling should be totally random or purposive. If the result of the pilot survey indicates for example, that the inclusion of different types of formal sector trading establishments did not increase the breadth of information received than it may be worth while to focus only on manufacturing establishments.

As expected the results of the Pilot Survey has provided very useful answers to the issues discussed above. These answers are presented and discussed in Chapter 3.

1.4 Present Availability of Quantitative Data

The key variables identified for monitoring the health of the private sector in LBII's proposed monitoring system are volume of business, level of employment, exports by destination and distribution of businesses by subsector. Presently, there is no comprehensive source of quantitative base data on the state of the OECS economies with the exception of the 1980-81 Census of Population. Even that dated source is useful primarily for employment data. While many countries collect at various departments - customs, central bank, tourist department the movements of trade and tourism; it is unusual to find such data collated, analyzed and presented in a consistent framework. St. Lucia is making a major effort at developing such data and at the same time carrying out a comprehensive Census of Manufacturing and Trade but it seems to be unique among the OECS states.

1.5 Methodological Considerations

The primary methodological issues concern sample selection and stratification. The latter issue focuses on a need to divide the sample into two strata - formal sector enterprises and micro-enterprises. The need arises from the fact that procedures and projects to help informal sector enterprises and formal sector enterprises would necessarily differ - an assumption validated by the survey.

Rather than divide by size alone, though size is highly correlated to the criteria used, the micro-enterprises were stratified according to whether they were formally organized or not. One criterion used for formal organization was the somewhat elusive on of "bankability". This means that a business is able to get a loan from a commercial bank. This criterion is the one underlying the lending microbusiness development programs of the National Development Foundations in Barbados and the OECS States. In the experience of the Development Foundations this has been

quite a useful criterion in distinguishing microbusiness. It does not mean that the microbusiness which are "bankable" are not in need of other kinds of assistance geared to small and micro businesses but it does separate those in need of a complete package of help from those needing help in certain selected areas.

Another criterion was whether or not the business was listed in the business directory. The business directory criterion was defined as inclusion in the Caribbean Business Directory or membership of the Chamber of Commerce or the Manufacturers Association. It was decided that businesses which bothered to join the National Private Sector Associations or which took the trouble to have themselves included in the Caribbean Business Directory perceive themselves as having "arrived". This decision has been more or less supported by what we found in the course of surveying.

The "non-bankable" businesses were taken from the Development Foundation applicant lists. While these lists do not contain the entire universe of "informal" businesses in the country -it is believed that the list are reasonably representative of the target group. In small countries with educated populations such as most of the Eastern Caribbean states where the development foundations represent the only source of help for the small scale entrepreneur without connections to the formal banking sector the news is likely to travel quickly. The media and word of mouth advertising about the Development Foundations' assistance programs has attracted walk in applicants from all over the country. To check if the sample drawn from the development foundation list varied significantly from other micro enterprises, occasionally some other businesses were picked up at random. These randomly selected micro businesses displayed similar characteristics to those selected from the development foundation list.

1.5.1 Sample Selection for the Formal Sector

Master lists were developed of the "Formal" sector for Antigua, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines. The master lists were prepared from the membership lists of the Chamber of Commerce and Manufacturers Association and entries in the Caribbean Business Directory. These lists are presented in Volume Three of this report.

The master lists were ordered alphabetically and serial numbers assigned. A random number generator program was used to identify approximately seventy formal sector businesses in each of Barbados and St. Kitts & Nevis. Among these seventy, twenty seven were picked for Barbados and ten for St. Kitts and Nevis. The preference ranking was done in the order in which the random numbers were generated and businesses selected according to that preference ranking subject to the caveat described below.

In both cases some preference were given to manufacturers among the seventy randomly selected so that a sufficient number of production oriented businesses would be included to allow for useful analysis and comparism. Had this not been done the survey would have yielded very little useful information about the manufacturing sector, as the samples would have been heavily dominated the trading sector which is predominant in the region. Thus, any random listing is likely to generate a group of businesses heavily biased to the trade sector. The trade sector is the primary component of the regional private sector, and should be included but it is also important to focus on the future and consider production oriented businesses. This type of business should generate much higher levels of local value added than the trade sector. The long run goal of all development programs is to increase local value added per capita and the focus on the productive sector is necessary as it is an important element for future economic growth.

The problems facing the manufacturing sector are a good deal more complex than those facing the trade sector. To encourage future growth these problems must be understood and addressed. Thus, an adequate number of production enterprises had to be included in the sample to facilitate the diagnostic exercise. One long run negative consequence of this bias in sample selection is that the added usefulness of the results to the diagnostic exercise comes at the expense of not being able to use the survey results to set up an objective baseline. However, a cost effective way to remedy this has been proposed in Chapter Four.

1.5.2 Selecting the Sample for the Non-Formal Sector

The "nonformal" businesses lists based on the St. Lucia National Research and Development Foundation (NRDF) register were assigned numbers in chronological order. The chronological ordering taken in preference over the alphabetic ordering in this case since the entrepreneurs in many cases did not leave fixed addresses. By proceeding in chronological order it was always possible to identify the field officer who had worked on the case. The field officers were fairly easily able to identify the location of the enterprise.

Again a random number program was used to identify ninety candidates. During meetings with NRDF staff this list was reduced to twenty seven after eliminating all those that had never got underway or had gone out of business. Also, eliminated were those that did not strictly fit the definition of businesses such as steel bands and play schools. During the field work two of these twenty seven were dropped (because they were difficult to locate) and seven others added to get a flavor for businesses outside the NRDF lists.

1.5.3 Field Work

The Chambers of Commerce and Manufacturers Associations in Barbados and St. Kitts has already informed their members of the impending pilot survey. This helped in the field work which was undertaken in Barbados between May 11 and June 10. The interviews were prescheduled. RDO/C Private Sector Office staff including the unit Chief, participated in some of these interviews. Most businesses were willing to discuss their problems fairly openly and were willing in almost all cases to show the interview team their financial statements. They were fairly willing to talk about their debt and equity situation. During the interviews the team were able to identify basic problems through probing and follow through questioning which were in many cases not clearly evident to the proprietors or management. Case reports were written up almost immediately which form the basis of the analysis presented in this report. These case reports were edited to eliminate information which would identify business or the management and the edited versions are presented in Volume Two.

Field work in St. Kitts took place between June 15 and June 19. Interviews were prescheduled including two on Nevis on June 16. The interviewers received the courteous cooperation of all those interviewed. The consultant team was also able to meet with officials of private sector groupings, bankers and government official. These meetings were useful in developing the background to many of the responses made by the interviewees. The interview format was similar to that followed in Barbados. The interviews were written up as case studies. Identifying information was eliminated as far as possible without losing the flavor of the responses and these edited versions are presented in Volume Two of this report.

Field work for the non-formal sector took place in St. Lucia between May 20 and June 3. During this period the team interviewed about three microbusinesses per day on average. The team alternated between strictly administering the survey instrument and using it as a guideline. The most successful interviews were the least formal and free flowing ones. It seemed critically important to secure the confidence of the micro-entrepreneur by a free flowing discussion carried out in a relaxed and informal manner. The team wrote up notes describing the background, business strategy, sales and income for each microbusiness. Diagnostic notes were also developed. The cases presented in volume two are based on these notes.

C H A P T E R T W O

Results from the Pilot Survey of the Formal Sector

Results from the Survey of the Formal Sector

2.1 Introduction

As described in Chapter 1, the idea behind the pilot survey was to combine a basic informational approach which included pre-testing the questionnaire with a diagnostic exercise designed to delve deeper into the problems identified by businesses. The consultant team was charged with examining the symptoms demonstrated and identifying the root problem. In some ways, using the medical analogy - the exercise was like a general practitioner examining symptoms and probing behind them to identify problems which could then be examined and tackled by specialists.

The first week of interviewing yielded a history of corporate mistakes and failures, which gave the interview team a very good idea of the key issues to focus on in the rest of the interviews and also identify warning flags in corporate history. The team found early on that even in the units with well trained and experienced managers there was a lack of an effective costing system. There was also a general lack of knowledge of markets. The better management teams could identify these problems as the key ones while the less expert managers would sometimes start by talking about a lack of finance.

To focus the exercise, in all interviews and site visits, the consultant team pursued at length issues of finance, cost control and market knowledge. The team also explored all the issues identified in the original questionnaire such as training, technical assistance, and the politico-legal environment. In this last subcategory, the issue of financing severance payments was a critical one identified by businesses.

The results from the pilot survey provides very useful perspectives on the assumptions underlying USAID and other Foreign Assistance Programs targeted to the private sector in the region. For example, a very good illustration of this point is the preponderance of projects offering some kind of financial assistance. Yet in our pilot survey of the formal sector it was unusual to find businesses in which financial constraints were at the top of their problems though in many cases it showed up as a symptom of other underlying problems. To a lesser extent this finding held true in the case of the informal sector also as described in Chapter Three.

While reading the rest of this Chapter it must be borne in mind that the findings reflect field work carried out in Barbados and St. Kitts & Nevis only. The universality of the findings to the rest of the Eastern Caribbean, can only be tested through a large scale survey covering the other OECS states. As shown in this Chapter, the politico-legal framework has a significant impact on Private Businesses in the formal sector. Thus, as that framework

varies, the experience of Private Businesses is expected to vary in certain areas. The lists of businesses interviewed in Barbados and St. Kitts are given in tables 2-1 and 2-2. The original names have been changed and the figures given have been multiplied by a factor so that the actual numbers do not give away the identity of the business. However, the ratios of the figures should provide some useful information for analysts.

Tables 2-1 and 2-2 describe the nature of the firms in the sample. Note that all the names with one exception have been changed and the figures multiplied by a constant factor for each firm to hide their identity (the factor differs from firm to firm). The Barbados sample includes five purely commercial enterprises, one airline (regional) and five services oriented firms of which three are mainly dependent on tourism. The remaining eighteen are involved in some kind of production activities (though some of them trade as well) ranging from graphic designs to ice cream manufacturing. The St. Kitts sample included only two commercial businesses. The manufacturers varied from a furniture maker to one producing electronic components for aircraft. The consultants also interviewed the remaining electronic manufacturer though as that firm was not included in the sample it is not reported in the table.

Among the nine manufacturing firms (including the additional electronic firm) interviewed in St. Kitts & Nevis six export regularly to extra-regional markets and one of them also exported regularly to regional markets. Of the seventeen manufacturers interviewed only one exports regularly to extra-regional markets. Another one exports regularly to regional markets under a market sharing arrangement with its sister plant in Trinidad and Tobago. Three or four of the others occasionally export regionally-particularly to St. Lucia.

2.2 Financial Issues

A great many USAID and other donor funded programs focus on providing financial assistance. The interview team explored the need for financial assistance and the broad background financial picture. Even though in some cases initial responses indicated some need for financial assistance when such needs were explored the basic problem appeared to be elsewhere in the business. The in depth interview format allowed the consultants to probe beyond initial responses. It was found that most firms did not rate finance at the top of their list of problems. Even for the few that did do so, the financial constraints seemed to be the symptom of broader problems such as weak markets or poor cost control. As noted later in this Chapter these are key areas where technical assistance is likely to be useful.

The low priority awarded to financial constraints by the businesses interviewed in both Barbados and St. Kitts may partly be explained by the effectiveness of the local development banks. This may not hold true in other states, particularly in those

countries where the development banks are have been less effective. Furthermore, businesses already existing and with a record of transactions with various commercial banks are better able to secure financing. The same advantage does not apply to new ventures.

A discussion of financial issues needs to be built around three key variables - sources for investment capital, sources for working capital and the debt-equity ratio. The discussion on the first two will be focused around various financial institutions.

2.2.1 Commercial Banks and the Private Sector

The interviewers analysis of the information reported by the businesses indicate that existing **Commercial Banks appear to be responsive to financing the working capital needs of most established businesses with very rare exceptions.** Most such financing is in the form of overdrafts which are generally secured against the company's inventory or other assets. Very seldom were such working capital loans secured against the owner's personal property. When overdrafts rose beyond a certain point many firms converted them to term loans thus preserving a certain amount of flexibility in the overdraft themselves. Some businesses which had had a less than perfect record in their relationships with banks in the past or firms in a sector with high rates of defaults (such as garments) faced problems in securing overdrafts or letters of credit. In the latter case where the sector had a bad record but the firm had a good record some flexibility was shown by the bank but even so the sector's bad record impinged heavily on the firm.

In many cases Commercial Banks appeared to be willing to fund well thought out capital projects. The collateral requirements in many such cases extended to personal property when the business did not own much easily saleable property. The key variables that commercial banks used in financing such capital projects included a good long term relationship with the Bank. Even more important was a demonstration of the ability of the firm to market its proposed product or products. **Basically, no matter what the long term rate of return for the project is - the commercial banks focus on the short and medium term cash flow generated by the project.**

One issue that lay behind the setting up of alternative financial institution by donor agencies and governments was the heavy collateral requirements that commercial banks in their natural conservatism seem to demand. The pilot survey found that while in most cases firms would have preferred to would have preferred to receive loans without putting up personal assets as collateral, very few businessmen when questioned in depth considered the collateral requirement unreasonable. It must be noted that our sample includes **randomly chosen <u>established</u> businesses.** The firms have a history of relationship with one or more banks which related to their main lines of business. It is quite possible

case of venture capital type investment.

Another area of weakness that commercial banks are perceived to have from development financing perspective is the lack of willingness to extend long term loans. This reluctance probably springs from the short term nature of the funds held by most Banks in the region and a consequent unwillingness to allow a mismatch between the term structure of their assets and their liabilities. It was interesting that no firm interviewed raised the issue. On reflection this was not surprising as the issue seems to be a more or less an academic one for the commercial and manufacturing sector. Very few firms appeared to have financing needs that were of such a long term as to be not acceptable to their banks (the maximum length of financing that Banks would allow varied from firm to firm depending on their size and banking history). When such a need arose they generally went to the development banks.

One area in which the Commercial Banks did not seem to following a traditional role of bankers was in the area of advice that went beyond the immediate questions of the loan and overdraft. In one instance, they continued to let one of their clients pay duty on imported inputs which was to be used in the production of items for export without advising the client that all he had to do was to go to a special warehouse to buy these inputs duty free. This seems to be strange omission on the part of prudent bankers who should trying to make sure that they do everything possible on their part to improve the clients cash flow and consequent his/her ability to repay the loan. This is one area in which the development banks on the other hand have been very helpful.

2.2.2 The Role of Development Banks

The general perception of the Barbados and St. Kitts Development Banks by the businesses interviewed was positive. Businesspeople complained about excessive paperwork required and the time taken for initial loan approval. The time seemed to be longer if the project officer handling the particular case changed during the process. Both these banks seemed to have streamlined the process and are recently reported to have improved the response time.

Businesspersons however went on to add that the Development Banks were generally very understanding and helpful. One businessman noted that "- once they have learnt the color of your grandmother's underwear, they tend to move faster on subsequent financing applications." There seems to be little reluctance on the part of firms to return to the Development Banks for further financing. The development banks are also useful sources of information and assistance to help the business improve its practices.

Contrary to expectations, only two of the randomly selected firms in the formal sector sample appeared to be in default of payments to the Development Banks. Of these one had just been through a

refinancing and was expecting to be able to keep current on repayments. It must be noted that in Barbados at least there appears to be almost wholesale defaults in the garment sector and our sample picked up only one garment industry in Barbados which was in default. These favorable findings about the DFCs in a randomly picked sample shows that in Barbados and St. Kitts at least the DFCs are playing a key role in the development of the countries.

2.2.2 The Caribbean Financial Services Corporation

Few of the businesses interviewed seemed to be aware of the existence of the Caribbean Financial Services Corporation (CFSC). Of the businesses who were aware of it - none had received a loan though one was pending. The sample selected by the consultants of left out the tourist industry. A good many of the CFSC loans have been targeted to the Tourism sector, particularly in the OECS states. It is possible that if hotels and other tourist complexes had been included the findings would have been different.

An explanation for the low penetration rate may lie in the currency risks associated with lending in the EC dollar area because unlike Barbados where the Central Bank had developed a currency swap system under which the CFSC had a fixed rate buy back arrangement and could lend in Barbados dollars. In the EC Zone the CFSC is forced to lend in U.S. dollars and to minimize risks prefers to fund projects which earn foriegn exchange directly.

This 'buyback' arrangement allows the CFSC to lend in Barbados dollars without violating its charter or its contractual obligations to the donors of which USAID is the most important. In Barbados, the CFSC is free to consider projects even those proposing to manufacture products for the domestic market. It can thus focus on a wider range of projects and consequently has a better pool of good projects to pick from.

The absence of such an arrangement with the Eastern Caribbean Central Bank (ECCB) meant that lending in the EC area has to be in U.S. dollar making the CFSC wary about lending to projects which did not earn foreign exchange. There is an effective bias in favor of the tourism sector and manufacturers exporting to extra regional markets in CFSC lending to the EC dollar area. In St.Kitts & Nevis where the export manufacturing sector is internationally competitive and good deal of such industries are enclave industries financed by the home company - opportunities for viable loans in this sector are limited. Thus, the CFSC has had to focus on the Tourism sector in St.Kitts & Nevis. The situation may indeed be different in the other OECS states where the presence of externally financed enclave industries is less important.

A convenient solution to this problem lies in the establishment of a similar 'buyback' arrangement with the ECCB. However, the

ECCB has to report to seven governments and any decision of this nature has to explained to and accepted by all the governments. In the short run the CFSC could consider lending to some viable projects not earning foreign exchange since the EC Dollar is not overvalued at this point in time. Also, the foreign exchange reserves in the EC area seem to be growing rapidly. These two factors make it unlikely that the EC Dollar would be devalued in the near future reducing the exchange rate risk borne by the project. However, the reduced risk factor only applies to short and medium term lending - the exchange rate risk is always there for long term projects. As a private for profit corporation, the CFSC management has to carefully weigh these issues and decide if the benefit of diversifying its portfolio is outweighed by the risks in doing so.

2.2.3 Infrastructure for Productive Investment

The interview team came across some potential IPIP clients in St. Kitts and Nevis. They were generally those that wanted to build their own factory shells. There were not many investors who wanted to develop industrial estates.

However the legal code in St. Kitts and Nevis makes it very difficult for the private sector to build factory shells. The construction and management of factory shells with rare exceptions seems to be reserved for the St. Kitts Development Bank - a responsibility eventually to be transferred to the newly created investment promotion body. It is also true that many governments regard the control over land and land use an important source of political power. There is a consequent reluctance to let such a source of power pass to the private sector.

2.2.4 Debt-Equity Ratios

Contrary to the initial expectations of the interviewers, the debt-equity situation was found to be quite good for most firms though there were certain notable exceptions. Even more surprising was the number of businesses that plowed back their profits into the business. The consultant team even found businesspersons who had put their own assets into expansion rather than borrow the whole amount which they could have easily done on the basis of their order books at the time they planned the expansion.

2.3 Cost and Competitiveness

The cost structure of businesses is key to their competitiveness in both domestic and international markets. Early on in the interviews it became clear that cost control was to be a major problem. Thus, special care was taken to explore this issue in all interviews.

While it was not possible to estimate costs at every stage of the operation in a half day visit to the factory or store, it was possible to identify key indicators which from the history of many firms interviewed signaled upcoming problems. The consultants explored carefully if the management of manufacturing enterprises had a system under which it could identify costs incurred at every point in the production process. In case of the commercial sector special attention was paid to inventory and overhead costs. Far too many managers seemed to use average costs as a basis for determining prices and profitability. While this is not really a problem when the product sold/manufactured is a single item with no variations in style - the system does not apply to firms selling/manufacturing multiple products or even single products with some stylistic variations.

The trading sector exhibited little difference between Barbados and St. Kitts in the area of cost control. The differences in the manufacturing sector on the other hand were striking. Further observed were differences in the area of cost control between the purely enclave industries and those with some local participation.

2.3.1 Commercial Sector and Cost Control

The Commercial sector showed varying degrees of awareness of cost control. It was apparent that in most cases when the firms are profitable little attention is paid to inventory holding costs for specific items. These become a concern too late when the firm is in trouble. The turnover of many items tended to vary a great deal but the businesses which were profitable did not show any inclination to change their purchasing patterns. In one case it was clear that a change in purchasing patterns and inventory holding patterns would have increased profits by at least U.S. $100,000.

Some businesses purchased at the lowest cost possible but that meant in many cases that they purchased odd lots which included items that moved quickly as well as items that stayed on the shelves for a long time. The savings in initial purchasing may be more than eliminated by the increased cost of inventory holding.

Items on which high import duties were charged were reportedly subject to unethical business practices. For example, some traders allegedly, would purchase from suppliers who would reduce the amount on the invoices significantly sometimes by as much as 50%. Thus, the landed prices with duty for traders who followed such practices was significantly lower than that offered wholesale by the manufacturers' appointed distributors, although the base costs of the goods, actually paid by the unethical traders were equal or higher than those of the competitors.

2.3.2 Industrial Sector and Cost Control

The situation in the industrial sector with respect to cost control is much worse than the commercial sector. Many industries particularly those making multiple output items have no idea of the costs of individual items. They tend to use an average cost plus markup system of pricing for all their products. Sometimes as in the case of furniture the costs may vary significantly across lines of output and increased demand for the more costly products can move a firm from a profit situation to a loss situation.

This is one of the things that actually happened in the case of export orders for particular lines of furniture that the Barbados Furniture Trading Corporation received. Most manufacturers were unaware how much these lines would actually cost. Furthermore, they took no account of the cost of leaving the plant idle while they retooled for the export orders. Consequently, many firms taking part in that program were driven close to bankruptcy. These losses were in addition to those absorbed by the Barbados Furniture Trading Corporation itself which were fairly substantial in themselves.

The manufacturing sector in Barbados, tends to be less competitive from the point of view of cost than that in St. Kitts and Nevis. This demonstrated by their inability to compete in the regional markets in the same sector as industries in St. Kitts. (Of course there are exceptions)

Two factors have combined to produce the above situation. First, the domestic market in Barbados is larger making it possible for Barbados firms to survive solely based on the domestic market. This means that firms have the option of supplying the domestic market and not bothering about exports. Even without market protection, this is a profitable strategy since the marketing costs are lower and the mark-up can be higher. In Barbados the situation is made even more profitable by the second factor which is the ease with which local manufacturers can secure protection from the government. This protection while increasing profit margin also removes the incentive to be cost efficient further reducing the ability to compete in international markets.

An example of protectionism and price control combining to drive up both prices to consumers and profits of the trading houses who owned a manufacturing unit was found in Barbados. The trading houses sold raw materials to the factory at prices substantially higher than the factory could obtain elsewhere. As the Directors of the factory represented the trading houses, the plant management was not allowed to buy from other sources which were quoting significantly lower prices. The product being price controlled the price control authorities looked at the cost of production (including the higher prices paid for inputs purchased from the directors' businesses) and then added a markup on these costs. Thus, the manufacturing unit earned a reasonable profit

despite the inflated cost of inputs (in effect close to the maximum allowed under the price control regulations). Finally, to complete the cycle the same trading houses made added profits in distribution (earning close to maximum profits allowed under the price control rules to distributors). Such a situation would be untenable without the combined effect of protectionism and price controls. Presently, even with the 10% duty advantage offered to CARICOM products, the factory cannot compete in the regional markets against exports from outside the region. The consultants calculated that if the factory were allowed to buy its inputs from the lowest priced suppliers, it would become competitive on regional markets though not on extra-regional ones (the economies of scale are just too high in favor of North American producers).

While there are industries in St. Kitts which survive solely on the small domestic market these are rare cases. The St. Kitts manufacturers need to be competitive on international markets and have to control their costs better. One advantage that St. Kitts producers have is the more competitive exchange rate of the East Caribbean dollar. In fact with the notable exception of the processing of agricultural raw materials, industrial development in St. Kitts is a more recent phenomenon and has been spearheaded to a large extent by export products resulting in a necessity to be competitive from the beginning. Exports under "807" program also accounts for a major proportion of exports. This forces the labor costs in St. Kitts to compete directly against the labor costs in other countries. There is always the threat that if labor costs exceed a certain level, the market will go elsewhere.

Unlike the Barbados garment manufacturers the St. Kitts garment producers appeared continue to be competitive in regional and international markets despite the collapse of the Trinidad market. This is despite the fact that both groups had grown initially spurred on by the Trinidad market. The small market in St. Kitts forced the garment manufacturers to make hard decisions and removed the less efficient from business. In Barbados on the other hand many of them tend to limp along by supplying a semi-protected domestic market.

2.3.3 Cost Management in Enclave Industries

Contrary to expectations, the consultants found that some completely expatriate controlled industries appeared to be less aware of their costs than those with local participation in the same subsector. The sample covered all three electronics industries in St. Kitts - one totally expatriate controlled, another totally expatriate owned but run with mostly local managers and one which is a locally owned subcontractor. The consultant team also interviewed with other expatriate owned industries but no other sector was completely covered like the electronics sector in St.Kitts.

Part of the reason for the lack of good costing system could lie in the fact that the people in charge of enclave industries tend

to be "production oriented" as opposed to "management and finance oriented". The management seemed aware of the need to keep a grip on costs of various parts of the production process but had no system in place which allow them to do so.

Another reason lies in the nature of transfer prices used to move products between the U.S. entity and the "off-shore" entity- even when the "offshore" entity is a profit center the transfer price does not really provide a guide for cost control by managers of the offshore entity. When asked about prices and the profit margins the consultants were told that that depended on costs incurred. There was no target price fixed which the managers could work with. The only point of reference for these industries - particularly if all the management is expatriate is in the home country costs. Those costs for such labor intensive industries is quite high in say the United States. This would be acceptable if the only standard for cost competitiveness were the U.S. But as costs in the Eastern Caribbean keep rising the home companies may decide to relocate elsewhere.

2.4 Domestic and International Markets

The interesting marketing problems were found in the production sector. The principal marketing problems of the commercial sector focused on the purchasing end of the business though it was found that in some of the more successful commercial operations- little effort was being made to improve performance even though a lot could be achieved by doing so.

2.4.1 Marketing Issues for the Commercial Sector

Both St. Kitts and Barbados tend to have the markets dominated by major trading houses which tend to be wholesalers as well as retailers. Other traders have to operate in view of this market structure.

The lay out of many stores, even those making substantial profits could be significantly improved. In many retail establishments stocks were thrown about the store in a haphazard manner making it difficult for customers to access what they needed. Some stores which have a good reputation for a certain line of products seem display these products prominently in the area most accessible to customers. Customers come to these stores for those lines in any case. What should be emphasized in the display should be the products for which the store is less well known particularly the more profitable lines. Thus, customers coming in to buy products for which the company is well known will see the other products offered and sales in these lines should go up without any consequent reduction of sales in the well known lines. The additional investment costs of reorganizing the interior of these stores should pay off in increased sales.

On the purchasing side, most traders complained of inadequate shipping links from many attractive sources. Consequently, goods had to be purchased from more expensive sources or pay very high transport costs.

2.4.2 Markets and Manufacturers

Manufacturers in Barbados frequently and vehemently refered to "unfair competition" from exports and stating their need for protection. Some of these same businesses also felt strongly about the "unfair trading practices" by Trinidad.

The biggest crisis to the manufacturing sector in Barbados came as a consequence of the effective closure of the Trinidad and Tobago market which had become the mainstay for Barbados and to a lesser extent for other Eastern Caribbean producers. Following the collapse in the world oil prices, the boom in Trinidad collapsed. The government eventually responded by a set of drastic measures which included a sharp devaluation of the T&T Dollar as well as license arrangements which were effective non-Tariff barriers. Even those manufacturers who had managed to penetrate the Trinidad market following these changes often faced other problems such as the collapse of business houses that had initially purchased their output. This meant that in some cases they were not paid even after the delivery of goods. The heavy dependence on the Trinidad boom left many manufacturers particularly those in Barbados in a situation where they were forced to rely on the domestic market. The effect was particularly borne by the furniture and garment industries. Due to their high marginal costs, they were unable to penetrate other markets.

Complaints about the closure of the Trinidad market were also made by St. Kitts manufacturers, but they seemed to have adapted to supply other OECS countries and unlike many Barbados manufacturers appear to be competitive in these markets. The reason for this difference has been cited earlier. On an overall basis the dependence of the St. Kitts manufacturers on the Trinidad market had always been minor.

Another regional market that was effectively closed was Jamaica following a sharp devaluation in the value of the Jamaica dollar. Jamaica however had never been a major market for Barbados and other Eastern Caribbean producers in the manner Trinidad had been. The problems that stemmed from this devaluation were due to the consequent increased competitivity of Jamaican products in the other CARICOM countries.

Support for protectionism gathered momentum in Barbados as a response to the moves by the T&T and Jamaica governments. Like most protectionist policies they gave rise to spate of counter policies which in the long run ends up making all the countries worse off. At the same they end up making the protected manufacturers even less competitive internationally.

Manufacturers who seemed to understand their products and the nature of their markets, did not face much trouble in adjusting to changes brought about the Trinidadian moves. These kinds of businesses were few and far between.

2.5 Enclave Industries in the St.Kitts & Nevis

2.5.1 Present Situation

With a more competitive exchange rate and lower wage rates St. Kitts has been a more attractive location for manufacture of goods for U.S. producers under the "807" program than Barbados. There are also other reasons which explain why St. Kitts is better able to attract U.S. firms under the program. Barbados also could be perceived to have "graduated" in the development sense from low labor productivity industries to those with a higher productivity.

Government officials, expatriate managers, and local businesses credited the PDAP project with a major role in attracting businesses to St. Kitts citing in particular the efforts of the present advisor and her immediate predecessor. Most of those interviewed also argued for an extension of the program in view of present activities.

2.5.2 Future Strategy

The success of attracting enclave industries and joint ventures notwithstanding some basic issues arise from a tightening of the St. Kitts labor markets which need to be considered. As a consequence of the growth of the tourism sector combined with the growth of the manufacturing sector has put a significant upward pressures in wages. In the long run low labor productivity (hence low wage) industries will no longer be viable in St. Kitts & Nevis. A basic shift towards attracting higher labor productivity industries has to be made. This is the kind of shift that Barbados has already started to make in spite of the relative disadvantage resulting from it's less competitively priced currency. St. Kitts & Nevis will have an advantage in its exchange rate but faces a disadvantage in the relative lack of well trained labor force like Barbados. On the other hand growth of higher paying jobs at home may attract back Kittitians and Nevisians currently working outside the country.

2.6 The Regulatory and Tax Environment

Generally, businesses reported favorably on the attitude and practices of government with certain exceptions notably in the area of land sales or leases. Government was reported to be responsive to the needs of businesses and received delegations of businessmen whenever they wanted to see government ministers. The businesses interviewed in Barbados expressed general satisfaction with government policy regardless of which party was in power.

They also expressed satisfaction with the recent tax changes though in some individual cases they complained of the consequent increase in indirect taxes.

The principal complaint expressed by the business community in St. Kitts was the high marginal rate of corporate income tax (50%). They argued that this rate was a major disincentive to many businesses who are not receiving tax holidays. Some expatriate businesses receiving tax holidays expressed the opinion that if the tax holiday were not extended and the marginal tax rate remained where it was now - they would relocate elsewhere.

One area in which businesses both in St. Kitts and Barbados reported having problems with government agencies was in the acquisition of land for business premises, particularly factory sites. Part of the reason for this problem may be the historic perception of control of land as a source of power or prestige or both. The problem is also common in small islands where land is a scarce commodity and a great many controls are placed on its usage. Such controls are essential in terms of preserving the quality of the physical environment and to ensure that sites suitable for higher valued usage are not turned into things like dumpsites. Nevertheless, such controls slow down the investment process and may force an enclave industry to relocate elsewhere.

The consultants encountered an example where an industry producing high valued products for the U.S. market wanted to extend its plant facilities and employ another 300 workers in a community with few job opportunities. The firm already imported machinery for investment and had planned to use an adjacent site. It reported that the government kept delaying saying that an industrial estate will be built and the firm should wait. According to the management proposed site did not even have an access road and it would be at least a year before anything could be set up. Meanwhile orders have to be met, the existing plant is functioning at full capacity and cannot be used to supply the pending orders.

The above example appears to represent a situation where government controls on land usage will probably eventually cost the country over 300 relatively well paid jobs (not counting the other jobs created in the community to supply the needs of the three hundred newly employed factory workers). While the interviewers did not learn the government's side of the story, without arguing against the need for controls on land usage, there is an obvious need streamline the bureaucratic red tape and consequent procedural delays would seem necessary.

2.7 Labor Relations

Labor relations presented significantly different problems in Barbados as opposed to St. Kitts. The differences resulted from

two factors - the regulatory environment and the interaction of demand and supply.

2.7.1 The Regulatory Environment and Labor

Most businesses in Barbados complained that the labor laws were too "pro-labor" in their fringe benefit requirements, adding however that due to this emphasis in the laws union negotiators hardly ever asked for benefits that were not already mandated by the law. This standardization of fringe benefits of course keeps labor negotiations simple. The legislation may have the effect of increasing actual labor costs though that is by no means evident or certain.

Even in St. Kitts where the trade union movement constitutes the political opposition and the government is perceived as not being friendly to the trade unions, businesses suggested that the framework of labor legislation including the changes made by the present government had a "pro-labor bias". Some of the complaints may be focused on laws passed in reaction to the problems of industries closing down and workers being abandoned without any notice. Other reasons for such legislation may be reports of harassment of workers. The government may also be trying to demonstrate that while it was at odds with the organized unions, it was still a friend of labor.

2.7.2 Impact of Severance Pay Laws on Employment

The method used for financing severance payments in Barbados came under severe criticism by all sections of the business community (businesses are required to pay a months pay for every year worked once an employee has been employed for over two years with no upper limit). Two major criticisms were cited. First, the pressure was being placed on businesses just at the time when they are being required to make economies by reducing staff and can afford it the least. Another criticism and potentially more serious is that businesses claim that as a consequence of this law they are forced to lay off workers at the end of two years whose performance is on the borderline and who probably would have been given the benefit of doubt and kept on in the past. This increases the overall unemployment rate and keeps the worker from acquiring skills which would have made it easier for him/her in the labor market in the future. The long run effect is likely to be an increase in structural unemployment. A class of chronically unemployed or intermittently employed people will be created. This has grave social and economic consequences.

In St. Kitts the severance pay is financed by a one percent payroll tax and worker disability payments by another one percent payroll tax. The law came into effect in 1986 - however workers are not eligible for benefits from this fund until 1991 allowing the fund time to build up. If payments need to be made in the intervening period, either an excessive burden may be placed on

general government revenues or workers will have to go without the benefits. The result is that workers in industries where employers provided little or no benefits gained. On the other hand those working for conscientious employers lost out in the process as the quality of the privately financed care had been better than the care provided in public facilities. More importantly a worker who is injured, may not know who to contact for compensation and end up paying from her meager resources. One employer who continued to provide medical care for his/her workers even after the law came into effect was pressurized by other employers to stop doing so.

2.7.3 Labor Demand and Supply

A key to understanding labor markets in the Eastern Caribbean is a knowledge of the demographic variables affecting labor force. The decline in fertility a decade or two ago implies that the actual number of new entrants to the labor force each year is on the decline. The problem is exacerbated by the out migration of the working age population to North America and elsewhere though sometimes these migrants return with useful skills and set up businesses.

Despite the above mentioned demographic trends, the employers in Barbados did not report significant problems with recruitment. However, the reverse was true in St. Kitts - manufacturers in particular reported major problems in recruiting staff and reducing absentee rates. This is attributed to the fast growth of employment in tourism where the nature of work permits the workers to vary the pace and take occasional unscheduled breaks. Another factor is a negative image of the manufacturing sector.

A few employers in St. Kitts reported no trouble in recruitment. These were those that provided a significantly better package of pay and benefits. Even they reported problems in getting workers to work late shifts as many were female heads of single parent families.

It is rather common to find a preponderance of female heads of single parent families in the industrial work forces of the Eastern Caribbean. Most employers still plan and think in terms of workers with little or no responsibilities for the rearing and caring of children. Institutional changes are required to deal with the situation in the region. This requires a radical rethinking of the concept of an industrial estate. Facilities not normally required in estates employing the "traditional" worker (if he ever existed in the region) must be provided. An example is a nursery plus day care center. Some employers expressed willingness to pay for partial costs of operating a nursery in the industrial estate were the authorities to provide the physical facilities. They believe it will reduce absentee rates and increase the willingness to undertake late shifts. Changes such as this will be necessary, if the objective is to continue with the growth of industry in the region.

The age structure of the population in St. Kitts and Nevis indicates that labor supply problems will remain specially if the tourist industry continues to grow. Innovative arrangements such as nurseries in industrial areas will be needed, if the manufacturing sector is to continue to grow. Also necessary is a switch to more productive machinery i.e. more capital intensive production.

2.8 Training and Technical Assistance

The consultants identified several areas of action for donor funded training and technical assistance programs. The areas of need were identified in discussions with members of the business community. These are based on findings from Barbados and St. Kitts & Nevis. Some changes in priorities may be necessary for the other OECS states.

It should be noted, that with a few exceptions which may be explained by the constraints under which the SEA Project operates in Barbados, the overall impression of the responsiveness and effectiveness of the CAIC administered technical assistance and training programs was very good. The occasional responses about BIMAP were also positive. But nevertheless most businesses, stressed that the most useful type of Training and Technical Assistance would be of the types described below.

2.8.1 Training Needs

The most common form of training demanded seemed to be of the type where a trainer with a great deal of experience in that line of business would work closely with workers on the factory and shop floor for a period of time. Professional trainers role in such cases would be limited to organizing and providing pedagogic tips to the specialists. This form of training can be organized within the framework of existing programs. What is needed is a specificity of focus and a search for specialists with a lifetime of such "factory floor" experience. The RDO/C funded training program at the CAIC has already had experience in providing such people. What may be required is an expansion of that aspect of the CAIC training program.

The other form of training which seemed to be necessary was on the job training at existing businesses in a different environment. For example, a metal furniture maker would like to work for a few months at a posturpedic furniture plant in the U.S.. In most cases the businesses seemed willing to bear partial or total costs of such programs from own resources. A program to arrange contacts and to partially fund those people who cannot afford to bear the total cost of such a program on their own would be very helpful and have an important impact on the regional private sector.

2.8.2 Areas for Technical Assistance for the Private Sector

The principal area for technical assistance at the level of individual businesses seemed to be in the area of general and cost management. The most appropriate type of assistance seems to be most effective is of the type provided by the Executive Service Corps. Someone with a great deal of experience in a particular line of business can make a major impact working closely with the local firm's managers and production supervisors. Such an individual can be brought in to spend some time at several firms in the sector. He/she can then develop systems, working with the individual firms staff. These systems can be then implemented by the firm itself. As the local staff will have worked in the developing the system, they will be aware of its structure and be in a position to make any changes should that become necessary.

Marketing is an area where a great deal of technical assistance can be extended both at the level of the firm and at the macro level. Many firms are unaware of basic marketing methods and seem unable to even understand the basic nature of their markets. Those few firms that seemed to aware of the nature of their markets and their own strengths and weaknesses vis a vis their market seem to have little trouble developing their business strategy. The others keep floundering as they rely on trial and error to survive.

At the macro level studies of export markets and assistance in making contact with destination country buyers would be very useful. Such assistance could be made available through the local chambers of commerce to any businesses wishing to explore and penetrate export markets. Those most likely to benefit are the smaller businesses who do not have the resources or expertise to explore external markets. Because small businesses are less well informed of the possibilities for receiving help, they need to be actively sought out. They are quite aware of the advantages of such assistance in marketing. Once the small businesses are well informed of the availability of this type of assistance, they will ensure that they benefit from it.

2.8.3 Technical Assistance to Governments of Importance to the Private Sector

An area of technical assistance to the government which would be beneficial to the private sector would be assistance in restructuring the various severance pay and disability payment schemes so that they are financially viable. The schemes are currently designed as 'pay as you go' systems rather than 'fully funded' ones. This puts enormous pressure on the individual firms (or in St. Kitts -the government) in times of crisis.

As presently constituted the Barbados scheme imposes very high extra costs on employers who fire/lay-off workers while the St. Kitts scheme imposes no extra costs to those employers that

actually fire/lay-off workers. In Barbados there is a direct cost each time an employee is fired/laid-off, while in St. Kitts once the 1% payroll tax to cover severance pay is paid up there are no additional costs even to those that fire/lay-off more often than others. Thus, the employer in Barbados tends differ in the way he/she hires or fires/lays-off staff from the employer in St. Kitts and Nevis. The method of funding the system by itself generates decisions to hire and fire/lay-off which are quite distinct from decisions based on business strategy.

The payroll tax of one percent to cover health and disability removes the responsibility from employers to operate a safe environment. It does not mean that employers will immediately pay less attention to safety but when budgets are tight there would be a tendency to do so.

A private profit making insurance scheme would tend to reduce excessive burden on employers and by charging differential premiums could impose extra costs on employers who tend to dismiss workers frequently. The same is true of disability insurance where employers who pay attention to worker health and safety will benefit from lower premiums. Donors may even consider putting some seed money into such a scheme as has been done in the case another private financial institution the CFSC.

2.9 Considerations for the Future Program

The results from Barbados and St. Kitts & Nevis would indicate that in these countries at least programs offering financial assistance would not seem to be a priority need for businesses already established. It is possible to envisage a need for venture capital types of projects which encourage the development of new lines of business. Furthermore, the situation may be different in the other countries not yet surveyed.

On the other hand specific types of training and technical assistance programs as outlined in the preceding section would be very useful to the private business community. The present programs could start serving these needs with a minor amount of refocusing of priorities.

It was apparent that the politico-legal environment and labor market issues were fairly prominent in the minds of the private businessmen. Furthermore, certain macro economic types of adjustments affecting international competitiveness would be useful. Projects oriented towards changing the policy environment would go a long way towards helping the private sector in the region.

All these issues would be considered in the Second Program Report that LBII is due to produce under this contract. By the time that report is prepared the next phase of the database effort should have been completed.

COMPANIES IN BARBADOS

TABLE 2-1

NAME OF COMPANY	TYPE OF BUSINESS	SALES/REVENUE INFORMATION: YEAR AND/OR SOURCE	SALES/REVENUE INFORMATION: TOTAL SALES IN BD $	EMPLOYEE INFORMATION: CATEGORY	EMPLOYEE INFORMATION: NUMBER OF EMPLOYEES
1. S.J. ANDREWS & CO. LTD.	1. PHARMACY	1986	2470000	TOTAL	19
2. C.O.D. & CO. LTD.	2. FURNITURE PRODUCERS	1985	1200000		105
		1986	255000		
		1987	1050000		
3. REFRESHMENTS UNLIMITED CO. LTD.	3. BOTTLING	1985	13000000	# OF SALESMEN	20
		1986	13240000	# OF VENDING OUTLETS	60-70
				# OF EMPLOYEES	180
				# OF PERMANENT STAFF	162
4. BARBADOS REAL ESTATE LTD.	4. REAL ESTATE	TOTAL 1986	348290	PERMANT STAFF	105-110
		--PROPERTY MANMT. FEES	176400	HIGH SEASON ONLY	140
		--RENTAL COMMISSIONS	88290	REAL ESTATE SELLERS	7
5. BAJAN HANDICRAFTS	5. SOUVENIR RETAIL STORE	1986	2500000		50
6. COOLCO LTD.	6. ICE CREAM MANUFACTURER	1986	5722500	FULL TIME	90
				PART TIME	15-20
7. JOHNSON & EVERETT LTD.	7. WHOLESALER/RETAILER OF BUILDING SUPPLIES	ESTIMATED 1987	29400000	TOTAL	50
				OFFICE ONLY	7
				DRIVERS ONLY	6
				VAN ASSISTANTS ONLY	6
				WAREHOUSE STAFF ONLY	31
8. BWIA	8. AIRLINE COMPANY				
9. PASTA INC	9. PASTA MANUFACTURER	1986	7000000	TOTAL	72
10. PIONEER PHARMACY	10. PHARMACY	1986	805000		9
11. OFFICE OUTFITTERS LTD.	11. MANUFACTURER/RETAILER OF OFFICE FURNISHINGS	1986	3200000		46
12. LITTLE & CO. LTD.	12. HOLDING COMPANY (VIDEO SHOPS, EQUIP. RETAIL, FLOOR SANDING, CINEMAS)	TOTAL 1986	3500000		
		BAJAN MARBLE ONLY	ABOUT 630000		
13. MEATY DELIGHTS LTD.	13. MANUFACTURER OF PROCESSED MEATS	TOTAL 1986	804000		16-17
		CHRISTMAS SALES ONLY	455000		
14. FEENEY & CO.	14. FURNITURE MANUFACTURER	AVERAGE PER MONTH IN 1986	25000	CURRENT TOTAL	4
		UNIT RETAIL PRICE	3600	POTENTIAL TOTAL	ABOUT 10
		UNIT MANUFACTURER PRICE	2290		
15. JOY RATTAN	15 RATTAN FURNITURE MAKER	AVERAGE PER MONTH IN 1986	45000		8
16. PRINTING ENTERPRISES	16. PRINTING SERVICES	1986	ABOUT 760000	TOTAL	18
				PRODUCTION STAFF ONLY	10
				OFFICE STAFF ONLY	8
17. SURF 'N SAIL LTD.	17. WATERSPORTS COMPANY	TOTAL 1986	243750	TOTAL	31
		--SUNRISE BLUFF	120000	BEACH 'N SUN LTD. ONLY	22
		--WHITE SANDS SHOP	130750	SURF 'N SAIL	9
		--SURF 'N SAIL WATERSPORTS	7312500	WATERSPORTS ONLY	
18. BAJAN GASES	18. LIQUIDE CARBON DIOXIDE PRODUCER PRODUCER	ESTIMATED 1987	1275000	TOTAL	15
				OVERHEAD STAFF ONLY	5
19. HENRY DESIGNS	19. ARTISTIC DESIGN WORK (T-SHIRTS, POSTERS, SIGNS, ETC.)	ESTIMATED 1987	250000	TOTAL	3
		1985	125000	FULL TIME	2
		AVERAGE BEFORE 1985	375000	PART TIME	1
20. PIZAZZ LTD.	20. GARMENT MANUFACTURER	TOTAL 1984	990600	TOTAL	ABOUT 15
		--EXPORT	413400		
		--LOCAL	577200		
		TOTAL 1985	413400		
		--EXPORT	243100		
		--LOCAL	170300		
21. HUMAN RESOURCES	21. HUMAN RESOURCES DEVELOPMENT	1986	12000	TOTAL	1
22. CARIB FITNESS CENTER	22. HEALTH CLUB	1984	202000	TOTAL	5
		1985	223600		
23. SOLAR	23. SOLAR POWER SYSTEMS	1986	ABOUT 250000		
24. MARBA PRODUCTS LTD.	24. CULTURED MARBLE PRODUCERS			TOTAL	10
25. BAJAN TOURS	25. ISLAND TOUR OPERATOR	1986	800000	TOTAL	7
26. H.C. PEARCY & CO.	26. TRADING HOUSE			TOTAL	75
27. NOVELTY FURNITURE	27. WROUGHT IRON FURNITURE MANUFACTURER	AVERAGE PER MONTH IN 1985	55000		
		OWNER'S ESTIMATED 1986 MONTHLY SALES	2500		
		CONSULTANTS' EST. 1986 MONTHLY SALES	40750		

Notes:
1. All the names of businesses above have been changed except for BWIA
2. All figures presented above have been multiplied by a factor which varies from business to business.

TABLE 2-2

COMPANIES IN ST. KITTS

NAME OF COMPANY	TYPE OF BUSINESS	TOTAL SALES IN EC $	NUMBER OF EMPLOYEES
1. KELCO CO. LTD.	1. CAP MANUFACTURER	1240000	104
2. DATA CO. LTD.	2. DATA PROSESSING	940000	76
3. CLOTHES MANUFACTURERS LTD.	3. CLOTHES MANUFACTURING	4000000	90
4. HAMLIN VARIETY STORE	4. VARIETY STORE	2000000	40
5. ADEL LTD.	5. TRADING HOUSE	40000000	600
6. NEVILLE BUILDING ENTPRS. LTD.	6. CONSTRUCTION COMPANY	96000	3
7. ELECTRONICS LTD.	7. TRANSFORMER MANUFACTURERS	2800000	400
8. GLEN CO. LTD.	8. MUFFLER MANUFACTURERS	700000	16
9. NATIONAL ENTERPISES LTD.	9. ELECTRONIC PRODUCTS MANUFACTURER	5600000	480
10. JOBAL ENTERPRISES	10. FURNITURE MANUFACTURER	240000	12

Notes:

1. Sales assumed equal to the sum of estimates of annualized wages and overheads in those companies which are pure enclave compan
2. All names of firms have been changed to protect identity.
3. All figures have been multiplied by a constant which varied from firm to firm

C H A P T E R T H R E E

Results from the Pilot Survey of the Informal Sector Microbusinesses

Results from Survey of Microbusinesses

3.1 Results from Microbusiness Survey

In selecting a pilot survey group of microbusinesses many definitions are possible. For some the key distinguishing characteristics is the number of employees and/or the level of fixed assets used in a business. For others the distinguishing features are the extent to which a business is linked, or more appropriately in the case of microenterprises, detached from formal marketing, input suppliers, and financing institutions. In the case of this pilot survey, the leading criterion used was the enterprises' inability to obtain credit from commercial banks- this could termed bankability. As such the majority of the businesses were drawn from a list of businesses that had at one time contacted the National Research and Development Fund - a fund that only lent to those businesses deemed "unbankable" by commercial banks. In addition, a number of businesses that never approached the NRDF were also contacted. In this manner the survey sought to include businesses that were unbankable and/or unaware the availability of non-commercial banking funds.

Use of the above criterion of "bankability", lead to the selection of firms which could be considered microbusinesses from a number of points of view. For the most part, the businesses interviewed were considered suitable for NRDF loans because they had fixed assets valued at less than $20,000 and employed less than fifteen people. In addition, none of the businesses are listed in the Caribbean Business Directory nor are they connected with any formal sector distributors or wholesalers. Other distinguishing characteristics include: the lack of any bookkeeping records,a limited product line, and a limited customer base.

Using the above criteria the survey team interviewed a total of thirty-two microbusinesses. Seven of these businesses had never contacted the NRDF, and in most cases had never heard of the NRDF. The remaining twenty-five had both contacted and heard of the NRDF. Despite this difference, however, there were few differences between the NRDF and non-NRDF businesses. In terms of entrepreneurial motives, comparative advantages and pertinent problems, the two groups exhibited similar characteristics. Perhaps the only difference was in sources of financing. More so than the NRDF, the non-NRDF group appeared to be either completely uninterested or incapable of getting loans, or had some family contact or friend who was willing to provide them with a loan. This tendency can perhaps be used to explain why the non-NRDF group had never contacted or heard of the development fund before. The ability to secure financing through informal channels has been a historic reason explaining the setting up of informal businesses.

"Profit Maximization"

Click, however, prefers to assume rather than delegate responsibility. Also, Click' primary concern is not to just increase his net worth. One gets the impression that Click, despite his sharp sense to see market opportunities, does what he does for the pleasure as much as the money. When asked why he plans to sell his house at the price he originally paid for it eight years earlier rather than at the appreciated market price Click commented: " I got spent a lot of happy years in that house, now its time for someone else to enjoy it at a reasonable cost."

Excerpt from Microbusiness Case No. 7

3.2 Classification of Businesses and Markets

Out of the thirty-two microbusinesses interviewed fifteen were in the service sector, ten in some kind of cottage industry and seven in some form of retail operations. Specifically, as shown in table 3-1, the breakdown of businesses were as follows: five tailors/seamstresses,five joiners, and three each of autobody/ tire repairs, and bakers. Other microbusinesses interviewed included : two grocery store owners, one winemaker, one sea moss producer, one sea moss distributor, one pre-school, one typewriter repairman, one photographer, one van driver, one straw handicraftswoman, one rum shop owner, one restaurant owner, one hair dresser and one blockmaker. For the most part, the above businesses are positioned in what could be called a "mature" market. That is, close to two-thirds of the businesses are in markets characterized by low growth , high competition, low profit margins, and a limited ability to differentiate their product line. Less common were those businesses that are in "semi-mature" markets. Those are businesses which are characterized by some technological barriers to entry , and thus enjoy potentially higher profit margins (photographer,electronic typewriter repairman); or are spin-offs of the previously mentioned mature markets and due to technical skills provide higher profit margins and face less competition (fashion design sewing classes, combination woodcraft-joiners). Finally, there are four businesses operating in relatively "new" markets in which their are few producers and/or the product/service is relatively unknown by the potential consumer (wine making, sea moss producer and distributor, soya bakery).

3.3 Business Strategy

Essential to understanding the constraints and opportunities facing microbusinesses is first developing an idea of the goals

of the microentrepreneurs. Often analysis in this area jumps to determining only what the future outlook of the businessman is. That is, does the microentrepreneur seek to maximize profits, minimize his risks, expand market share, prevent competition from entering his market, or diversify his product/customer base. In coming to these conclusions, however, it is useful to first determine the motives for establishing the business in the first place.

"Long Term Strategy"

Harries makes a good living off his sea moss business and he has little ambition to tinker with it. In general,Harries's strategy is to keep his business as simple and routine as possible. His ambitions are straightforward--make enough money to be able stock up on beer, buy some good music and have enough free time to play dominoes.

Excerpt from Microbusiness Case No. 12

During the course of the survey a wide variety of start-up motives were offered. As shown in Table 3-2 motives ranged from people seeking to exploit an opportunity to continuing a family tradition to seeking independence from a formal salaried work environment. While not always accurate, the microbusinesses surveyed seemed to be divided between those microentrepreneurs who actively developed a business opportunity and those who more passively "fell into" their businesses. About 25% of the micro-businesses were started because of what was perceived as a profitable market opportunity (active motive). Second most common, and in most cases, a more passive motive were those microentrepreneurs that were continuing doing what they were apprenticed in or were following a family tradition. Third was a group that combined both of the above characteristics. This group consisted of people trained overseas who then came back to St. Lucia to practice and exploit what they consider their superior skills in the local economy. Finally,there was a group of people that either retired,quit or were fired from a salaried job and had to do something else for a living. This fourth group combined both active (have to be own boss) and passive (no other options) motives.

From the above classification one gets a preliminary idea of what the microbusiness person's attitude toward risk and future development of his/her business would be. As shown in table 1, the microbusinesses were fairly evenly divided among three risk categories: risk-averse,risk-neutral, and risk-seeking. In loosely defined terms, risk was defined as the micro-entrepreneur's attitude toward any change in the product line, targeted customer group, and/or use of resources. Those with little or no desire to change were classified as risk-averse. This group of microbusinesses generally wanted to maintain their

regular customers and possibly get some better equipment to sell a little more of their product/service to those customers. The risk-neutral group consisted of those businesses that were willing to adopt some changes in their production process in order to effect higher growth and attract new customers. Finally, there was a group of microbusinesses that seemed perched on the informal-formal sector ledge and were seeking to expand their clientele base (go from the local market to national/regional market) and diversify their lines of business. This group was classified as risk-seeking since they required increased capital investment and had to incur higher fixed costs in order to increase their product/market scope.

3.4 Market Structure

3.4.1 Production Orientation

For the most part the production process of the microenterprises surveyed fell into two categories: reaction/demand oriented and action/supply oriented. The former category consists mainly of producing a good after the customer requests it (especially in the case of tailors and joiners), while the latter category includes those businesses that produce goods **before** any particular customer requests it. Corresponding to above findings on business strategy, more than half of the microenterprises have a reactive/demand orientation and are either unwilling (risk-averse) or unable (lack of capital,no store outlet,etc.) to alter their business orientation. The remaining microbusinesses have more of a proactive/supply oriented mentality and are actively promoting or planning to promote their products in stores and/or larger national and regional markets.

3.4.2 Market Orientation

Due to the market structure very few of the microbusinesses have a monopoly on their potential customer target area. On average each microenterprise faces one to three competitors in his/her targeted market. As shown in table 5, however, very few of the microbusinesses suffer from what could be viewed as too much competition. Most of the businesses in the survey either are able to coexist with the competition or have targeted a different niche from their competitors. For example, in the case of grocery stores and tailors, most of these microbusinesses have established a regular clientele base that because of loyalty would never switch to other "neighborhood" grocery stores and tailors. In only a handful of cases, did the microbusinesses surveyed suffer a drop in sales/revenue when a new competitor entered the market. This was especially common with tire repair shops.

3.4.3 Customer Base

During the course of the survey the microbusiness owners tended to refer to their customers as "regular", "from around the city",

3.4.6 Sources of Inputs

Except in three cases, all of the inputs for the microbusinesses come from local suppliers. The exceptions are in the hairstyling, soya bakery, and photography businesses which depend on imports for their primary materials. In terms of local sourcing of primary materials most use materials produced or grown outside St. Lucia. As for the type of supplier--wholesale versus retail--again, all of the businesses except six depend on retailers for their inputs. Only in the food related businesses (restaurant, grocery stores, and rumshops) and in a couple of the larger tailoring businesses are microbusinesses buying from wholesalers. All the other businesses either do not have the working capital to buy in bulk, or do not require any larger purchasing schemes.

3.4.7 Distribution Channels

More than 75% of the microbusinesses rely on direct selling of their product. This includes selling through established store fronts, street side garages, informal shops in the microentrepreneur's house and street vending. These include all of the autobody repair shops, bakeries, grocery stores and tailors. The remaining six microbusinesses sell their products through the following types of intermediaries: market vendors ,formal sector retailers , and licensed street vendors . The microbusinesses dependent on these intermediaries are the sea moss producer, the straw handcraft maker, a high fashion seamstress, a couple of the larger joiners, and the winemaker and straw handicraft maker. The linkages with the formal sector retailers were found in a couple of the better joiners and the winemaker.

"Marketing Network"

The business is at a critical transition stage between being considered an informal micro-enterprise and a formal winery. While St. Prix will have little difficulty in bridging that gap it is difficult to envisage a continued dynamic role in the new set up for the originator of the project, Harry Jack. Still, it is important for Jack to stick with St. Prix since his entrepreneurial skill and experience is indispensable for the continued success and future expansion of the venture. In order to ensure consumer acceptability the winery will have to maintain high quality standards. These standards are not uniformly in place, and as such the quality of the wine is not consistently of high quality. Finally, if the wine does sell well, it is not certain that Jack and winery will be able to match projected demand for the product.

Excerpt from Microbusiness Case No. 8

3.4.8 Locational Factors

Besides the skills that the microentreprenuer possesses, one of the most important comparative advantages enjoyed by close to half the microbusinesses is the location of the business (see Table 3-3). This is especially true for those businesses that focus on neighborhood clientele. In those markets the location of the business near its clientele , and the corresponding lack of competition in an area, prove to be significant in establishing and maintaining a customer base. This conclusion is further supported by the fact that a majority of microbusinesses have as another comparative advantage personal contacts. Most of these contacts are due to the location of the business.

3.5 Finance and Income

As shown in Table 3-4 the range of incomes varies from less than $500 (EC) to more than $1,500 per month. About a third of the microbusinesses fall into the less than $500/month category. The remaining businesses are fairly well distributed among the $500-$1,000,$1,000-$1,500 and greater than $1,500 income groups. As discussed later, in general there tends to be an inverse relationship between the level of labor costs, fixed costs, capacity utilization and the income level. As monthly incomes increase, labor and fixed costs as a percentage of total expenses decreases and capacity utilization increases.

"Sources of Capital"

Mrs. Gumbs has been in business for twenty-one years. During that time very little in the rum shop has changed. The principal goods for sale are ten different liquors,six different kinds of juices, a variety of soft drinks, cookies, candies, pencils, shampoo and matches. There is only a stand-up outside urinal for men located at the back and outside the shop. There are two rooms--the smaller one is at the front of the shop and has 5 tables; the larger room is mostly vacant except for a few boxes.

Mrs. Gumbs first started the shop with a $500 loan from her brother. For the greater part of the store's history, business was sufficient. Because of higher unemployment in Soufriere and increasing competition,however, business today is not good. Five months ago Mrs. Gumbs stopped paying a helper ($200/month). Today,she complains about poor health and having to take care of her two sons.

Excerpt from Microbusiness Case No. 25

In terms of financing, a surprising number of microbusinesses, regardless of what their present monthly incomes are, were able

to finance start-up capital and working capital from personal savings. As shown in table 4, more than two-thirds for the microbusinesses surveyed used either personal savings or money from friends and family members. The size of the start-up capital was usually less than $5,000. In those cases where more capital was needed, the microbusinesses received capital from development funds or , or in one case through a commercial bank (a loan taken out under another family member's name). The use of institutional funds was particularly found to be true with autobody repair shops who required a large start-up fund to purchase expensive equipment.

Once the businesses started operating, the number of micro-entrepreneurs that used personal savings as investment capital diminished but was still significant. A surprising number of businesses them went through commercial channels to finance any capital improvements. These loans were either secured through family contacts or because the profitability of the business proved to be sufficient collateral for the commercial banks. The remaining twelve microbusinesses obtained loans from development funds ranging from $2,000 to $13,000. **The fact that close to a third of the businesses went through the development fund for either start-up or investment capital suggests that its role as a financial intermediary is perhaps not as significant as its role as a provider of technical assistance.**

This trend away from the use of development funds for investment and start-up capital is also seen in the microbusinesses' sources of working capital. In almost two-thirds of the surveyed businesses, the owners relied on funds from the business for buying materials and other inputs. This was particularly the case with those businesses that generated monthly incomes of $500 or more. In close to 90% of these businesses, the owner drew upon business funds for working capital. In those businesses which generated less than $500 income per month, the owners were able to rely on funds from the business or from friends/family. The remaining businesses either relied on wholesale distributors or development funds.

"Cash Flow Management"

Jewel does not keep any books,although he has a good idea of what his expenses and revenues are. His wife is in charge of managing cash from the businesses, and she does so in a peculiar but effective manner. Every day she divides the cash receipts into bills and coins. The bills usually average about $25 which she uses for restocking materials and inventory. The coins normally amount to $80-100 which sets aside in a savings account. While a bit unconventional the above system seems to assure the Jewel's of a reliable cash flow.

Excerpt from Microbusiness Case No.32

3.6 Cost Structure

3.6.1 Labor Costs

The majority of the microbusinesses have developed very cost effective and efficient labor input strategies. As shown in table 3-4, most of the microenterprises either do not have any employees, or only employ on an apprenticeship or piece work basis. This is especially common in the auto body repair and tailoring businesses. Except in few cases, the emphasis on maintaining low fixed labor costs helps to reduce downside risks without impairing too much on revenues.

For the most part the labor costs constituted a small percentage of total business expenses. As shown in table 4, most of the microenterprises either do not have any paid employees or hire only an apprenticeship,part time or piece work basis. In those businesses which employ full-time labor, labor expenses account for less than 15% of total expenses, except for two cases in the less than $500/month income group where fixed labor costs make up 67% and 45% of total expenses. These high fixed labor costs partially explain the low income generation performance of the businesses. In an inverse relationship the percentage of businesses with full-time labor decreases as the monthly income increases from <$500 to $500-$1000 to $1000-$1500. Respectively, the percentages are 45%, 37.5% and 25%. Only when the microbusiness generates a monthly income of more than $1500 does the percentage of businesses with full-time labor increase again to 67%. labor costs. Compared to the full-time labor bill of $244/month, the average cost of employing an apprentice is about $100/month and for piece-work about $211/month.

"Cost Control Mechanisms"

Clarke keeps books, more out of necessity for getting loans from NRDF than for helping him manage inventory and sales. He respects his helpers well and seems to be honest and very personable. He has a keep awareness for getting a good value for his materials. He also knows where to get cheap labour. From his trips to Martinique he noticed that the girls there worked well and were paid less than men. He consequently has employed 2 girls at $40 per week and 1 males at $60 per week. In addition, he seems to understand what the market needs and what the banks are looking for. Rather than feeling threatened by the other joiners with better locations on his street, he will try to get them to use his services. He understates his assets so that he does not appear bankable and have to pay higher interest rates.

Excerpt from Microbusiness Case No. 5

3.6.2 Fixed Costs

As a result of fixed labor costs being low, the total amount for fixed costs including overhead tends to represent a low percentage of total expenses. As shown in table 4, most of the microbusinesses maintain fixed costs below 40% of total expenses. Corresponding to the relationship found between monthly income and labor costs, the percentage of businesses with high fixed cost percentages (above 40%) decreases as the monthly incomes increase. Respectively for the <$500, $500-$1000, $1000-$1500 and >$1500 income ranges, the number of businesses with fixed cost percentages greater than 40% is 6,2,0, and 1. In the latter case this overhead consists primarily of a high mortgage rate and is offset by the fact that the loan will be paid off at the end of the year.

3.6.3 Capacity Utilization

The extent to which the microbusinesses utilize their operating capacity also corresponds to monthly income figures. While not always exact figures, the capacity utilization (in those businesses which one can talk about utilization) for those businesses earning less than $500 was normally below 75%. In contrast, almost all of the businesses with incomes above $500/month seemed to operate at greater than 75% operating capacity. This seems to indicate that at some point these firms will be in position to hire more labor (which as shown in the section on "LABOR COST" is low) or expand their operations. Conversely, the lowest income group still has plenty of capacity, or perhaps too much capacity, and will either have to increase demand for their products or try to reduce their labor costs.

"Religion and the Reduction of Excess Capacity"

Over the last six years, P--- claims that the number of vans on the road has increased significantly. While the number of passengers has also increased, Pope's seating capacity hasn't allowed him to achieve better economies of scale. In all likelihood, Pope lost his one contract to a driver that had a larger and more cost effective van. Aside from the name that he puts on his van, Pope can do little to market his service and improve sales and income. His only choices are to either work longer hours,increase his seating capacity, or receive a contract. The first option is limited by the fact that P--- is a Seventh Day Adventist and doesn't work Friday nights or Saturdays, the two most popular days for travel.

Excerpt from Microbusiness Case No. 28

3.7 Government and Microbusiness

Except in a few rare cases none of the microbusinesses officially pay any taxes. In the case of the joiners,however, they have to pay an "indirect tax" if they sell their goods to the island's major furniture outlet store. This store normally deducts from their price they offer the joiners,a consumption tax of 15% which is normally supposed to be paid by the final retail buyer. While technically illegal, this surcharge which the joiners have to bear affects their net income, reducing their monthly incomes by as much as $200.

The only other area in which government intervention or lack of intervention affects the microbusinesses is in the supply of utilities. In two cases the business could not reach full operating capacity because there was no electricity readily available. For the most part, however, the supply of utilities and other infrastructure (roads, water) is adequate for the operation of the various microbusinesses.

3.8 Technical Assistance and Training

3.8.1 Present Needs for Technical Assistance and Training

As shown in Table 3-5, the most common problems facing microbusinesses are in non-financial areas like management and marketing skills. In these areas many of the microbusinesses, both "reaction/demand oriented" and "action/supply oriented", reveal basic shortcomings. In general many of these weaknesses could be addressed without committing a lot of resources.

In the case of marketing the microbusinesses need basic instruction on the value of promoting their businesses through putting up a sign, providing some price discounts or placing an ad in the yellow pages. This promotion instruction should be coupled with assistance in developing an awareness of market constraints, opportunities and trends. More joiners and tailors should be made aware of potential customers, retailers and distributors of their products. Too many microbusinesses in these areas limit their sales to "regular customers" or the best known retailers. Similarly, high fashion seamstresses should develop their ability to promote their products in the hotel/tourist market. Finally, and more importantly for the future, the microbusinesses will have to respond to changes in consumers' tastes. Often times, businesses face decreasing sales because they are unaware of changing tastes and needs among their clientele. As competition in some of the more mature markets like tailoring and joiners increases, the microbusinesses ability to anticipate and respond to changing market conditions will become increasingly essential to the survival of the business.

Coupled with developing basic marketing and an awareness of

market conditions, is the development of management skills. Specifically, many of the microbusinesses need to develop both their strategic management and financial management skills. In the most informal businesses ("reaction/demand oriented" businesses), the assistance in these areas should focus on developing a rudimentary knowledge of the following areas: the value of one's time and relationship between time spent on a product and the price of the product; the need to demand cash advances or resist providing a good/service until the customer has paid; the idea of depreciation and the need to eventually plan for the replacement of aging machinery. For those businesses that are thinking about crossing over into the formal sector by buying a store outlet or developing a semi-manufacturing shop, the need to develop financial and strategic management skills is more sophisticated and pressing. No longer can the single microentrepreneur depend exclusively on his individual skills to sell a product. In order to effectively compete with larger,established retailers, the microentrepreneur will have to: develop economies of scale, experiment with various pricing strategies, monitor through complete bookkeeping the productivity and efficiency of various workers, determine when and how much to keep in inventory and in general learn to respond to potentially rapidly changing market trends.
For all of the above, there should be seminars provided on production cost analysis, inventory control, marketing,equipment maintenance and depreciation scheduling, and strategic planning.

3.8.2 Problems with Present System of Delivery for Technical Assistance and Training

One of the biggest problems in the past has been the lack of a distinction between those clients that can receive group technical assistance and those that require more individualized assistance. In many cases a small joiner who is entering the informal sector for the first time receives as much assistance as the joiner who has been in the business for 15 years and is thinking of opening a retail store.

Similarly, much of the technical assistance focuses on areas that should be the responsibility of the client. In many cases the client expects the development fund to find them a new location to rent or provide them with a telephone. In other cases, the fund is expected to cultivate a customer base for the microentrepreneur. These are tasks overly client-specific and time consuming which do not make the best use of the loan officer's time.

At the other extreme, there are times when the client is looking for informational assistance and the development fund is not prepared to provide it. In one case a client needed additional training in electronics repairs (3 week course) but was never informed as to existing government programs or regional assistance programs. In another case, a client complained that she knew more about customs requirements than the loan officer.

Finally, in many cases the clients complain about the amount of time it takes for them to receive a loan and technical assistance. As the Development Funds continue to increase the size and scope of their loan portfolio, the issue of providing timely and appropriate assistance will become more important. In the past due to over-demand and the lack of a systematic loan portfolio management, the process of preparing and disbursing financial and technical assistance has often been long and laborious.

3.8.3 Optimum Strategy for Providing Technical Assistance and Training

Over the last few years the Development Fund in St. Lucia has had over a 95% success rate with its loans. Through careful loan preparation and monitoring the staff has been able to target those clients who are most likely to benefit and succeed from the Fund's financial and technical assistance program. During the early years this often times laborious process served what many viewed as the best and relatively limited number of beneficiaries.

It is uncertain, however, whether in the future this highly individualized and, at times, unsystematic form of providing technical assistance will be appropriate. While the initial signs in St. Lucia are encouraging, the pilot survey reveals that as the Development Funds grow the need to be more systematic and to establish technical assistance priorities will become more essential.

As explained in the preceding section, the development fund's approach to training and technical assistance has often been carried out in a non-systematic manner. Beginning with project preparation and continuing with loan disbursement, the development fund has often times favored a few of the "better" clients at the expense of some of the more problematic clients.As a result,both training and technical assistance have been unevenly applied. Even when this selection process is not followed, the lack of a fixed timetable for visiting and consulting with clients leads to some clients becoming frustrated, impatient and disillusioned. In order to avoid establishing an "expectation's gap" between what the development fund can provide and what the clients expect, the development fund needs to establish priorities better during the preparation and disbursement stages.

During the loan preparation stage, the staff needs to develop a clearer picture of the client's goals, needs and business potential. All the clients should be classified according to their entrepreneurial disposition (risk-averse,risk-neutral, risk seeking), business strategy (profit-maximizing,risk minimizing, increase market share, etc.), the type of market (high growth potential/new, medium growth/semi-mature, and low growth/mature), and the clients' comparative advantages for staying in business

(low costs, locational factors, quality,etc.).

From the above analytical process, the Development Funds should be able to group the clients according to common financial and technical assistance needs. For example, one distinction should made between the "reaction/demand oriented" and the "action/supply oriented" microbusinesses. The former group probably needs a smaller loan to stabilize its operations, while the latter group may need more substantial capital to expand its customer base. In terms of technical assistance, many of the microbusinesses in the first group face similar problems which could be addressed through group technical assistance. On the other hand, as the businesses become increasingly integrated into the formal sector, the problems become more business-specific and require more individualized technical assistance. For both groups of businesses, the Development Funds should develop a general information bureau which can provide market information and identify potential market opportunities.

In essence the Development Funds should consider developing a "three-tier" approach to technical assistance. Below is a description of each tier:

A) <u>The First Tier: Group Technical Assistance For the Reaction/Demand Oriented Businesses</u>

As the Development Funds' portfolio get larger, the goal of getting a "bigger bang per dollar spent" will necessitate group training sessions. The most effective group training sessions will most likely be for those businesses that need to stabilize their business operations and experience similar problems. Some areas in which group training would be most effective would be in:a) marketing--developing the businessman's promotion activities, a greater awareness of the targeted market, and the ability to respond to changing consumer tastes; b)management skills--developing an ability to value the cost of labor and time, to develop an efficient production layout scheme,to price, and packaging. Once again, this type of technical assistance would probably be directed at those businesses that were either trying to stabilize their business operations or just beginning to expand and become more production-line or market expansion oriented.

B) <u>The Second Tier: More Individualized Assistance for the Action/Supply Oriented Businesses</u>

As the businesses become larger within the informal sector and begin to show signs of possibly crossing over into the formal sector, the Development Funds will have to provide more individualized assistance. In some cases the small business counselor from the fund could provide the assistance, while in other cases the fund may have to serve as a referral service. For example, in the case of the wine-maker the best assistance that the fund could provide was to link the traditional farmer of

the wine products with a well-known rum distributor. In other cases, like the typewriter repairman, the fund should try to refer him to existing government training programs.

C) The Third Tier: General Information Service

Throughout the transition of businesses from the informal to the formal sector, the Development Funds need to develop their ability to provide information to the clients. Through trade fairs, seminars, bulletins and direct contact, the Funds should constantly be informing or have the ability to inform its clients about national and regional market trends. Information about prices, distribution channels, input sources, demand trends for the principal microbusinesses (tailoring, grocery stores, joineries, bakeries) should be kept in a database. Furthermore, information about potential or appropriate informal-formal sector linkages should be made available and promoted. Of course, this role as an information network should be integrated into the continuing role of providing direct technical assistance described above.

The above general information branch of the Development Funds should also develop at some point the ability to identify new market opportunities. Lending to businesses in semi-mature and new markets will become increasingly important as the market for mature businesses becomes increasingly competitive. After all, there will only be a limited number of joiners and tailors that the island markets will be able to support and the Development Funds will be able to include in their portfolio. Just as a commercial bank must always try to look for new markets in which to invest, the Development Funds should also look and try to cultivate new business ventures.

Finally, the above informational-dispersal as well as information gathering ability of the Development Funds will be essential for developing baseline information about the standard of living of the microbusinesses. Collecting personal information about a microbusinesses' spending habits and standard of living, is something that requires a long term working relationship. The Development Funds, from the time they fill out a loan application, develop a continuous and rather detailed knowledge of their clients. This knowledge should be organized and stored in a database. Once in the database, it can be used to monitor and carry out evaluations.

TABLE 3-1

GENERAL INFORMATION

NAME	TYPE OF BUSINESS	TYPE OF MARKET	INTENDED MARKET	BUSINESS ORIENTATION (REACTIVE/DEMAND ORIENTED=R/DO) OR (ACTIVE/SUPPLY ORIENTED=A/SO)	BUSINESS STRATEGY	RISK ORIENTATION	ESTIMATED INCOME BRACKET (EC $/MONTH)
1. BEVERLEY LAND	GROCERY STORE	MATURE	NEIGHBORHOOD	R/DO	STATUS QUO	RISK AVERSE	500-1000
2. DREW SOLOMON	TAILOR	MATURE	NEIGHBORHOOD	R/DO	SLIGHT GROWTH	RISK AVERSE	500-1000
3. ROSE AUSTIN	SEWING CLASSES/BOUTIQUE	SEMI-MATURE	CITY/TOURISTS	A/SO	GROWTH	RISK NEUTRAL	<500
4. CARLOS ROCHE	JOINER	MATURE	NEIGHBORHOOD/CITY	R/DO	GROWTH	RISK NEUTRAL	500-1000
5. VICTOR CLARKE	JOINER	MATURE	CITY	A/SO	HIGH GROWTH	RISK SEEKING	>1500
6. JACK MORRIS	TAILOR	MATURE	CITY/REGIONAL	A/SO	HIGH GROWTH	RISK SEEKING	>1500
7. RYAN CLICK	FIREMAN/BLOCK MAKER	MATURE	NEIGHBORHOOD	R/DO	STATUS QUO	RISK AVERSE	>1500
8. HARRY JACK	BIKEMAKER	NEW	NATIONAL/REGIONAL	A/SO	HIGH GROWTH	RISK SEEKING	N.A.
9. IVAN LEWIS	BAKER	MATURE	NEIGHBORHOOD	R/DO	GROWTH	RISK SEEKING	500-1000
10. NOEL MAYS	JOINER	MATURE	NEIGHBORHOOD	R/DO	GROWTH	RISK AVERSE	N.A.
11. HILDA MANT	HAIR DRESSER	SEMI-MATURE	NEIGHBORHOOD/CITY	R/DO	GROWTH	RISK NEUTRAL	<500
12. LEON MARRIES	SEA MOSS VENDER	SEMI-MATURE	NEIGHBORHOOD/CITY	R/DO	STATUS QUO	RISK AVERSE	>1500
13. JAMES JACKMAN	TYPEWRITER REPAIRMAN	SEMI-MATURE	CITY	R/DO	STATUS QUO	RISK AVERSE	500-1000
14. GUY JAMAL	AUTO BODY REPAIRMAN	MATURE	NEIGHBORHOOD/CITY	R/DO	GROWTH	RISK AVERSE	500-1000
15. JOHN STANLEY/ CLYDE SWEETE	TYRE REPAIR/AUTO BODY REPAIR	MATURE	NEIGHBORHOOD/CITY	R/DO	SLIGHT GROWTH	RISK NEUTRAL	1000-1500
16. BETTY LION	PRE-SCHOOL	SEMI-MATURE	CITY	R/DO	GROWTH	RISK NEUTRAL	<500
17. CHERYL NICHOLS	SEAMSTRESS/BOUTIQUE	SEMI-MATURE	CITY	A/SO	DIVERSIFICATION	RISK NEUTRAL	1000-1500
18. EDDIE THOMAS	SEAMSTRESS	SEMI-MATURE	CITY/NATIONAL/REGIONAL	A/SO	DIVERSIFICATION	RISK SEEKING	>1500
19. ALBERT EPSON	AUTO BODY REPAIRMAN	MATURE	CITY	A/SO	DIVERSIFICATION	RISK SEEKING	1000-1500
20. BERTIE ST. MARKS & WIFE	DRY GOODS OUTLET	MATURE	NEIGHBORHOOD	A/SO	GROWTH	RISK SEEKING	
21. TONY CRAIG	SEA MOSS PRODUCTION	NEW	NATIONAL	R/DO	GROWTH	RISK NEUTRAL	500-1000
22. GERRY GROV	WOODCRAFT/JOINER	SEMI-MATURE	NATIONAL/REGIONAL	R/DO	GROWTH	RISK NEUTRAL	<500
23. RAY OSMOND	STRAW HANDCRAFTS MAKER	SEMI-MATURE	NATIONAL/TOURISTS	R/DO	STATUS QUO	RISK AVERSE	<500
24. IRA JOE/ HAL CAVE	SOYA BAKERY	NEW	CITY	A/SO	GROWTH	RISK SEEKING	<500
25. I. GUMBS	RUM SHOP	MATURE	NEIGHBORHOOD	R/DO	STATUS QUO	RISK AVERSE	<500
26. FAME JARVIS/ MARY FRANK	UNITY ART WORKS	SEMI-MATURE	NEIGHBORHOOD	R/DO	SLIGHT GROWTH	RISK AVERSE	<500
27. VANCE FRENCH	PHOTOGRAPHER	NEW	CITY/TOURISTS/REGIONAL	A/SO	DIVERSIFICATION	RISK SEEKING	>1500
28. VIDAL POPE	VAN DRIVER	MATURE	NEIGHBORHOOD	R/DO	STATUS QUO	RISK AVERSE	1000-1500
29. FRAN CLAR	CREOLE RESTAURANT	MATURE	NEIGHBORHOOD/CITY	A/SO	DIVERSIFICATION	RISK SEEKING	<500
30. AUGUSTIN JOHN	TIRE REPAIR/AUTO BODY REPAIR	MATURE	CITY	A/SO	DIVERSIFICATION	RISK SEEKING	500-1000
31. NOEL JEMMOTT	TIRE REPAIR/AUTO BODY REPAIR	MATURE	NEIGHBORHOOD	R/SO	STATUS QUO	RISK AVERSE	<500
32. RON JENEL	BAKER	MATURE	NEIGHBORHOOD	R/SO	SLIGHT GROWTH	RISK AVERSE	<500
SUMMARY:	TAILORS/SEAMSTRESSES=5	MATURE=20	NEIGHBORHOOD=12	REACTIVE/DEMAND ORIENTED=19	STATUS QUO=8	RISK AVERSE=13	<500=11
SERVICES=15	JOINERS=5	SEMI-MATURE=9	NEIGHBORHOOD/CITY=6	ACTIVE=SUPPLY ORIENTED=13	SLIGHT GROWTH=4	RISK NEUTRAL=8	500-1000=8
COTTAGE INDUSTRY=10	AUTO BODY/TIRE REPAIR=5	NEW=3	CITY=6		GROWTH=11	RISK SEEKING=11	1000-1500=4
RETAIL STORE=7	BAKERS=3		CITY/OTHER=4		HIGH GROWTH=3		>1500=6
	GROCERY STORE=2		OTHER=4		DIVERSIFICATION=6		N.A.=3
	12 OTHER BUSINESSES						

TABLE 3-2

MATRIX OF MICRO-ENTERPRISES AND START-UP MOTIVES
(THOSE DESIGNATED AS PRIMARY = (()))

NAME	TYPE OF BUSINESS	ACTIVE MOTIVES: SAW AN OPPORTUNITY	ACTIVE MOTIVES: LEARNED SKILL OVERSEAS	ACTIVE MOTIVES: WANTED TO BE OWN BOSS	PASSIVE OR ACTIVE MOTIVE: RETIRED/FIRED/RESIGNED FROM PREVIOUS JOB	PASSIVE MOTIVES: FAMILY TRADITION	PASSIVE MOTIVES: APPRENTICED IN IT	PASSIVE MOTIVES: JUST LOVED TO DO THE WORK	PASSIVE MOTIVES: OUTSIDE PUSH FROM PEER/ORGANIZATION
1. DEVERLEY LAND	GROCERY/LIQUOR STORE				III				
2. DREW SOLOMON	TAILOR				(())		III (())		
3. ROSE AUSTIN	SEWING CLASSES/BOUTIQUE		III (())						
4. CARLOS ROCHE	JOINER						III (())		
5. VICTOR CLARKE	JOINER						III (())		
6. JACK MORRIS	TAILOR						III (())		
7. RYAN CLICK	FOREMAN/BLOCK MAKER	III (())		III				III (())	
8. HARRY JACK	WINEMAKER								
9. IVAN LEWIS	BAKER					III (())			
10. NOEL MAYS	JOINER		III (())						
11. WILMA HAMY	HAIR DRESSER	III	III (())						
12. LEON HARRIES	SEA MOSS VENDER			III	III (())				
13. JAMES JACKMAN	TYPEWRITER REPAIRMAN		III (())						
14. GUY JAMAL	AUTO BODY REPAIRMAN					III (())	III		
15. JUAN STANLEY/ CLYDE SKEETE	TYRE REPAIR/AUTO BODY REPAI	III					III (())		
16. BETTY LION	PRE-SCHOOL	III (())			III				
17. CHERYL NICKS	SEAMSTRESS/BOUTIQUE	III						III	
18. EDDIE THOMAS	SEAMSTRESS	III						(())	
19. ALBERT EPSON	AUTO BODY REPAIRMAN	III						III (())	III
20. BERTIE ST. MARKS & WIFE	DRY GOODS OUTLET	III (())					III (())		
21. TONY CRAIG	SEA MOSS PRODUCTION								III (())
22. GERRY GEON	WOODCRAFT/JOINER						III (())		
23. RAY OSBORN	STRAW HANDCRAFTS MAKER					III (())			
24. IRA JOE/ HAL CAVE	SOYA BAKERY	III (())				III (())			III
25. I. GUNDS	RUM SHOP	III (())							
26. FAME JARVIS/ BARY FRANK	UNITY ART WORKS	III					III (())		
27. VANCE FRENCH	PHOTOGRAPHER	III (())						III	
28. VIBAL POPE	VAN DRIVER			III (())	III				
29. FRAN CLAR	CREOLE RESTAURANT	III			III	III (())			
30. AUGUSTIN JOHN	TIRE REPAIR/AUTO BODY REPAI	III (())		III			III		
31. NOEL JENNOTT	TIRE REPAIR/AUTO BODY REPAI	III		III (())					
32. RON JEWEL	BAKER	III	III (())						
NUMERIC SUMMARY: TOTAL		(16)	(5)	(5)	(3)	(5)	(10)	(4)	(3)
DESIGNATED AS PRIMARY		(7)	(5)	(2)	(2)	(4)	(8)	(3)	(1)

TOTAL ACTIVE MOTIVES: (26) TOTAL ACTIVE/PASSIVE MOTIVES: (3) TOTAL PASSIVE MOTIVES: (22)

TABLE 3-1

MATRIX OF MICRO-ENTERPRISES AND COMPARATIVE ADVANTAGES

NAME	TYPE OF BUSINESS	COMPARATIVE ADVANTAGE: RESOURCES	SKILLS	LOCATION	PRICE	PRODUCTION QUALITY	COSTS	SERVICE	REPUTATION/ CONTACTS	CONTRACTS	EQUIP.	MARKETING SKILLS	LIMITED COMPETITION	ECONOMIES OF SCALE	NOVELTY
1. DEVERLEY LAND	GROCERY STORE	III	III	III					III						
2. DREW SOLOMON	TAILOR		III						III						
3. ROSE AUSTIN	SEWING CLASSES/BOUTIQUE		III			III					III				
4. CARLOS ROCHE	JOINER		III				III		III						
5. VICTOR CLARKE	JOINER		III				III			III				III	
6. JACK MORRIS	TAILOR			III					III	III	III			III	
7. RYAN CLICK	FIREMAN/BLOCK MAKER		III	III									III		
8. HARRY JACK	WINEMAKER											III			III
9. IVAN LEWIS	BAKER		III	III											
10. NOEL MAYS	JOINER										III				
11. HILDA MANY	HAIR DRESSER	III	III					III	III						
12. LEON HARRIES	SEA MOSS VENDER								III				III		
13. JAMES JACKMAN	TYPEWRITER REPAIRMAN		III		III				III						
14. GUY JAMAL	AUTO BODY REPAIRMAN	III	III	III											
15. JUAN STANLEY/ CLYDE SKEETE	TYRE REPAIR/AUTO BODY REPAIR			III			III		III						
16. BETTY LION	PRE-SCHOOL				III								III		
17. CHERYL HICKS	SEAMSTRESS/BOUTIQUE		III	III					III						III
18. EDDIE THOMAS	SEAMSTRESS	III	III						III			III	III		
19. ALBERT EPSON	AUTO BODY REPAIRMAN		III	III											
20. BERTIE ST. MARYS & WIFE	DRY GOODS OUTLET			III								III			
21. TONY CRAIG	SEA MOSS PRODUCTION	III											III		
22. GERRY GRON	WOODCRAFT/JOINER	III	III			III									
23. RAY OSMOND	STRAW HANDCRAFTS MAKER				III		III								
24. IRA JOE/ HAL CAVE	SOYA BAKERY	III	III	III											III
25. I. GUYS	RUM SHOP			III					III						
26. FAME JARVIS/ MARY FRAME	UNITY ART WORKS			III											
27. VANCE FRENCH	PHOTOGRAPHER		III						III			III	III		
28. VISAL POPE	VAN DRIVER														
29. FRAN CLAR	CREOLE RESTAURANT	III	III	III		III			III						
30. AUGUSTIN JOHN	TIRE REPAIR/AUTO BODY REPAIR		III	III											
31. NOEL JERMOTT	TIRE REPAIR/AUTO BODY REPAIR	III	III	III											
32. RON JEMEL	BAKER	III	III					III							
NUMERIC SUMMARY:		(10)	(20)	(15)	(3)	(3)	(4)	(2)	(13)	(2)	(3)	(4)	(6)	(2)	(3)

FINANCIAL AND COST STRUCTURE INFORMATION

INCOME EMPLOYMENT (EC $/MONTH)	ESTIMATED INCOME PER MONTH	FIXED COSTS AS % OF TOTAL COSTS	LABOR	ESTIMATED CAPACITY UTILIZATION	SOURCES OF: START-UP CAPITAL	INVESTMENT CAPITAL	WORKING CAPITAL
A. LESS THAN $500/MONTH							
1. HILDA MANY	31	>75%	NONE	25%-50%	SAVINGS	NRDF	BUSINESS/HUSBAND
2. ROSE AUSTIN	73	>75%	NONE	25%-[illegible]	NRDF	NRDF	BUSINESS/NRDF
3. GERRY GROM	220	25%-50%	NONE	>75%	NRDF	NRDF	BUSINESS/NRDF
4. NOEL JENNOTT	220	25%-50%	1 FULL-TIME $600/MONTH	50%-75%	SAVINGS	SAVINGS	SAVINGS
5. FRAN CLAM	200	25%-50%	3 FULL-TIME $690/MONTH	50%-75%	SAVINGS	COMMERCIAL BANK	BUSINESS
6. FAME JARVIS/ MARY FRANK	225	<25%	NONE	25%-50%	NRDF	NRDF	NRDF
7. RAY OSPORN	265	<25%	NONE	N.A.	SAVINGS	SAVINGS	SAVINGS
8. IRA JOE/ MAL CAVE	275	<25%	2 FULL-TIME $210/MONTH	>75%	NRDF/PLENTY INC.	NRDF	PLENTY INC. (CANADIAN HEALTH FOOD COMPANY)
9. I. BURNS	300	50%-75%	NONE	N.A.	SAVINGS	COMMERCIAL BANK	COMMERCIAL BANK
10. RON JEWEL	322	<25%	1 FULL TIME $200/MONTH	50%-75%	SAVINGS	COMMERCIAL BANK	BUSINESS
11. BETTY LION	340	>75%	1 FULL TIME $300/MONTH	>75%	SAVINGS	NRDF	BUSINESS
B. BETWEEN $500 AND $1000							
1. DREW SOLOMON	510	50%-75%	2 APPRENTICES $440/MONTH	>75%	SAVINGS	SAVINGS	BUSINESS
2. JAMES JACKMAN	524	50%-75%	1 APPRENTICE $100/MONTH	50%-75%	SAVINGS	SAVINGS	BUSINESS
3. IVAN LEWIS	532	<25%	NONE	>75%	SAVINGS	SAVINGS/FRIENDS	BUSINESS
4. BERTIE ST. MARK & WIFE	610	<25%	1 FULL TIME $0/MONTH (GIRLFRIEND)	N.A.	SAVINGS	COMMERCIAL BANK	WHOLESALER
5. AUGUSTIN JOHN	680	<25%	1 FULL TIME $200/MONTH 5 PIECE WORK	>75%	SAVINGS	NRDF	BUSINESS
6. GUY JAMAL	750	<25%	NONE	25%-50%	NRDF	NRDF	BUSINESS
7. CARLOS ROCHE	880	<25%	2 PIECE WORK	>75%	SAVINGS	SAVINGS	BUSINESS
8. BEVERLEY LAND	995	<25%	1 FULL TIME $200/MONTH	50%-75%	SAVINGS	COMMERCIAL BANK	BUSINESS
C. BETWEEN $1000 AND $1500							
1. VIDAL POPE	1162	<25%	NONE	>75%	SAVINGS	COMMERCIAL BANK	BUSINESS
2. ALBERT EPSON	1350	<25%	1 PIECE WORK	>75%	COMMERCIAL BANK	COMMERCIAL BANK	BUSINESS
3. JOHN STANLEY/ CLYDE SKEETE	1470	<25%	3 APPRENTICES $50/MONTH	50%-75%	DEVELOPMENT FUND	DEVELOPMENT FUND	BUSINESS
4. CHERYL NICKS	1455	<25%	1 FULL TIME $140/MONTH	>75%	SAVINGS	COMMERCIAL BANK	BUSINESS
D. MORE THAN $1500							
1. EDDIE THOMAS	1637	<25%	1 FULL TIME $160/MONTH 1 PIECE WORK	>75%	SAVINGS	NRDF	NRDF/BUSINESS
2. VANCE FRENCH	1654	25%-50%	1 FULL TIME $0/MONTH (GIRLFRIEND)	>75%	SAVINGS	NRDF	BUSINESS
3. LEON HARRIES	2217	<25%	NONE	>75%	SAVINGS	SAVINGS	BUSINESS
4. RYAN CLICK	2260	<25%	2 PART TIME $320/MONTH	>75%	SAVINGS	SAVINGS	BUSINESS
5. JACK MORRIS	2848	>75%	4 FULL TIME/1 PART TIME/4 APPRENTICES $6400/MONTH	>75%	SAVINGS	COMMERCIAL BANK	COMMERCIAL BANK
6. VICTOR CLARKE	>5000	<25%	3 FULL TIME $560/MONTH	>75%	SAVINGS	NRDF	NRDF/BUSINESS
SUMMARY:	<$500=11	>75%=4	NONE=10	>75%=16	SAVINGS=22	SAVINGS=8	SAVINGS/BUSINESS=2
	$500-1000=8	50%-75%=4	APPRENTICE/PIECE WORK/PART TIME ONLY=6	50%-75%=6	NRDF/ DEV. FUND=6	NRDF=12	NRDF=3
	$1000-1500=4	25%-50%=3	FULL TIME=13	25%-50%=4	COMMERCIAL BANK=1	COMMERCIAL BANK=9	COMMERCIAL BANK=2
	>$1500=6	<25%=18	AVERAGE FULL TIME LABOR COST PER MONTH =$220	<25%=9			OTHER=2

12'

TABLE 3-5

MATRIX OF MICRO-ENTERPRISES AND COMMON PROBLEMS:
(THE PRIMARY PROBLEM IS MARKED WITH (I))

NAME	TYPE OF BUSINESS	TOO MUCH COMPETITION	WORK SPACE	INVESTMENT CAPITAL	WORKING CAPITAL	TRAINING	BUSINESS STRATEGY	MGMT. SKILLS	MARKETING	PERSONAL CONTACTS	EQUIP.	LOCATION	LACK OF COLLATERAL	QUALITY ASSURANCE	INSUFFICIENT MARKET KNOWLEDGE	LACK OF ENTREP. DRIVE	POOR TRANSP.	LACK OF UTILITIES
1. BEVERLEY LAND	GROCERY/LIQUOR STORE		III				III		III							III		
							(I)											
2. DREW SOLOMON	TAILOR		III		III			III	III		III	III						
											(I)							
3. ROSE AUSTIN	SEWING CLASSES/BOUTIQUE						III		III	III					III			
							(I)		(I)									
4. CARLOS ROCHE	JOINER		III		III						III						III	
					(I)													
5. VICTOR CLARKE	JOINER											III						
6. JACK PERRIN	TAILOR							III										
								(I)										
7. ATAH CLICK	FOREMAN/BLOCK MAKER																	
8. HARRY JACK	WINEMAKER		III	III	III						III	III		III				
														(I)				
9. IVAN LEWIS	BAKER	III	III	III	III							III	III					
													(I)					
10. NOEL MAYS	JOINER	III	III		III	III	III			III		III		III				
														(I)				
11. HILDA AMY	HAIR DRESSER								III	III		III				III		
												(I)						
12. LEON HARRIES	SEA ROSS VENDER						III		III							III	III	
							(I)		(I)									
13. JAMES JACKMAN	TYPEWRITER REPAIRMAN	III				III		III	III			III			III			
						(I)												
14. GUY JAMAL	AUTO BODY REPAIRMAN		III									III				III		
15. JUAN STANLEY/ CLYDE SKEETE	TYRE REPAIR/AUTO BODY REPAIR	III					III		III									
							(I)		(I)									
16. BETTY LION	PRE-SCHOOL	III	III				III	III										
			(I)															
17. CHERYL NICKS	SEAMSTRESS/BOUTIQUE	III			III			III	III									
								(I)										
18. EDDIE THOMAS	SEAMSTRESS							III										
								(I)										
19. ALBERT EPSON	AUTO BODY REPAIR		III						III									
			(I)															
20. BERTIE ST. MARY & WIFE	DRY GOODS OUTLET							III										III
																		(I)
21. TONY CRAIG	SEA ROSS PRODUCTION						III	III							III		III	
							(I)											
22. GERRY GROW	WOODCRAFT/JOINER						III	III	III		III					III		III
																		(I)
23. IRA JOE/ HAL CAVE	SOYA BAKERY							III	III									
								(I)										
24. RAY OSBORN	STRAW HANDCRAFTS MAKER					III	III					III	III				III	
						(I)												
25. I GUNDS	RUM SHOP	III			III		III	III	III									
							(I)		(I)									
26. FAME JARVIS/ MARY FRANC	WOODCRAFT/JOINER				III		III	III	III					III				
							(I)		(I)									
27. VANCE FRENCH	PHOTOGRAPHER						III	III									III	
28. VIDAL POPE	VAN DRIVER	III					III	III			III							
							(I)	(I)			(I)							
29. FRAN CLAR	CREOLE RESTAURANT								III									
30. AUGUSTIN JOHN	BODY REPAIR/TYRE REPAIR/ MECHANIC				III				(I)									
					(I)													
31. NOEL JERMOTT	BODY REPAIR/TYRE SERVICE/ MECHANIC	III	III				III	III	III							III		
							(I)		(I)									
32. RON JENKL	BAKER						III					III					III	
												(I)						
NUMERIC SUMMARY: TOTAL		(9)	(10)	(2)	(9)	(3)	(15)	(13)	(15)	(3)	(5)	(10)	(2)	(3)	(3)	(6)	(6)	(2)
DESIGNATED AS PRIMARY (I)		(0)	(2)	(0)	(2)	(2)	(9)	(6)	(7)	(0)	(2)	(2)	(1)	(2)	(0)	(0)	(0)	(2)

C H A P T E R F O U R

Implications of the Pilot Survey for Further Database and Survey Work

Recommended Strategy for Database and Survey Work

4.1 Introduction

One of the principal objectives of the Pilot Survey was to determine the nature of future database and survey work that would prove to be the most effective in terms of both costs and output. The pilot survey took the place of a pretest of questionnaires and can be seen as an expanded pretest.

One important use of the database to be generated by the survey is the monitoring system for RDO/Cs Private Sector Projects being designed at the moment by LBII. It is essential that the database exercise generate a quantitative baseline for the monitoring system against which future project/program impact can be monitored.

A second conceivable use of the results of the database is to gain a better understanding of the problems, requirements, and attitudes of the private sector, and thus provide a basis for project design and program change.

The original survey design was based on the idea that an enumerator-administered questionnaire could evoke useful information on problems being experienced by businesspersons and attitudes toward RDO/C projects (diagnostic data) as well as objective quantitative data on the performance of their businesses. Following the pilot survey, the consultants concluded (1) the survey questionnaire could be much improved if it were administered by enumerators, but that (2) separate alternatives for gathering quantitative and diagnostic data should be considered. For the formal sector, the alternative to gathering quantitative data by means of enumerators is a telephone survey. For microbusinesses, the alternative is searching of development foundation files for available quantitative information. For diagnostic data, the alternative to the enumerator-administered questionnaires is extension of the type of open-ended in-depth interviews conducted during the pilot survey.

4.2 The Case for Open Ended In Depth Interviews

It became apparent that while the questionnaires provided an useful guide to conducting the interview following a strict questionnaire format may increase the frequency of misleading responses. At the same time many of the more interesting results from the Pilot Survey would not have been possible to achieve without the free ranging format of the pilot survey.

In many cases the initial responses to questions were misleading or centered around something that the respondents believed the interviewers wanted to hear. On probing the actual situation

proved to be substantially different. A good example is finance. If asked initially if finance posed a problem - the inevitable response was in the affirmative. On further probing it became generally apparent that it was not a pressing need and other problems were higher on the priority scale.

The questionnaires had been designed on a format based on the viewpoint of a donor agency. The respondents perspective focused on very different issues. In most cases the respondents had not even had the time or the opportunity to reflect on their problems. During the discussion with the interview team the respondents themselves were given a chance to reflect and identify their key problems. This kind of give and take is not possible in the objective framework of a standard questionnaire though a questionnaire (or more appropriately a list of questions could be prepared) to serve as a guide to interview teams as to the issues to cover.

It seems clear that the most effective method of gathering diagnostic information is through open-ended interview. Such diagnostic information can contribute to a monitoring system one of whose purposes is to trigger the redesign of projects. Such information also may be highly useful in developing USAID program approaches which better target the underlying needs of the private sector in the Eastern Caribbean.

4.3 The Case for a Quantitative Baseline

There is a need to establish an objective quantitative baseline for the Monitoring System so that progress in key areas such as employment, volume of business and exports can be monitored.

The monitoring system proposed for RDO/C by the Berger Team envisages a baseline that incorporates both subjective and objective information. The quantitative key variables that need to be tracked include volume of business, employment, exports, and nature of business. A baseline needs to incorporate quantitative data because that is the only certain way to gauge progress. Psychometric measures can prove interesting but to enable one to track future development of output.

The experience of the consultant team in the formal sector has been that the businesses are fairly willing to disclose the type of quantitative data mentioned above. They are even willing to discuss profits but the definition of profits in an accounting sense is rather complex and not comparable across countries or even across businesses in the same sector in the same country.

In the case of the informal sector microbusinesses the same information may not be available with equal ease. This is generally not due to any unwillingness on the part of the microentrepreneur but simply because in many cases microentrepreneurs are simply unaware of these objective facts.

It seems that the best way to compile baseline information would be through the institutions that have the closest working relationship with microbusinesses - the Development Funds. Not only do these institutions develop both the qualitative and quantitative picture of the client during the loan application process (i.e. determine amount of fixed assets, get personal references,etc.) , but they also develop a clearer understanding of potential constraints facing the microbusiness during disbursement. During both loan application and disbursement process, the Development Funds should enter into a database information about each microentrepreneur's level of fixed assets, monthly income, number of dependents, type of household items (televisions, stereo, furniture,etc.). Once this information is compiled, it will then be possible to monitor and evaluate more effectively.

4.4 Universality of the Survey Sample

The criterion of universality is an important one from the point of view of statisticians and other quantitative analysts. A purposive sample as opposed to a random sample is biased and as such does not yield information on the true state of things. Yet from the point of view of the USAID program there is a need to encourage certain types of businesses and thus more information is required about them. At the same time there is the need establish a representative baseline for the monitoring system.

One issue is whether there is any need to focus on the commercial businesses in the formal sector. The answer is dependent on the survey objectives. When the goal is to establish to establish a representative quantitative baseline for that country, it is essential to use completely random sample. Otherwise the sample is non-representative and cannot be related to material advances. In view of the distribution of the types of businesses in the region such a sample would have a very high probability of being dominated by the commercial sector. Of course one could always stratify by type of business and draw a sample from each strata. However, that would imply drawing a minimum of thirty from each strata (to ensure that the estimates from each sample are acceptable with a maximum of five percent or so margin of error). Thus, every time the sample is stratified the cost of the survey goes up, since the costs need multiplied by the number of strata.

When the objective is in depth analysis, there is no need to include a proportionate group of commercial businesses in the sample. Inclusion of a few would be sufficient to provide a flavor. The rest of the businesses could then be drawn from sectors that the private sector development program wants to focus on. In fact every time a diagnostic survey is carried out, it could emphasize a particular subsection of the private sector depending on RDO/Cs long term objectives for the development of the regional private sector. For example, if the emphasis is export manufacturing, the bulk of the sample in an open ended

survey can be drawn from that sector with a few from the others to allow for comparism.

Another issue is the magnitude of resources to be devoted to informal sector microbusiness surveys. Many donor projects focus on them and these programs seem to generate unanimous backing in the development community, even though rigorous monitoring may not be practical. An important issue to be addressed here is that whether microbusinesses in other islands face different types of problems from that encountered by the these businesses in St. Lucia which has been analyzed in depth. As we note from survey results, the politico-legal framework of a country has much less of an impact on microbusinesses than it does on formal sector businesses. Of course micro-businesses are affected by other country specific characteristics such as the tourism which may need to studied further. At present we have carried out a micro-enterprise survey in only one country and cannot really resolve from that whether country specificity affects micro-businesses or not. This issue can only be resolved after at least one other country is studied.

It should be possible to define a quantitative baseline from the files of the development foundations. We are aware of no other low cost way to secure such information on micro entrepreneurs in the OECS states. The issue to be considered is that if there is a bias in the development fund sample should such an exercise be carried out at all.

4.5 Data Requirements for the Monitoring System

The data required for the Monitoring System, proposed by Louis Berger International under the terms of this contract also needs to be generated along with the survey. The principal data requirements are the total numbers of businesses and their lines of business. In addition there is the need to establish the level of sales, employment, exports and where possible increases or decreases in profitability over the past year.

4.5.1 Establishing the Monitoring Baseline for the Formal Sector

The total numbers of formal sector businesses in each of the countries has already been established and the lists are presented with this report. A basic survey of thirty randomly chosen businesses from among them will establish the remaining variables mentioned above. The sample size of thirty represents the minimum necessary to establish estimates having a confidence level of five percent or better in a normally distributed population. Answers to the questions illustrated in Questionnaire 4-1 below can be expanded to cover the whole population i.e. the universe of formal sector businesses with an acceptable level of confidence. These can then constitute the threshold of the monitoring system. The same variables can be surveyed in out years to monitor progress.

Questionnaire 4-1

1. Name of Business:

2. Position of Respondent:

3. Principal Line(s) of Business:

4. Total Sales (EC $):

5. Employees(including owners and managers):

6. Export Sales by Destination (EC $):
   a: Caricom
   b. U.S.A.
   c. Other

7. Has your business been fundamentally more profitable this year than the last year? Yes No

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The very basic questionnaire presented above is designed to be simple enough to be administered over the telephone. The Chambers of Commerce would be the ideal organizations to administer the questionnaire with some cooperation from the Manufacturers Associations where the two are separate organizations. The Consultants had discussions on the costs of such an exercise with the executive directors of some Chambers. The conclusion was that such an exercise could be carried about for a budget of well under U.S.$20 per business. Thus, the total cost per country should exceed U.S.$600 including overheads. This is therefore a cost effective way establish the baseline for monitoring the formal sector.

The same questionnaire could be administered annually to a randomly selected group by the Chambers keeping track of progress in these key areas. The cost of U.S.$600 per country, per year means an annual cost of about $4000 which seems to be fairly reasonable. The field surveys proposed for the PSO Project Officers under the monitoring system can then become diagnostic exercises like the Pilot Survey.

4.5.2 Establishing a Baseline for the Informal Sector

The baseline for the informal sector is a little more difficult to establish than that for the formal sector primarily because the universe informal sector businesses is rather difficult to establish. The dynamic ups and downs of microbusinesses makes it very difficult to establish the universe. Once established the list may no longer be valid the next day.

Fortunately, for the purposes of the Monitoring System, it may

not be necessary to try and establish the universe for the informal sector. The survey of microentrepreneurs in St. Lucia has already established that there in the basic fundamentals of intra-business operations there is very little difference between businesses drawn from the Walk-in lists of the Development Foundations. The difference are primarily tied to the form of financing used. USAID programs that are targeted to the microbusinesses are generally administered through the development foundations. Thus, by monitoring the files of the development foundations a fairly good record of the baseline can be kept. The data to be monitored is shown in the questionnaire 4-2 below.

Questionnaire 4-2

1. Name of Business:

2. Position of Respondent:

3. Principal Line(s) of Business:

4. Total Sales (EC $):

5. Employees(including owners and managers):
   a. Fulltime
   b. Parttime

The entrepreneurs on the Walk-in lists are followed up by the Field Officers who then proceed to establish basic data on sales, assets etc. for these microentrepreneurs. Thus, the Development Fund files have the basic data that could be collected to form the baseline for the monitoring system. Starting from 1987, a list thirty randomly selected businesses could be monitored. The base data on them could be collated from the files. Every year the universe from which these businesses are drawn will change as new walk-ins are added. Thus, repeating this process annually will help keep track of development of the micro sector. The questionnaire to be used is similar to that for formal businesses. Based on our experience of the time and effort required to go through the NRDF the costs of administering this will be about U.S. $10 per business. Thus the costs will be about $300 per country and about $2000 for the region.

4.6 Developing Options for the Survey

The survey alternatives must meet the need for in depth analysis as well as the necessity of setting up a baseline for the monitoring system. The various alternatives have been developed keeping these dual objectives in mind. Another constraint was the importance of keeping control of costs. The consultants decided that the most cost effective way to meet the need to set up a quantitative formal sector baseline for the monitoring framework was the telephone survey described in Section 4.5.1 .

The survey would be carried out through the Chambers of Commerce and the Manufacturers Associations. Similarly, an objective baseline for microbusinesses would be set up by doing file research at the development funds using a random list generated from the walk in register. As already noted, the field work in St. Lucia already shows that the pattern does not vary very much among microbusinesses that are Development Fund applicants and those that are not. Thus, a randomly drawn sample from the walk in register will provide a representative sample of microbusinesses in the country. The proposed questionnaires for both the surveys are attached.

In depth analysis will be done based on a series of in depth interviews for ten businesses in each country for the formal sector. A similar number may be interviewed for the informal sector. The originally proposed survey would cost an additional $157,000. The seven options developed as a consequence of the findings of the in depth pilot survey range in cost from about $34,000 to about $88,000. The individual tables showing the costs for each of the alternatives is given in Tables 4-1 to 4-8 while a summary comparism is shown in table 4-9. The schedules for all these options are illustrated in Figure 4-1.

4.6.1 Alternative I: Questionnaire Based Formal Survey for Both Sectors in Six Countries

Alternative I is the original questionnaire based survey. It proposes administering two survey instruments one for the formal sector and one for the informal sector in to thirty businesses from each of those sectors from six countries. The questionnaires would be administered by trained enumerators and standard procedures for implementing statistical surveys would be followed. There would be coordinator for each country responsible for training and supervising the enumerators. The coordinator would also carry out spot verifications of randomly selected completed questionnaires. The data was to be compiled and processed in Bridgetown.

4.6.2 Alternative II: Diagnostics for All Countries and Quantitative Baseline for Both Sectors

Alternative II provides for in depth case studies for both the formal and informal sectors in all six OECS states (including the Pilot Survey). An quantitative baseline is to be established as for the in all six states. This option provides a complete coverage in all areas for both sectors. It is the most complete of the new options.

4.6.3 Alternative III: Diagnostics Only

Alternative III provides only for in depth case studies. No objective baseline is to be established for the monitoring system. This option helps identify a future strategy for RDO/C's private sector program but it does not provide any base data on

the actual state of the private sector in the region today.

4.6.4 Alternative IV: Formal Sector Diagnostics for All Countries and Informal Sector Diagnostics only for Three Countries - Quantitative Baseline for All Countries in Both Sectors

Alternative IV envisages completing the in depth case studies for the five remaining OECS states. The Objective data base for the formal sector will be establish in all six states through telephone surveys. Research in the Development Fund files will yield the informal sector baseline. As the utility of further in depth interviews for the informal sector is not completely evident we recommend that these be carried out for only three more OECS states - Dominica, Grenada and St. Kitts and Nevis. These states have been chosen for the following reasons. Dominica has the most comprehensive credit union network in the Eastern Caribbean. These credit unions have been instrumental in funding micro-entrepreneurs and are an important component in their development. It is important to understand the complementary role played by the Credit Union movement vis a vis the efforts of the development foundations. Grenada has the largest Development Foundation program in the OECS states and thus needs to be studied. St. Kitts and Nevis is unusual in the sense that labor recruitment problems have been identified in the formal manufacturing sector (see Chapter 2). It is important to understand if this type of labor shortage has an impact on the development of microbusinesses.

4.6.5 Alternative V: Partial Diagnostics for both Informal and Formal Sector and Complete Quantitative Baseline

Alternative V calls for a partial in depth survey for both the formal and informal sectors in only three countries - Dominica, Grenada and St. Lucia for the formal sector. The informal sector survey will focus only on Dominica, Grenada and St.Kitts & Nevis. Combined with the pilot survey this will provide in depth analysis for both sectors from Dominica, Grenada, St. Kitts & Nevis and St. Lucia. The quantitative baseline will be established for both sectors in all six independent states as in alternatives I and II. The partial approach is based on the assumption that there is little variance between the countries. But as we have already noted in the text that the politico-legal environment is an important determinant of the situation of businesses in the formal sector. This approach is not recommended if the goal is to establish a region wide picture of the problems facing the private sector. But this option does provide a baseline for the monitoring system as well as diagnostics for all the countries.

4.6.6 Alternative VI: Formal Sector Analysis Diagnostics with Quantitative Baseline for Both Sectors.

Alternative VI envisages a diagnostic survey in all countries

only for the formal sector. A quantitative baseline will be established by telephone surveys for the formal sector. Research in the development foundation files will yield a quantitative baseline for the informal sector. No diagnostic information will be collected on the informal sector. This option presupposes that the strategic problems identified for the informal sector in St. Lucia would hold true for the other countries of the region and thus no further diagnostic work is necessary.

4.6.7 Alternative VII: Partial Diagnostics for Formal Sector and Complete Quantitative Baseline

Alternative VII provides for in depth formal sector surveys only in Dominica, Grenada and St. Kitts. No further in depth surveys will be carried out for the informal sector. An objective baseline will be established for both sectors.

4.6.8 Alternative VIII: Quantitative Baseline Only

Alternative VIII is the lowest cost alternative and provides only for the establishment of an objective baseline for the monitoring system. It is the least cost option. While it answers the need of the monitoring system, it does really provide any data that would be useful to the future redesign of the RDO/Cs private sector program.

4.6.9 Preferred Option

The consultants prefer Alternative IV. If significant country specific differences are observed in the micro-business sector, the microbusiness diagnostic survey can be extended to the two countries not covered by this option.

4.7 Schedule for the Implementation of Various Options

All the proposed options are proposed to completed by mid-December with field work commencing about the middle of October (see Figure 4-1). The locally based Deputy Chief of Database will start spending time on arranging the interview schedules and coordinating with concerned institutions from about middle of September once the Financial Sector Evaluation is completed.

The actual country/countries where the field work will start will depend on the option chosen. Report preparation will start as soon as the field work is over.

The telephone surveys and the development fund file research will be carried out starting about mid-October. The data will be collated and analyzed. It will then be input into the monitoring system to establish the baseline for the framework.

Table 4-1

Costs of Alternative I : Large Scale Survey as Originally Envisaged

Cost to Complete Survey after Pilot Survey if Field Work By C & L

Louis Berger International, Inc.	$54,517
Coopers & Lybrand	$124,565
NRDF/NDFs	$0
	$179,082

Cost to Complete Survey after Pilot Survey if Field Work By NRDF/NDFs

Louis Berger International, Inc.	$54,517
Coopers & Lybrand	$32,986
NRDF/NDFs	$69,139
Total Cost	$156,642

Costs of Large Scale Survey
Alternative II Detailed Diagnostics Plus Baseline for Monitoring System

	Units	Rates	Total
Coordination and Report Preparation			$41,788
1. Person Months			
a. Qaiser Khan (LBII)	1.50	$7,987	$11,981
b. Charles Bell (LBII)	0.50	$7,188	$3,594
c. Darcy Boyce (C&L)	1.50	$6,090	$9,135
d. Patricia Downes-Grant (C&L)	0.25	$5,075	$1,269
e. Bob Alleyne	0.25	$4,060	$1,015
f. Felix Finisterre (NRDF)	0.50	$3,200	$1,600
g. Debbie Douglas (LBII)	2.00	$1,100	$2,200
2. Direct Costs			
a. Per Diem	70	$120	$8,370
b. International Airfares	2	$900	$1,800
c. Other			$825
Country Surveys			
A. Antigua			$10,928
1. Person Months			
a. Qaiser Khan (LBII)	0.25	$7,987	$1,997
b. Charles Bell (LBII)	0.15	$7,188	$1,078
c. Patricia Downes-Grant (C&L)	0.25	$5,075	$1,269
d. Felix Finisterre (NRDF)	0.15	$3,200	$480
2. Direct Costs			
a. Per Diem	26	$154	$4,004
b. Airline Fares	4	$300	$1,200
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
B. Dominica			$8,576
1. Person Months			
a. Qaiser Khan (LBII)	0.25	$7,987	$1,997
b. Charles Bell (LBII)	0.15	$7,188	$1,078
c. Bob Alleyne (C&L)	0.25	$4,060	$1,015
d. Felix Finisterre (NRDF)	0.15	$3,200	$480
2. Direct Costs			
a. Per Diem	26	$81	$2,106
b. Airline Fares	4	$250	$1,000
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
C. Grenada			$8,547
1. Person Months			
a. Darcy Boyce (C&L)	0.25	$6,090	$1,523
b. Charles Bell (LBII)	0.15	$7,188	$1,078
c. Bob Alleyne (C&L)	0.25	$4,060	$1,015
d. Felix Finisterre (NRDF)	0.15	$3,200	$480
2. Direct Costs			
a. Per Diem	26	$112	$2,951
b. Airline Fares	4	$150	$600
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
D. St. Vincent and the Grenadines			$8,274
1. Person Months			
a. Darcy Boyce (C&L)	0.25	$6,090	$1,523
b. Charles Bell (LBII)	0.15	$7,188	$1,078
c. Patricia Downes-Grant (C&L)	0.25	$5,075	$1,269
d. Felix Finisterre (NRDF)	0.15	$3,200	$480
2. Direct Costs			
a. Per Diem	26	$92	$2,424
b. Airline Fares	4	$150	$600
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
E. St. Lucia			$5,907
1. Person Months			
a. Qaiser Khan (LBII)	0.25	$7,987	$1,997
b. Darcy Boyce (C&L)	0.25	$6,090	$1,523
2. Direct Costs			
a. Per Diem	14	$92	$1,288
b. Airline Fares	2	$250	$500
c. Telephone Survey	30	$20	$600
F. St. Kitts & Nevis			$3,703
1. Person Months			
a. Charles Bell (LBII)	0.15	$7,188	$1,078
b. Felix Finisterre (NRDF)	0.15	$3,200	$480
2. Direct Costs			
a. Per Diem	9	$105	$945
b. Airline Fares	2	$150	$300
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300

TOTALS

Coordination and Report Preparation	$41,788
Country Work	
A. Antigua	$10,928
B. Dominica	$8,576
C. Grenada	$8,547
D. St. Vincent and the Grenadines	$8,274
E. St. Lucia	$5,907
F. St. Kitts & Nevis	$3,703
Grand Total	$87,723

Costs of Large Scale Survey
Alternative III Detailed Diagnostics Only

	Units	Rates	Total
Coordination and Report Preparation			$41,788
1. Person Months			
a. Qaiser Khan (LBII)	1.50	$7,987	$11,981
b. Charles Bell (LBII)	0.50	$7,188	$3,594
c. Darcy Boyce (C&L)	1.50	$6,090	$9,135
d. Patricia Downes-Grant (C&L)	0.25	$5,075	$1,269
e. Bob Alleyne	0.25	$4,060	$1,015
f. Felix Finisterre (NRDF)	0.50	$3,200	$1,600
g. Debbie Douglas (LBII)	2.00	$1,100	$2,200
2. Direct Costs			
a. Per Diem	70	$120	$8,370
b. International Airfares	2	$900	$1,800
c. Other			$825
Country Surveys			
A. Antigua			$10,028
1. Person Months			
a. Qaiser Khan (LBII)	0.25	$7,987	$1,997
b. Charles Bell (LBII)	0.15	$7,188	$1,078
c. Patricia Downes-Grant (C&L)	0.25	$5,075	$1,269
d. Felix Finisterre (NRDF)	0.15	$3,200	$480
2. Direct Costs			
a. Per Diem	26	$154	$4,004
b. Airline Fares	4	$300	$1,200
B. Dominica			$7,676
1. Person Months			
a. Qaiser Khan (LBII)	0.25	$7,987	$1,997
b. Charles Bell (LBII)	0.15	$7,188	$1,078
c. Bob Alleyne (C&L)	0.25	$4,060	$1,015
d. Felix Finisterre (NRDF)	0.15	$3,200	$480
2. Direct Costs			
a. Per Diem	26	$81	$2,106
b. Airline Fares	4	$250	$1,000
C. Grenada			$7,647
1. Person Months			
a. Darcy Boyce (C&L)	0.25	$6,090	$1,523
b. Charles Bell (LBII)	0.15	$7,188	$1,078
c. Bob Alleyne (C&L)	0.25	$4,060	$1,015
d. Felix Finisterre (NRDF)	0.15	$3,200	$480
2. Direct Costs			
a. Per Diem	26	$112	$2,951
b. Airline Fares	4	$150	$600
D. St. Vincent and the Grenadines			$7,374
1. Person Months			
a. Darcy Boyce (C&L)	0.25	$6,090	$1,523
b. Charles Bell (LBII)	0.15	$7,188	$1,078
c. Patricia Downes-Grant (C&L)	0.25	$5,075	$1,269
d. Felix Finisterre (NRDF)	0.15	$3,200	$480
2. Direct Costs			
a. Per Diem	26	$92	$2,424
b. Airline Fares	4	$150	$600
E. St. Lucia			$5,307
1. Person Months			
a. Qaiser Khan (LBII)	0.25	$7,987	$1,997
b. Darcy Boyce (C&L)	0.25	$6,090	$1,523
2. Direct Costs			
a. Per Diem	14	$92	$1,288
b. Airline Fares	2	$250	$500
F. St. Kitts & Nevis			$2,803
1. Person Months			
a. Charles Bell (LBII)	0.15	$7,188	$1,078
b. Felix Finisterre (NRDF)	0.15	$3,200	$480
2. Direct Costs			
a. Per Diem	9	$105	$945
b. Airline Fares	2	$150	$300

TOTALS

Coordination and Report Preparation	$41,788
Country Work	
A. Antigua	$10,028
B. Dominica	$7,676
C. Grenada	$7,647
D. St. Vincent and the Grenadines	$7,374
E. St. Lucia	$5,307
F. St. Kitts & Nevis	$2,803
Grand Total	$82,623

Table 4-4

Costs of Large Scale Survey
Alternative IV: Full Diagnostics and Baseline for Formal Sector
with Partial Diagnostics and Full Baseline for Informal Sector

RECOMMENDED ALTERNATIVE

	Units	Rates	Total
Coordination and Report Preparation			$40,963
1. Person Months			
a. Qaiser Khan (LBII)	1.50	$7,987	$11,981
b. Charles Bell (LBII)	0.50	$7,188	$3,594
c. Darcy Boyce (C&L)	1.50	$6,090	$9,135
d. Patricia Downes-Grant (C&L)	0.25	$5,075	$1,269
e. Bob Alleyne	0.25	$4,060	$1,015
f. Felix Finisterre (NRDF)	0.50	$3,200	$1,600
g. Debbie Douglas (LBII)	2.00	$1,100	$2,200
2. Direct Costs			
a. Per Diem	70	$120	$8,370
b. International Airfares	2	$900	$1,800
c. Other			$825
Country Surveys			
A. Antigua			$7,076
1. Person Months			
a. Qaiser Khan (LBII)	0.25	$7,987	$1,997
b. Patricia Downes-Grant (C&L)	0.25	$5,075	$1,269
2. Direct Costs			
a. Per Diem	15	$154	$2,310
b. Airline Fares	2	$300	$600
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
B. Dominica			$8,576
1. Person Months			
a. Qaiser Khan (LBII)	0.25	$7,987	$1,997
b. Charles Bell (LBII)	0.15	$7,188	$1,078
c. Bob Alleyne (C&L)	0.25	$4,060	$1,015
d. Felix Finisterre (NRDF)	0.15	$3,200	$480
2. Direct Costs			
a. Per Diem	26	$81	$2,106
b. Airline Fares	4	$250	$1,000
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
C. Grenada			$8,547
1. Person Months			
a. Darcy Boyce (C&L)	0.25	$6,090	$1,523
b. Charles Bell (LBII)	0.15	$7,188	$1,078
c. Bob Alleyne (C&L)	0.25	$4,060	$1,015
d. Felix Finisterre (NRDF)	0.15	$3,200	$480
2. Direct Costs			
a. Per Diem	26	$112	$2,951
b. Airline Fares	4	$150	$600
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
D. St. Vincent and the Grenadines			$5,279
1. Person Months			
a. Darcy Boyce (C&L)	0.25	$6,090	$1,523
b. Patricia Downes-Grant (C&L)	0.25	$5,075	$1,269
2. Direct Costs			
a. Per Diem	14	$92	$1,288
b. Airline Fares	2	$150	$300
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
E. St. Lucia			$6,207
1. Person Months			
a. Qaiser Khan (LBII)	0.25	$7,987	$1,997
b. Darcy Boyce (C&L)	0.25	$6,090	$1,523
2. Direct Costs			
a. Per Diem	14	$92	$1,288
b. Airline Fares	2	$250	$500
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
F. St. Kitts & Nevis(Diagnostics for Microbusinesses Only)			$3,703
1. Person Months			
a. Charles Bell (LBII)	0.15	$7,188	$1,078
b. Felix Finisterre (NRDF)	0.15	$3,200	$480
2. Direct Costs			
a. Per Diem	9	$105	$945
b. Airline Fares	2	$150	$300
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300

TOTALS

Coordination and Report Preparation	$40,963
Country Work	
A. Antigua	$7,076
B. Dominica	$8,576
C. Grenada	$8,547
D. St. Vincent and the Grenadines	$5,279
E. St. Lucia (Formal Businesses Only)	$6,207
F. St. Kitts & Nevis(Diagnostics for Microbusinesses Only)	$3,703
Grand Total	$80,352

Table 4-5

Costs of Large Scale Survey
Alternative V Partial Diagnostics for Both Sectors & Complete Baseline

	Units	Rates	Total
Coordination and Report Preparation			$39,505
1. Person Months			
a. Qaiser Khan (LBII)	1.50	$7,987	$11,981
b. Charles Bell (LBII)	0.50	$7,188	$3,594
c. Darcy Boyce (C&L)	1.50	$6,090	$9,135
d. Felix Finisterre (NRDF)	0.50	$3,200	$1,600
e. Debbie Douglas (LBII)	2.00	$1,100	$2,200
2. Direct Costs			
a. Per Diem	70	$120	$8,370
b. International Airfares	2	$900	$1,800
c. Other			$825
Country Surveys			
A. Antigua			$900
a. Telephone Survey	30	$20	$600
b. NDF/FND/NRDF Data Research	30	$10	$300
B. Dominica			$9,083
1. Person Months			
a. Qaiser Khan (LBII)	0.25	$7,987	$1,997
b. Charles Bell (LBII)	0.15	$7,188	$1,078
c. Darcy Boyce (C&L)	0.25	$6,090	$1,523
d. Felix Finisterre (NRDF)	0.15	$3,200	$480
2. Direct Costs			
a. Per Diem	26	$81	$2,106
b. Airline Fares	4	$250	$1,000
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
C. Grenada			$9,529
1. Person Months			
a. Qaiser Khan (LBII)	0.25	$7,987	$1,997
b. Charles Bell (LBII)	0.15	$7,188	$1,078
c. Darcy Boyce (C&L)	0.25	$6,090	$1,523
d. Felix Finisterre (NRDF)	0.15	$3,200	$480
2. Direct Costs			
a. Per Diem	26	$112	$2,951
b. Airline Fares	4	$150	$600
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
D. St. Vincent and the Grenadines			$900
a. Telephone Survey	30	$20	$600
b. NDF/FND/NRDF Data Research	30	$10	$300
E. St. Lucia			$5,999
1. Person Months			
a. Qaiser Khan (LBII)	0.25	$7,987	$1,997
b. Darcy Boyce (C&L)	0.25	$6,090	$1,523
2. Direct Costs			
a. Per Diem	15	$92	$1,380
b. Airline Fares	2	$250	$500
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
F. St. Kitts & Nevis			$3,703
1. Person Months			
a. Charles Bell (LBII)	0.15	$7,188	$1,078
b. Felix Finisterre (NRDF)	0.15	$3,200	$480
2. Direct Costs			
a. Per Diem	9	$105	$945
b. Airline Fares	2	$150	$300
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300

TOTALS	
Coordination and Report Preparation	$39,505
Country Work	
A. Antigua	$900
B. Dominica	$9,083
C. Grenada	$9,529
D. St. Vincent and the Grenadines	$900
E. St. Lucia (Formal Businesses Only)	$5,999
F. St. Kitts & Nevis(Diagnostics for Microbusinesses Only)	$3,703
Grand Total	$69,619

Costs of Large Scale Survey
Alternative VI Detailed Diagnostic for Formal Sector and Baseline

	Units	Rates	Total
Coordination and Report Preparation			$31,774
1. Person Months			
a. Qaiser Khan (LBII)	1.50	$7,987	$11,981
b. Darcy Boyce (C&L)	1.50	$6,090	$9,135
c. Patricia Downes-Grant (C&L)	0.25	$5,075	$1,269
d. Bob Alleyne	0.25	$4,060	$1,015
e. Debbie Douglas (LBII)	2.00	$1,100	$2,200
2. Direct Costs			
a. Per Diem	39	$120	$4,650
b. International Airfares	1	$900	$900
c. Other			$625
Country Surveys			
A. Antigua			$7,076
1. Person Months			
a. Qaiser Khan (LBII)	0.25	$7,987	$1,997
b. Patricia Downes-Grant (C&L)	0.25	$5,075	$1,269
2. Direct Costs			
a. Per Diem	15	$154	$2,310
b. Airline Fares	2	$300	$600
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
B. Dominica			$5,627
1. Person Months			
a. Qaiser Khan (LBII)	0.25	$7,987	$1,997
b. Bob Alleyne (C&L)	0.25	$4,060	$1,015
2. Direct Costs			
a. Per Diem	15	$81	$1,215
b. Airline Fares	2	$250	$500
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
C. Grenada			$5,418
1. Person Months			
a. Darcy Boyce (C&L)	0.25	$6,090	$1,523
b. Bob Alleyne (C&L)	0.25	$4,060	$1,015
2. Direct Costs			
a. Per Diem	15	$112	$1,680
b. Airline Fares	2	$150	$300
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
D. St. Vincent and the Grenadines			$6,715
1. Person Months			
a. Darcy Boyce (C&L)	0.25	$6,090	$1,523
b. Patricia Downes-Grant (C&L)	0.25	$5,075	$1,269
2. Direct Costs			
a. Per Diem	26	$92	$2,424
b. Airline Fares	4	$150	$600
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
E. St. Lucia			$6,207
1. Person Months			
a. Qaiser Khan (LBII)	0.25	$7,987	$1,997
b. Darcy Boyce (C&L)	0.25	$6,090	$1,523
2. Direct Costs			
a. Per Diem	14	$92	$1,288
b. Airline Fares	2	$250	$500
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
F. St. Kitts & Nevis			$900
a. Telephone Survey	30	$20	$600
b. NDF/FND/NRDF Data Research	30	$10	$300

TOTALS

Coordination and Report Preparation	$31,774
Country Work	
A. Antigua	$7,076
B. Dominica	$5,627
C. Grenada	$5,418
D. St. Vincent and the Grenadines	$6,715
E. St. Lucia (Formal Businesses Only)	$6,207
F. St. Kitts & Nevis(Diagnostics for Microbusinesses Only)	$900
Grand Total	$63,717

Table 4-7

Costs of Large Scale Survey
Alternative VII Partial Diagnostic for Formal Sector & Complete Baseline

	Units	Rates	Total
Coordination and Report Preparation			$31,892
1. Person Months			
a. Qaiser Khan (LBII)	1.50	$7,987	$11,981
b. Darcy Boyce (C&L)	1.50	$6,090	$9,135
c. Debbie Douglas (LBII)	2.00	$1,826	$3,651
2. Direct Costs			
a. Per Diem	45	$120	$5,400
b. International Airfares	1	$900	$900
b. Other			$825
Country Surveys			
A. Antigua			$900
a. Telephone Survey	30	$20	$600
b. NDF/FND/NRDF Data Research	30	$10	$300
B. Dominica			$5,972
1. Person Months			
a. Qaiser Khan (LBII)	0.25	$7,987	$1,997
b. Darcy Boyce (C&L)	0.25	$6,090	$1,523
2. Direct Costs			
a. Per Diem	13	$81	$1,053
b. Airline Fares	2	$250	$500
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
C. Grenada			$6,175
1. Person Months			
a. Qaiser Khan (LBII)	0.25	$7,987	$1,997
b. Darcy Boyce (C&L)	0.25	$6,090	$1,523
2. Direct Costs			
a. Per Diem	13	$112	$1,456
b. Airline Fares	2	$150	$300
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
D. St. Vincent and the Grenadines			$900
a. Telephone Survey	30	$20	$600
b. NDF/FND/NRDF Data Research	30	$10	$300
E. St. Lucia			$5,999
1. Person Months			
a. Qaiser Khan (LBII)	0.25	$7,987	$1,997
b. Darcy Boyce (C&L)	0.25	$6,090	$1,523
2. Direct Costs			
a. Per Diem	15	$92	$1,380
b. Airline Fares	2	$250	$500
c. Telephone Survey	30	$20	$600
d. NDF/FND/NRDF Data Research	30	$10	$300
F. St. Kitts & Nevis(Diagnostics for Microbusinesses Only)			$900
a. Telephone Survey	30	$20	$600
b. NDF/FND/NRDF Data Research	30	$10	$300

TOTALS	
Coordination and Report Preparation	$31,892
Country Work	
A. Antigua	$900
B. Dominica	$5,972
C. Grenada	$6,175
D. St. Vincent and the Grenadines	$900
E. St. Lucia (Formal Businesses Only)	$5,999
F. St. Kitts & Nevis(Diagnostics for Microbusinesses Only)	$900
Grand Total	$52,738

Table 4-8

Costs of Large Scale Survey
Alternative VIII Baseline for Monitoring System Only

	Units	Rates	Total
1. Person Months			
a. Qaiser Khan (LBII)	1.00	$7,987	$7,987
b. Darcy Boyce (C&L)	1.00	$6,090	$6,090
c. Felix Finisterre (NRDF)	1.00	$3,200	$3,200
d. Debbie Douglas (LBII)	1.50	$1,100	$1,650
2. Direct Costs			
a. Per Diem	47	$120	$5,580
b. Airline Fares	5		$2,100
i. Local	4	$300	$1,200
ii. International	1	$900	$900
c. Telephone Survey	180	$20	$3,600
d. NDF/FND/NRDF Data Research	150	$10	$1,500
e. Other Costs			$600
Total			$32,307
Personnel			$18,927
Direct Costs			$13,380

Table 4-9

Costs of Various Alternatives for Large Scale Survey and Outputs from Each Option

OPTION / ITEM	ALTERNATIVES I	II	III	IV	V	VI	VII	VIII
Tasks to be Performed								
1.Detailed Diagnostics								
a. Formal Sector	No	Yes	Yes	Yes	Partial	Yes	Partial	No
b. Informal Sector	No	Yes	Yes	Partial	Partial	No	No	No
2.Objective Survey								
a. Formal Sector	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
b. Informal Sector	Yes	Yes	No	Yes	No	No	No	Yes
Output from Option(1)								
1. Analysis of Basic Problems in Business								
a.Formal Sector								
-Antigua	Yes(2)	Yes	Yes	Yes	No	Yes	No	No
-Dominica	Yes(2)	Yes	Yes	Yes	Yes	Yes	Yes	No
-Grenada	Yes(2)	Yes	Yes	Yes	Yes	Yes	Yes	No
-St. Kitts and Nevis	Yes(2)	Yes	Yes	Yes	Yes	Yes	Yes	No
-St. Lucia	Yes(2)	Yes	Yes	Yes	Yes	Yes	Yes	No
-St.Vincent	Yes(2)	Yes	Yes	Yes	No	Yes	No	No
b.Informal Sector								
-Antigua	Yes(2)	Yes	Yes	No	No	No	No	No
-Dominica	Yes(2)	Yes	Yes	Yes	Yes	No	No	No
-Grenada	Yes(2)	Yes	Yes	Yes	Yes	No	No	No
-St. Kitts and Nevis	Yes(2)	Yes	Yes	Yes	Yes	No	No	No
-St. Lucia	Yes(2)	Yes	Yes	Yes	Yes	No	No	No
-St.Vincent	Yes(2)	Yes	Yes	No	No	No	No	No
2. Detailed Cases of Businesses								
a.Formal Sector								
-Antigua	No	Yes	Yes	Yes	No	Yes	No	No
-Dominica	No	Yes	Yes	Yes	Yes	Yes	Yes	No
-Grenada	No	Yes	Yes	Yes	Yes	Yes	Yes	No
-St. Kitts and Nevis	No	Yes	Yes	Yes	Yes	Yes	Yes	No
-St. Lucia	No	Yes	Yes	Yes	Yes	Yes	Yes	No
-St.Vincent	No	Yes	Yes	Yes	No	Yes	No	No
b.Informal Sector								
-Antigua	No	Yes	Yes	No	No	No	No	No
-Dominica	No	Yes	Yes	Yes	Yes	No	No	No
-Grenada	No	Yes	Yes	Yes	Yes	No	No	No
-St. Kitts and Nevis	No	Yes	Yes	Yes	Yes	No	No	No
-St. Lucia	No	Yes	Yes	Yes	Yes	No	No	No
-St.Vincent	No	Yes	Yes	No	No	No	No	No
3. Baseline Data for Monitoring System								
a.Formal Sector								
-Antigua	Yes(2)	Yes	No	Yes	Yes	Yes	Yes	Yes
-Dominica	Yes(2)	Yes	No	Yes	Yes	Yes	Yes	Yes
-Grenada	Yes(2)	Yes	No	Yes	Yes	Yes	Yes	Yes
-St. Kitts and Nevis	Yes(2)	Yes	No	Yes	Yes	Yes	Yes	Yes
-St. Lucia	Yes(2)	Yes	No	Yes	Yes	Yes	Yes	Yes
-St.Vincent	Yes(2)	Yes	No	Yes	Yes	Yes	Yes	Yes
b.Informal Sector								
-Antigua	Yes(2)	Yes	No	Yes	No	No	No	Yes
-Dominica	Yes(2)	Yes	No	Yes	No	No	No	Yes
-Grenada	Yes(2)	Yes	No	Yes	No	No	No	Yes
-St. Kitts and Nevis	Yes(2)	Yes	No	Yes	No	No	No	Yes
-St. Lucia	Yes(2)	Yes	No	Yes	No	No	No	Yes
-St.Vincent	Yes(2)	Yes	No	Yes	No	No	No	Yes
Base Cost (in '000s U.S. $)	156.6	87.7	82.6	80.4	69.6	63.7	52.7	32.3

Notes:

1. Alternative IV is the recommended one
2. The outputs include that based on the Pilot Survey results
3. The originally proposed survey framework would have yielded much higher quality data on the baseline but the results on the diagnostics may be less complete.

Annex 1

Original Questionnaire for Formal Sector Businesses

QUESTIONNAIRE FOR SURVEY OF LARGER BUSINESSES

Section I: Basic Information:

1. Name of Business

2. Position of Interviewee

3. Legal Status:

   a. Corporation,
   b. Public Partnership,
   c. Family Partnership,
   d. Sole Proprietorship.

4. Nationality of Business
   a. Locally Owned (Owner from OECS, Barbados & Trinidad)
   b. Joint venture with extra-regional partner
   c. Wholly Owned by Extra-Regional Interests
   d. Other (state) _____

5. Line of Business (Circle one or more):

   a. Manufacturing (Specify Product) _____
   b. Wholesale Trade,
   c. Retail Trade,
   d. Hotel & Restaurant,
   e. Other Services (Specify type) _____

6. Total Sales and Employment by Line of Business:

	Yearly Sales (EC $)	Employment (inc. Family)
a. Manufacturing	_____	_____
b. Wholesale Trade,	_____	_____
c. Retail Trade,	_____	_____
d. Hotel & Restaurant,	_____	_____
e. Other Services	_____	_____

7. Under the following Categories specify by items the constraints caused on your business by each:

Own Business Problems	High Constraint									Low Constraint
a. Investment Capital	1	2	3	4	5	6	7	8	9	10
b. Working Capital	1	2	3	4	5	6	7	8	9	10
c. Worker Skills	1	2	3	4	5	6	7	8	9	10
d. Market Knowledge	1	2	3	4	5	6	7	8	9	10
f. Taxes										

g. Regulations	1	2	3	4	5	6	7	8	9	10
h. Labor Relations	1	2	3	4	5	6	7	8	9	10
i. Business Premises	1	2	3	4	5	6	7	8	9	10
j. Equipment	1	2	3	4	5	6	7	8	9	10

Infrastructure

a. Factory Shell Space	1	2	3	4	5	6	7	8	9	10
b. Power Supply	1	2	3	4	5	6	7	8	9	10
c. Water Supply	1	2	3	4	5	6	7	8	9	10
d. Roads	1	2	3	4	5	6	7	8	9	10
e. Sea/Air Transport	1	2	3	4	5	6	7	8	9	10
f. Transport System	1	2	3	4	5	6	7	8	9	10
g. Telecommunications										

Business Environment

a. Income Tax Policy	1	2	3	4	5	6	7	8	9	10
b. Sales/Excise Tax Policy	1	2	3	4	5	6	7	8	9	10
c. Import Duties	1	2	3	4	5	6	7	8	9	10
d. Export Duties	1	2	3	4	5	6	7	8	9	10
e. Regulations	1	2	3	4	5	6	7	8	9	10
f. Labor Relations	1	2	3	4	5	6	7	8	9	10

8. Do you export? _____ If yes complete below

	Value Exported(in EC $) Manufacturing	Other
a. OECS States	_____	_____
b. Caricom Markets	_____	_____
c. U.S.A.	_____	_____
d. Rest of World	_____	_____

9. Have you faced trade barriers when exporting during the last three years.

	Tariff	Quota	Other(state)
a. OECS States	_____	_____	_____
b. Caricom Markets	_____	_____	_____
c. U.S.A.	_____	_____	_____
d. Rest of World	_____	_____	_____

Section II : Demand for Credit

1. Have you considered expansion of your business? _____
   If yes please pick out from below the type or types of expansion you considered.
   a. Expansion of Production/Present Premises
   b. Penetration of New Markets
   c. Opening of Branch Operations
   d. Other(state) _____

2. If you stopped considering the project or are delaying it what made you stop or delay considering the expansion program (select one or more from list below):
a.Lack of Funds for Capital Goods
b.Lack of Working Capital
c.Lack of Technical Expertise
d.Lack of Marketing Expertise
e.Lack of Trained Staff in the Area
f.Lack of Factory Infrastructure
g.Government Regulations
h.Slowness of Response from Credit Institutions(Name_____)
i.Other(Describe)_____
j.Other(Describe)_____

3. If you still considering the project at what stage are you?
a.Trying to gather technical information
b.Trying gather information on markets
c.Trying to assemble sources of credit
d.Waiting to hear from a formal source of credit on loan
e.Other(state) _____

4. Do you currently have problems financing inventories and or day to day production costs? Yes____ No_____

5. Did you try to obtain financing from other than family/friends within the past five years?
Yes ___ No ___

6. Which of the following institutions did you apply to:
a. Commercial Banks
b. DFCs
c. CFSC
d. Other (State) _____

7. If you had difficulty obtaining finance pick out why(pick as many as applicable):
a. Lack of Collateral
b. Lack of Credit History
c. Unwillingness of Banks to finance specialized equipment
d. Unwillingness of Banks to finance long term investment
e. Unwillingness of Banks to finance working capital
f. Other (describe)_____

8. If you did not approach people/institutions outside the family/friend circle please pick one or more of the reasons:
a. I am uncomfortable with credit institutions.
b. I lack collateral and expected to be refused credit.
c. I lack a credit history and institutions would need that
d. We have never approached outside institutions for finance and do not want to set a precedent.
e. Other(State)_____

11. Do you know of the Caribbean Financial Services Corporation?
Yes_____ No_____

12. If you approached the CFSC for funding pick out the reason(s) why:
a. They are reputed to be interested in quality projects rather than collateral.
b. They will finance you if the project is well thought out.
c. We were acquainted with firms which have had good experience with CFSC.
d. They are willing to fund on a much longer term than Commercial Banks.
e. We were rejected by commercial banks
f. We were turned down by other financial institutions(State _____)
g. Other(state)_____

13. If you considered applying to the CFSC and then did not do so please pick out the reason(s) why:

a. They are not interested in businesses as small as yours.
b. Unable to prepare Proposal to suit their needs.
c. They are not interested in your line of business.
d. I am unwilling to repay back in U.S. Dollars
e. Unable to meet their requirements
f. Other (Please State) _____

14. If you applied for a CFSC loans was your loan application accepted for funding? Yes ____ No____

15. Have you considered investment in factory infrastructure?
Yes____ No_____

16. Have you already invested in Factory Infrastructure?
Yes_____ No_____

17. Have you heard of the Program based in the East Caribbean Central Bank that finances factory shells and industrial estates also known as IPIP? Yes_____ No_____
(If yes to both Q.15 and 17 proceed to complete this section)

18. If you have heard of IPIP but have never contacted your bank for an IPIP financed loan, select one or more of the following:
a. Unable to prepare a project suitable for IPIP needs

b. Banks do not like using IPIP funds and if I go to them I will be offered higher cost bank funds.

c. Commercial Banks operate IPIP and their collateral requirements would be difficult for me meet.

d. Commercial Banks demand a strong credit history and we would be unable to meet those conditions.

e. My Bank does not offer IPIP loans and the other Banks demand that I move all my banking business over to them and I am unwilling to do that.

f. I am unwilling to repay the loan in U.S. Dollars

g. My bank would only process the loan if loan term was reduced but I am unwilling to do so.

h. When we went for an IPIP loan our bank offered their own funds instead and expressed unwillingness to process an IPIP source loan.

i. Other (state) _____

19. If you have applied for an IPIP loan and have been rejected please select one or more of the following:

a. Rejected for lack of sufficient collateral.
b. Rejected for lack of established credit history.
c. Length of loan term requested too long.
d. Rejected because of lack of viability of a project.
e. Bank refused to process an IPIP loan.
f. Other (state) _____

Section III: Demand for Technical Assistance

1. During the past year have you felt the need for expert help outside your business to help out during critical stages?
Yes ____ No_____

2. If you answered "Yes" to above circle the area(s) that you feel the need for occasional help:
a. Assistance with Production Technology
b. Assistance with inventory management
c. Assistance with government relations
d. Assistance with marketing in country
e. Assistance with Export Marketing
f. Assistance with buying inputs/stock
g. Assistance with Accounting/Bookkeeping
h. Assistance with General Management
i. Assistance with Project Development
j. Other(Describe)_____

3. If you circled one or more areas above indicate by circling below which of the areas you would pay to receive assistance in:

a. Assistance with Production Technology
b. Assistance with inventory management
c. Assistance with government relations
d. Assistance with marketing in country
e. Assistance with Export Marketing
f. Assistance with buying inputs/stock
g. Assistance with Accounting/Bookkeeping
h. Assistance with General Management
i. Assistance with Project Development
j. Other(Describe)_____

4. If you are willing to pay and need assistance in specific areas and previously obtained it who did you get the help from:
a.Caribbean Project Development Facility
b.CAIC
c.BIMAP
d.Peace Corps
e.Other Foreign Volunteer
f. Friends/Relatives
g. Local Consultant
h. Foreign Consultant
i. Local Government Agency (State _____)
i. Business Association (State _____)
j. Other Voluntary Organizations(State_____)
k. Other(Describe)_____

5. If you received assistance indicate the degree of satisfaction below:

	Poor									Excellent
a.Caribbean Proj.Dev.Facility	1	2	3	4	5	6	7	8	9	10
b.CAIC	1	2	3	4	5	6	7	8	9	10
c.BIMAP	1	2	3	4	5	6	7	8	9	10
d.Peace Corps	1	2	3	4	5	6	7	8	9	10
e.Other Foreign Volunteer	1	2	3	4	5	6	7	8	9	10
f. Friends/Relatives	1	2	3	4	5	6	7	8	9	10
g. Local Consultant	1	2	3	4	5	6	7	8	9	10
h. Foreign Consultant	1	2	3	4	5	6	7	8	9	10
i. Local Govt.Agency	1	2	3	4	5	6	7	8	9	10
i. Local Business Assoc.	1	2	3	4	5	6	7	8	9	10
j. Other Voluntary Organ.	1	2	3	4	5	6	7	8	9	10
k. Other	1	2	3	4	5	6	7	8	9	10

6. If you need assistance and are willing to pay have failed to obtain it please pick one or more reasons why?
a. Cost too high
b. Local Expertise in Area not easily available
c. Precluded by rules from hiring staff for short periods
d. Have not had time to look
e. Do not know how to go about it
f. Have contracted to receive assistance but still waiting for it.
f. Other(describe)_____

Section IV Demand for Training

1. In the last year have you had problems in operations because your staff did not possess certain key skills for their jobs?
   Yes_____ No_____

2. If you answered yes to above, did you or do you have any specific cases in mind. If so describe the case(s)?
   _____
   _____
   _____
   _____
   _____

3. Please indicate the skill area or areas in which your top management and staff need training:

   a. Production Line Skills
   b. Maintenance and Upkeep
   c. Bookkeeping/Accounting
   d. Marketing/Customer Relations
   e. Export Marketing
   f. Purchasing
   g. Project Development
   h. Other (State_____)

4. If members of top management such as you could benefit from training in specific skill areas how much time could they afford to be away for such training?
   One Day_____ Few Days_____ One Week _____ Longer ____

5. Circle the skills areas that you are willing to pay to improve and also rank the first three in importance to you?
   Rank

   a. Production Line Skills
   b. Maintenance and Upkeep
   c. Bookkeeping/Accounting
   d. Marketing/Customer Relations
   e. Export Marketing
   f. Purchasing
   g. Project Development
   h. Other (State_____)

5. If you are willing pay for skills training and have already done so please indicate the source:

   a.OAS Non Formal Skills Project
   b.OAIC

c. BIMAP
d. Peace Corps
e. Other Foreign Volunteer
f. Friends/Relatives
g. Local Consultant
h. Foreign Consultant
i. Local Government Agency (State _____)
i. Business Association (State _____)
j. Other Voluntary Organizations (State _____)
k. Local Training Institute
l. Other (Describe) _____

6. Please indicate the your satisfaction with the services above:

	Poor									Excellent
a. OAS Non Formal Skills Project	1	2	3	4	5	6	7	8	9	10
b. CAIC	1	2	3	4	5	6	7	8	9	10
c. BIMAP	1	2	3	4	5	6	7	8	9	10
d. Peace Corps	1	2	3	4	5	6	7	8	9	10
e. Other Foreign Volunteer	1	2	3	4	5	6	7	8	9	10
f. Friends/Relatives	1	2	3	4	5	6	7	8	9	10
g. Local Consultant	1	2	3	4	5	6	7	8	9	10
h. Foreign Consultant	1	2	3	4	5	6	7	8	9	10
i. Local Govt. Agency	1	2	3	4	5	6	7	8	9	10
i. Local Business Assoc.	1	2	3	4	5	6	7	8	9	10
j. Other Voluntary Organ.	1	2	3	4	5	6	7	8	9	10
k. Local Training Institute	1	2	3	4	5	6	7	8	9	10
l. Other	1	2	3	4	5	6	7	8	9	10

7. If you require training assistance and are willing to pay but have not received such assistance circle the reason(s) why not:
a. Cost too high
b. Local Expertise in Area not easily available
c. Precluded by rules from hiring staff for short periods
d. Have not had time to look
e. Do not know how to go about it
f. Have contracted to receive assistance but still waiting for it.
f. Other (describe) _____

Section V: Acquaintance with Private Sector Associations

1. Knowledge of Private Sector Groupings

	Member	Know of but Not Member	Never Heard
a. C.A.I.C.	_____	_____	_____
b. National Chamber of Commerce	_____	_____	_____
c. Manufacturer's Assoc.	_____	_____	_____
d. Small Business Assoc.	_____	_____	_____
e. Other (Name) _____	_____	_____	_____

2. Reasons for Joining any of above organizations (Please list one or more reasons from below and select the organizations to which it refers):

a. Solidarity of the Private Sector
CAIC Nat'l Chamber Mfg.Assoc SBA Other (State_____)

b. Access to business related information/business contacts
CAIC Nat'l Chamber Mfg.Assoc SBA Other (State_____)

c. Access to Training and Technical Assistance Programs
CAIC Nat'l Chamber Mfg.Assoc SBA Other (State_____)

d. As a vehicle to make our views felt at the decision making level
CAIC Nat'l Chamber Mfg.Assoc SBA Other (State_____)

e. Other (Specify) _____
CAIC Nat'l Chamber Mfg.Assoc SBA Other (State_____)

3. Reasons for not Joining any of above organizations (Please list one or more reasons from below and select the organizations to which it refers):

_____a. My membership in CAIC Nat'l Chamber Mfg.Assoc SBA Other (State_____) is sufficient for me

b. They do not represent adequately the interests of people in my line of business
CAIC Nat'l Chamber Mfg.Assoc SBA Other (State_____)

c. Membership fee too high
CAIC Nat'l Chamber Mfg.Assoc SBA Other (State_____)

d. I do not agree with the policies that they advocate
CAIC Nat'l Chamber Mfg.Assoc SBA Other (State_____)

e. Other (Specify) _____
CAIC Nat'l Chamber Mfg.Assoc SBA Other (State_____)

4. What do you believe should be the appropriate lobbying agenda for these organizations(Pick and Rank YOUR top three Priorities):

a. Lobbying for lower income taxes
b. Lobbying for lower sales/excise taxes
c. Lobbying for protection of local business from foreign competition in my country
d. Lobbying for lower import duties in other countries.
e. Lobbying for lowering export duties and controls
f. Lobbying for a more favorable regulatory environment for businesses
g. Lobbying for more investments in roads
h. Lobbying for more investments in ports/airports
i. Lobbying for more investments water supply/power supply
j. Lobbying for more investments in telecommunications
k. Other(Specify)_____

5. What should be the other goals that these organizations should pursue(Pick and Rank YOUR top three Priorities):

a.Raising ethical standards in business
b.Raising the status of business in the eyes of the public
c.Raising productivity
d.Providing business related services to members such as information, training and technical assistance.
e.Providing special services such as discounts, package tours etc..
f.Promoting relationship between various linguistic communities in the Caribbean
g.Unity of the Private Sector
h.Other(Specify)_____

Annex 2

Original Questionnaire for Informal Sector Businesses

Survey Instrument for Small and Microbusinesses

Section I: General Background

A. Name,age,sex of members of household members(Start with the Household Head and include any and all members who are normally resident in the household):

	Name	Age	Sex	Member C.U.
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				

B. Labor Force Activity

	Name	Activity Status	Type Work	Econ. Sect.	Ave.Hrs. per Week
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					

Under Activity Status Classify as 0=inactive, 1=school,2=active and 3=retired.
Under type of work use 0=Unskilled, 1=Semi-Skilled,3=Skilled Manual, 4=White Collar Non-professional, 5=Professional.
Under Sector use AGR=Agriculture,TRD=Trade,MFG=Manufacturing, GOV=Government, SER=Other Services.

Section II: Information on Income and Expenditure

A. Earnings & Expenditures:

	Last Week	Last Month	Last Year
1. Household income from all sources	_____	_____	_____
2. Expenditures on all items (include value of home produced goods)	_____	_____	_____

B. Loans, Tontines and Other Capital Financing

1. Have you ever taken a loan from your credit union or engaged in a tontine type arrangement with a group of friends or relatives: _____

2. If you answered yes to above, how often from each system?
   a. Credit Union _____ b. Tontine _____

3. What were the proceeds used for:

	Amount in E.C. $
a. House Repair/Additions	_____
b. Cars	_____
c. Other Durable Goods	_____
d. Weddings/Other Festivals	_____
f. Business (Describe type)	_____
e. Other (Describe)	_____

C. Do you have any kind of independent business? Yes ____ No____
(If answer to above question is "Yes" proceed. Otherwise stop here).

D. Do you use fixed premises for your business? Yes___No___
If yes, Monthly Rental EC $_____
(When premises are owned use rental value of similar property in the locality)

E. Knowledge of National Development Fund and Project

1. Have you heard of the NDF? Yes_____ No_____

2. Have you contacted the NDF? Yes_____ No_____

3. Have you ever been helped by the NDF in financially? Yes_____ No_____

4. Have you received TA from NDF? Yes_____ No_____

5. Would you approach the NDF again for loan or TA? Yes_____ No_____

F. Does your business involve any of the following:

1. Retail _____(If yes complete to Sec.III)

2. Cottage Industry _____(If yes complete Sec.IV)

3. Service at Fixed Loration such as tailoring, laundry etc.. _____ (If yes complete Sec.V)

4. Other Service such as taxi driver, plumber etc.. _____ (If yes complete Sec.VI)

Section III: Retailers

A. General Background of Operations

1. Number of Paid Employees Fulltime_____ Part-time_____
2. No.of Unpaid Family Workers Fulltime_____ Part-time_____
3. Gross Sales in EC $
   a. Last Week _____
   b. Last Month _____
   c. Last Year _____
4. Total Value of Goods Purchased(EC $)
   a. Last Week _____
   b. Last Month _____
   c. Last Year _____

B. Source of Finance Used for both Start-up and Working Capital:

	Amount in EC $
1. Household Savings	_____
2. Other Relatives	_____
3. Friends in a Tontine	_____
4. Credit Union	_____
5. NDF	_____
6. Other(Describe)_____	_____
7. No Capital Necessary	_____

E. If you were able to secure financing would you consider expanding or switching your line of business?
Yes_____ No_____

F. Do you have any specific project in mind?
Yes_____ No_____

G. If you have a specific project in consideration how much would you need in finance? EC $ _____

Section IV: Cottage Industries

A. General Background of Operations

1. Number of Paid Employees Fulltime_____ Part-time_____
2. No.of Unpaid Family Workers Fulltime_____ Part-time_____
3. Gross Sales in EC $
   a. Last Week _____
   b. Last Month _____
   c. Last Year _____
4. Total Value of Goods Purchased(EC $)
   a. Last Week _____
   b. Last Month _____
   c. Last Year _____
5. Machinery or Special Equipment Used
   a. Do you use any machinery of special equipment?____
   b. If yes how much did you pay for it? EC $_____
   c. What is the present market value? EC $_____

B. Product Description and Output
1. Type of Product _____
2. Volume Produced
   a. Last Week _____
   b. Last Month _____
   c. Last Year _____

C. Source of Finance Used for both Start-up and Working Capital:

	Amount in EC $
1. Household Savings	_____
2. Other Relatives	_____
3. Friends in a Tontine	_____
4. Credit Union	_____
5. NDF	_____
6. Other(Describe)_____	_____
7. No Capital Necessary	_____

D. If you were able to secure financing would you consider expanding or switching your line of business?
Yes_____ No_____

E. Do you have any specific project in mind?
Yes_____ No_____

F. If you have a specific project in consideration how much would you need in finance? EC $ _____

Section V: Services at Fixed Location

A. General Background of Operations

1. Number of Paid Employees Fulltime_____ Part-time_____
2. No.of Unpaid Family Workers Fulltime_____ Part-time_____

3. Gross Sales in EC $
   a. Last Week _____
   b. Last Month _____
   c. Last Year _____
4. Total Value of Goods Purchased(EC $)
   a. Last Week _____
   b. Last Month _____
   c. Last Year _____
5. Machinery or Special Equipment Used
   a. Do you use any machinery of special equipment?____
   b. If yes how much did you pay for it? EC $_____
   c. What is the present market value? EC $_____

B. Type of Service _____

C. Source of Finance Used for both Start-up and Working Capital:

	Amount in EC $
1. Household Savings	_____
2. Other Relatives	_____
3. Friends in a Tontine	_____
4. Credit Union	_____
5. NDF	_____
6. Other(Describe)_____	_____
7. No Capital Necessary	_____

D. If you were able to secure financing would you consider expanding or switching your line of business?
Yes_____ No_____

E. Do you have any specific project in mind?
Yes_____ No_____

F. If you have a specific project in consideration how much would you need in finance? EC $ _____

Section VI: Services at Variable Location

A. General Background of Operations

1. Number of Paid Employees Fulltime_____ Part-time_____
2. No.of Unpaid Family Workers Fulltime_____ Part-time_____
3. Gross Sales in EC $
   a. Last Week _____
   b. Last Month _____
   c. Last Year _____
4. Total Value of Goods Purchased(EC $)
   a. Last Week _____
   b. Last Month _____
   c. Last Year _____
5. Machinery or Special Equipment Used
   a. Do you use any machinery of special equipment?____

b. If yes how much did you pay for it? EC $_____

c. What is the present market value? EC $_____

(Note under specialized equipment include taxis for taxi drivers)

B. Type of Service _____

C. Source of Finance Used for both Start-up and Working Capital:

	Amount in EC $
1. Household Savings	_____
2. Other Relatives	_____
3. Friends in a Tontine	_____
4. Credit Union	_____
5. NDF	_____
6. Other(Describe)_____	_____
7. No Capital Necessary	_____

D. If you were able to secure financing would you consider expanding or switching your line of business?
Yes_____ No_____

E. Do you have any specific project in mind?
Yes_____ No_____

F. If you have a specific project in consideration how much would you need in finance? EC $ _____

Section VII: Demand for Technical Assistance & Training

1. In the last year did you feel the need for expert help outside your business to help out during critical stages?
   Yes ____ No_____

2. If you answered "Yes" to above circle the area(s) that you feel the need for occasional help:
   a. Assistance with Production Processes
   b. Assistance with marketing
   c. Assistance with Accounting/Bookkeeping
   d. Assistance with General Management
   e. Assistance with Project Development
   f. Assistance with Staff Training
   g. Other(Describe)_____

3. If you circled one or more areas above indicate by circling below which of the areas you would pay to receive assistance in:
   a. Assistance with Production Processes
   b. Assistance with marketing
   c. Assistance with Accounting/Bookkeeping
   d. Assistance with General Management
   e. Assistance with Project Develcpment
   f. Assistance with Staff Training
   g. Other(Describe)_____

4. If you are willing to pay and need assistance in specific areas and previously obtained it who did you get the help from:
   a. OAS Non Formal Skills Project
   b. NDF/NRDF/FND
   c. SEAP
   d. Peace Corps
   e. Other Foreign Volunteer
   f. Friends/Relatives
   g. Local Consultant
   h. Foreign Consultant
   i. Local Government Agency (State _____)
   i. Business Association (State _____)
   j. Other Voluntary Organizations(State_____)
   k. Local Training Institute
   l. Other(Describe)_____

5. If you received assistance indicate the degree of satisfaction below:

	Poor									Excellent
a. OAS Non Formal Skills Project	1	2	3	4	5	6	7	8	9	10
b. NDF/NRDF/FND	1	2	3	4	5	6	7	8	9	10
c. SEAP	1	2	3	4	5	6	7	8	9	10
d. Peace Corps	1	2	3	4	5	6	7	8	9	10

e. Other Foreign Volunteer	1	2	3	4	5	6	7	8	9	10
f. Friends/Relatives	1	2	3	4	5	6	7	8	9	10
g. Local Consultant	1	2	3	4	5	6	7	8	9	10
h. Foreign Consultant	1	2	3	4	5	6	7	8	9	10
i. Local Government Agency	1	2	3	4	5	6	7	8	9	10
i. Business Association	1	2	3	4	5	6	7	8	9	10
j. Other Voluntary Organizations	1	2	3	4	5	6	7	8	9	10
k. Local Training Institute	1	2	3	4	5	6	7	8	9	10
l. Other	1	2	3	4	5	6	7	8	9	10

6. If you need assistance and are willing to pay have failed to obtain it please pick one or more reasons why?
   a. Cost too high
   b. Local Expertise in Area not easily available
   c. Precluded by rules from hiring staff for short periods
   d. Have not had time to look
   e. Do not know how to go about it
   f. Have contracted to receive assistance but still waiting for it.
   f. Other(describe)_____

TRADERS, MANUFACTURERS AND HUCKSTERS

AN ANALYSIS OF THE RESULTS OF A PILOT SURVEY
FROM THE EASTERN CARIBBEAN

DRAFT VOLUME TWO

Individual Case Studies

Submitted to:
USAID
Regional Development Office/Caribbean
Bridgetown, Barbados

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Castries, St. Lucia

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Volume Two

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Introduction to the Case Studies

The case studies presented in this volume are based on the interviews, field visits and consultant assessment of the businesses visited. They are provided here as a data base and guide to readers interested in basic business problems of the region. The analysis presented in Volume One is based on these cases.

The formal sector cases have been altered for Barbados and St. Kitts & Nevis by changing the names of the businesses and the individuals. The alterations were done to insure confidentiality of the business without sacrificing the analysis. Figures have been multiplied by a factor which differs from business to business but is the same within the business. Figures for Barbados are in Barbados dollars. Those for St. Kitts & Nevis are in Eastern Caribbean dollars.

Informal sector cases for St. Lucia were edited to change names of the individuals involved. It was not felt necessary to alter figures for microsector as anonymity should be generally assured by the name change.

B A R B A D O S

S.J. ANDREWS & CO. LTD.

Date of Interview: May 12, 1987

Interviewers: Darcy Boyce and Qaiser Khan

Interviewees: Mr. Stephen Andrews and Mr. Jim Andrews
Owners and directors of the company

1. Introduction

S.J. Andrews & Co. Ltd. is a pharmacy which was founded 43 years ago by an uncle of the current owners. This uncle died without any progeny and so the business passed to the current owners who are his nephews. The nephews have been working in the business for 12 years in Stephen's case and 20 years in Jim's case.

The pharmacy is located on the middle of Young Street, between Broad, Bird and Doe Streets which are the three most commercial streets in the country. Additionally, the pharmacy is located next to a fairly major supermarket.

About fifteen years ago, the store was renovated and is now bright, well lit, fairly spacious and well laid out. The renovations to the store, which occupies the bottom floor of the two-and-one half storied building owned by the company, was financed entirely from internally generated funds.

2. Market Structure

The Andrews's report that their sales have hardly grown by more than 5% over the last four years and are expected to be Bds.$2.47 million in 1987. Of this volume, approximately 5% - 6% consist of prescription drugs with the remainder being over the counter drugs and sundry items. This pharmacy participates in the National Drug Service Scheme and the Andrews's estimate that approximately 75% of their prescription drug sales come through the National Drug Service.

Opening hours at this store are somewhat longer than most other Bridgetown stores. This store opens 8:00 a.m. - 5:00 p.m. Monday to Thursday, 8:00 a.m. - 6:00 p.m. on Friday and 8:00 a.m. - 1:30 p.m. on Saturday. These business hours seem to be responsive to customers' needs, particularly Bridgetown workers who normally leave work at 4:00 p.m. on weekdays and between 12 noon and 1:00 p.m. on Saturdays.

While consisting of various market segments (perfumes, cosmetics, drugs, etc.), the overall pharmaceutical market is mature and characterized by high competition and dropping profit margins. Both other pharmacies and more specialized new variety stores have affected the Andrews' sales growth and profits. The Andrews's report that there are 18 pharmacies in Bridgetown proper and 43 island-wide. Additionally, both Bird and Doe Streets have been upgraded in recent years and a number of new variety stores have been opened to sell the over the counter drugs and sundry front shop items such as cosmetics.

For the most part, the over-the-counter market has very few barriers to entry and as such extremely price competitive. The Andrews's find it very difficult to compete on price with many of the above newer outlets. S.J. Andrews & Co. Ltd. purchases its supplies from the established wholesalers in Barbados but the wholesale prices which it pays are higher than the retail prices offered by some of the newer pharmacies and variety stores. Even when S.J. Andrews & Co. Ltd. has done its own importing, it has not been able to land and clear the goods at a price below the retail price of some of its newer competitors.

Through price cutting, the new competitors have dipped into the Andrews's market share. The Andrews's suspect that under invoicing of goods is going undetected by Customs or that Customs is unable to substantiate or make challenges to the declared low invoice values for some shipments. Such behaviour results in much lower duties levied on such shipments.

Gross margins of 22% of sales are now being achieved. Such margins have, however, not been sufficient to keep the second pharmacy, R.B. Harris Ltd., which the Andrews's also operated in 1985 from closing. As sales levelled off and profit margins decreased, R.B. Harris Ltd. found it was unable to cover its overhead and other fixed expenses.

3. Finance

The Company runs an overdraft with a limit of $275,000. This overdraft is secured by the inventory of between $330,000-$357,500, and was only used for the first times about 10 years ago.

Inventory turnover is 7 times per year, giving an average inventory holding period of 7-1/4 weeks approximately.

Total assets of the company are approximately Bds$1.3 million. Liabilities are around $455,000 and shareholders equity $845,000.

Shareholders' equity consist mainly of the building where the pharmacy is located and which was valued at Bds$715,000 in 1961.

The major financial problem is the contingent liability for severance payment. If the company were to be sold or liquidated, the existing liability for severance payment would be $245,000 or nearly 30% of the equity of the shareholders. Moreover, this liability is increasing at about 10%, ($30,000) of the salaries and wages bill per year.

As stated earlier, the second major financial problem is the effect that low cost competitors have had on gross margins and market share. The reduced gross margin down to 22%, coupled with stagnant sales volume, means that the company is unable to generate any substantial profits to handle severance payment liabilities and still provide any significant retirement benefits for the shareholders. Current sales of $2.47 million per year yield a gross margin of approximately $520,000.

A third financial problem is the long time it takes for government to pay the pharmacies for prescriptions filled under the National Drug Service. The waiting period is normally 1/2 to 1 month, but near to the end of government's fiscal year in March, the waiting period may be as much as two to three months. This irregular cash flow has resulted in the company paying higher interest costs on its overdraft.

4 Labour, Training and Technical Assistance

S.J. Andrews & Co. Ltd. employs 19 staff including the two directors, one of whom is also a pharmacist. There is also another pharmacist on staff. The annual wages and salary bill is approximately $304,000 per year.

Staff turnover is very low, with probably only 1 person a year leaving the company. Such persons who leave are normally dismissed with cause, but they tend to take the dismissal to court in the hope of being awarded severance payments. The company has always won these cases but regard them as a nuisance which wastes time and the company's money.

The low staff turnover means that the increase in the contingent severance pay liability increases by about 8-1/3% or nearly $20,000 per year. It also means that most shop staff work for considerably more than the $136 per week minimum wage. Many of them work for $190 - $200 per week.

Little technical training is required for staff, and the druggists are already qualified.

The Andrews's are not fully happy with staff attitudes which they feel are typically Barbadian but which do not place enough importance on the value of customer service.

Additionally, while staff will work overtime for pay if so required, they are generally not enthusiastic about doing so.

5. Capital Investment Plans

The Andrews's have no intention of expanding or doing further renovation work in the short to medium term (i.e. up to 10 years).

6. Relations with Government and Public Sector Organizations

When the company imports goods, it uses a broker to clear them and is not aware of any problems in having goods cleared. As a general rule though, the company does not do its own importation.

As previously discussed, payments by government under the National Drug Service to the pharmacy may be delayed for longer than usual towards the end of government's fiscal year.

The Andrews's indicate that completing the forms required for each prescription filled under the National Drug Service is time consuming, because of the necessity to have all the codes correct and the form properly fill out if payment is to be received in reasonable time from government.

This company would also like government to introduce some scheme to audit invoices presented to Customs for comparison against some standard manufacturers' list prices of drugs to ensure that under invoicing and the associated unfair competitive advantages is stamped out.

7. General Diagnostics

The major problem facing S.J. Andrews & Co. Ltd. is trying to maintain its market share and profit margins in the face of increasingly low cost competition. To achieve this the company will have to pursue a more aggressive pricing policy and/or expand its product line and services into newer, high margin cosmetics, perfumer, clothing, etc.

C.R.G. & CO. LTD.

Interviewers: Darcy Boyce & Qaiser Khan

Date of Interview: May 15, 1987

Interviewees: I.R. Anthony, Chairman
Roy Lambert, General Manager
Gerry Ewin, Production & Cost Control Specialist.

1. Introduction

Julius Ceaser noted that the most successful generals did not run away in defeat - they assessed their weaknesses, regrouped and attacked again until victory was attained. This comment demonstrates some key characteristics of an adverse situation. In such situations there is a host of opportunities to be exploited which could lead to success if one has the will and resources to stay in battle. Success in business is due to similar tactics. Specially, Ceaser's maxim is the kind of reason that would explain why a successful banker like Mr. Anthony would leave the cozy recesses of commercial banking and take over the operations of a near bankrupt company.

2. Recent History

The immediate causes of the financial crisis at C.R.G. was due to a disastrous effort at export marketing by the Barbados Furniture Trading Company. The case demonstrates how the well meaning efforts by public sector technocrats with no business experience and coupled with the lack of effective cost information in the factories themselves can lead to a disaster.

The above problem began when a U.S. furniture company was contacted which contracted to buy furniture from local manufacturers and refinishing them in the U.S. before selling them to the general public. The range of products demanded by the U.S. producers required significant retooling of the plant and as a consequence the cost of production jumped astronomically. Unfortunately the cost accounting systems in place were rudimentary and did not detect these increases. In addition, the he U.S. manufacturer insisted that packaging material be imported from them. This request increased transport costs significantly since the furniture was refinished in the U.S. and then repacked. Stated another way, the above arrangement merely helped to increase the profit margins of the U.S. company. As became apparent when a proper cost analysis was done, the Barbados furniture makers had no chance of making a profit in view of the offered price and their own production costs. The need to retool

for the U.S. market also meant that in the three year period during which this experiment lasted there was a period of eighteen months in which the plant was not available to produce for the local market. As such, the opportunity costs combined with the effective loss on the products sold to the U.S. buyer nearly brought the company close to bankruptcy.

3. Current Strategy

Despite the above, C.R.G. has recently taken steps to improve its profitability. In a period when most firms would have retrenched, C.R.G. went ahead and recruited a production line & cost control specialist who was formerly on the staff of the Barbados Development Bank. Today they have a fairly accurate costing model and they are able to price their products according to cost and when necessary are quickly able to change prices to reflect changes in costs.

They are also restructuring their sourcing strategy . Instead of importing mahogany from Brazil (where they were dissatisfied with the quality) they are now importing directly from Belize. In addition, they plan to set up their own solar kiln to dry wood. Eventually, they hope to sell excess production from this operation to other Bajan furniture makers.

Another part of the long term strategy is to build up inventory for the Christmas sales peak without incurring excessive overtime costs in the latter part of the year. Overtime drives the labor component of total costs up to 40% to 45% of the sale price making the product very marginally profitable. Excluding overtime costs, total labour costs are 30% of total costs and the company can maintain reasonably high profit margins. In order to be more cost effective, C.R.G. plans to offer an incentive scheme over the year whereby workers would work on their own time after hours and produce additional products for which they would get paid at piece rates. With this incentive scheme, the company expects to increase production by about $60,000 per month to a total of $260,000 or 86% operating capacity. It is anticipated, however, that the additional production generated by the incentive scheme will be taken up by the current growth in the market and thus no reserves are being built up for the Christmas sales peak.

4. Market Structure

Since the abortive attempt at export marketing, the company has focused almost exclusively on the domestic market although there are plans to target regional market in the near future. For the long term, the company may re-enter the U.S. market, only through direct contact with a retailer. In order to develop these channels, however, the company will have to produce a higher quality finish and invest in better equipment. Present levels of production, however, do not at the moment make this a viable

short term objective.

The above short term emphasis on the domestic market emphasizes C.R.G.'s established comparative advantages in pricing. Recently C.R.G.'s major sources of competition, e.g. Wigan's, Adams etc., have dropped off the market. It has got to the point where **domestic demand for C.R.G.'s furniture is higher than the production even in the low season for furniture demand.** One advantage that C.R.G. has is a direct result of its investment in a sophisticated production cost accounting system. The competitors are unable to match C.R.G.'s cost control program. As such, C.R.G. is able to provide reliable and guaranteed prices to its customers which accurately reflect costs. The company is also able to adjust prices when necessary to reflect changes in costs since the system is computerized.

The above pricing ability also allows C.R.G. to capitalize on its dominant market position. The cost production mechanism allows C.R.G to achieve and accurately price the economies of sale gained from large volume orders from large furniture outlet stores. C.R.G. can accurately discount its goods and determine the cost savings or profit margins they get from large orders.

Finally, the establishment of the drying plant will allow C.R.G. to diversify its service line in the domestic market and, one day, the regional markets. But until the position on the local market is effectively established and the debt equity situation improves there will be no serious moves towards export markets, though recently there have been inquiries from the French Antilles, particularly Guadelope.

5. Finance

The total sales in recent years were severely affected by the problems with the BFTC furniture export scheme. Sales in 1985 including sales to the U.S. market amounted to a total of $1,200,000 against an established plant capacity (one shift with no overtime) of about $3,600,000. Apart from the direct losses on the exports to the U.S. market in view of the reasons described in section 2, at this rate of capacity utilization the average cost was too high to make an acceptable return even in local markets. By 1986, once the export albatross had been removed and plant time was not being lost due to constant retooling to meet U.S. specifications, the sales climbed to $2,550,000. Even that level of sales led to a substantial but significantly reduced loss. This year, in the first few months of the year (what would normally be a slow season in sales) the volume has already passed $1,050,000 giving rise to the hope that sales would top $4,500,000. Should expectations materialize, this would yield reasonable profits and help reduce the debt to equity ratio which is phenomenal high in view of the four straight years of losses.

The high debt to equity ratio led to a freezing of the overdraft

facility. The reason that the company is still in business and may indeed eventually become profitable again is the help extended by the Barbados Development Bank which provided a $1.65 million loan to convert short term debt into long term debt. Also the BDB guaranteed $1,050,000 of the overdraft. Even though the company is having to move sales without the aid of an overdraft facility it is able to operate thanks to these facilities offered by the BDB. The firm can expect receiving overdraft facility for use in building up inventory to meet demand during the Christmas season. Last year about half a million in sales were lost in the Christmas season due to the lack of a sufficient inventory.

6. Labor, Training and Technical Assistance

The factory employs about 105 production workers (including supervisors) in addition to about five office staff. The workers are unionized and paid weekly wages determined on a hourly basis. The management claims that they have the "worst" contract in the industry. They are required to give their workers supplemental feeding as well as an extra day's pay for every month in which they do not take sick leave. They do however seem to have faith in their workers and expect that when the time for contract renegotiations comes the workers will appreciate the financial position of the factory and act accordingly despite any position taken by their union leadership.

The factory has moved to an incentive scheme under which workers can spend extra time at the factory after hours and are paid at piece rates for any production they generate. The management believes that this increases output by about 30% over the production of a single shift. National Insurance payments are in significant arrears but the management is meeting current obligations and building up reserves to pay off past arrears.

Training does not seem to be a major issue at the moment. The management seems to be quite satisfied with the skills of their workers though they are looking to improve their overall production system by installing new machinery. Some minor retraining may be required at that stage but at the moment it does not seem to cause any major concern.

Technical Assistance in cost control has been requested from SEAP and approved. Also in the process of approval, is a request for assistance in design. The firm seems to recognize the valuable nature of technical assistance and would probably request whatever help is necessary. The company, however, will try to tackle those problems they feel they can solve without outside assistance.

7. Relations with the Government and Public Sector Organizations

The disastrous experience of furniture exports through the Barbados Furniture Trading Corporation seems to have reduced confidence of the private sector in the ability of the public sector organizations. The management is however very complimentary of the Barbados Development Bank and its staff.

There seems to be no major problems from the regulatory and tax framework. Taxes of course have not been a factor in recent years as the firm has been making losses.

8. Diagnostics and Recommendations

The principal problems have already been spotted by the management as outlined in section 2. The strategy for the future would seem to rest first on a consolidation of the domestic market the diversification into other markets and services. The re-entry into extra regional export trade, however, should not be undertaken until better finishing facilities are available.
Mr. Anthony is contemplating setting up a solar kiln to reduce moisture content in wood. The kiln would service not only C.R.G. but also other furniture makers in the country. It would not be out of place to consider a finishing plant that would do the same thing. Once quality finishing is established in Barbados there would be little problems in setting up a link with a major furniture retailer in North America rather than going through a manufacturer who would insist on refinishing it.

Refreshments Unlimited CO. LTD.

Date of Interview: June 3, 1987

Interviewers: Darcy Boyce and Qaiser Khan

Interviewee: Junior Luther

1. Introduction

Refreshments Unlimited Co. Ltd. started operation in 1944. The company produces and distributed carbonated sodas, of which the most popular is Cola. Other sodas produced by the company include Lemon Soda, Diet Cola, tonic water, soda water, Frutee, Grapefrutee, gingerale and sorrel.

2. Market Structure

Refreshments Unlimited estimates that is has 50% of the market for aerated soft drinks in the island. The major competitor is Drink Barbados! Ltd. which controls about 30 - 35% of the market. Barbados Bottlers Ltd., the third player in the market, has 15-20% of the market. Since Refreshments Unlimited introduced the 12-oz cola, its market share has increased and it has been able to stem the advances which Drink Barbados! had began to make in the cola market through aggressive marketing. For the future, the company will have to maintain its market share through greater product differentiation and innovative packaging. In terms of distribution, the company has a well established and loyal network.

The company distributes its products using 20 salesmen who are paid a basic salary as well as a commission on sales. The company also has between 60 and 70 vending outlets, and sold $15.2 million in 1986 and $13.8 million in 1985.

The company's advertising is subsidized by Cola International. In an attempt to cover both the traditional soft drinks and upcoming health conscious segments of the market, Refreshments Unlimited is developing a marketing strategy that focuses on lifestyle and freshness. Similar to the stand out Pepsi's "New Generation". Refreshments Unlimited is targeting younger people.

In the area of pricing, the company's drinks are more expensive than those produced in Trinidad. The Barbadian product sells for Bds$13.68 or TT$24.62 as compared to TT$14 for the Trinidadian product. Mr. Luther blames the high price which local manufacturers must pay for sugar as well as the overvaluation of the Barbadian dollar. Local manufacturers must purchase local sugar at a price far in excess of the world market price which Trinida-

dian manufacturers pay.

The company is planning to produce aerated "percentage juices" in small plastic bottles in the near future, probably as soon as this year. It is also working on a formulation for the very popular local drink, Mauby, which has not yet been bottled as a ready-to-drink product, or with any consistency as a syrup to which only water is added.

The company's products are not price controlled by the Government but Government pays very close attention to the pricing of the product and will use its influence to maintain prices at a level which it feels is reasonable to producers and consumers.

3. Finance

Three cost factors are of particular concern to Refreshment Unlimited. The first of these , as indicated above in the section on market structure is the cost of sugar to the local manufacturing concerns. Local sugar which is untreated costs 76 cents per pound and another 8 - 10 cents per pound for treating.

The second factor is the duty of 30% which the company has to pay on the importation of its Lemon Soda and 12-oz Cola bottles. These bottles are apparently not made in any Caricom country in the thickness which the parent company requires. In addition, the company pays 10% consumption tax and 15% stamp duty on these bottles.

Thirdly, the glass bottles cost approximately 60 cents on average, but may be recycled between 10 and 15 times. There is a fair amount of consumer pressure, however, for the local soft drink companies to move to cans or disposable plastic bottles which are both more convenient for consumers and appear to be more hygienic than the recycled bottles. The costs of "packaging" material would however increase significantly (by about 4 times) if the change was made.

Nonetheless, Refreshments Unlimited plans to produce a clear colourless 12-oz plastic bottle with a screw cap, probably later this year. The equipment costs for the plant to manufacture the new bottles is Bds$1.5 million. Fortunately, the company was able to put together a very good deal on some equipment of a company in liquidation. In addition to the cost of the bottle making plant, Refreshments Unlimited will also have to change its bottling line to handle the plastic bottles. This will cost Bds$0.5 million, and will be financed through the company's overdraft facility. Cola International will assist in meeting the investment in new bottles as they have generally done in the past.

Mr. Luther estimates that Refreshments Unlimited's gross profit per case of drink is 75 cents. Overall gross profit in 1986 was

$7.2 million (47.6% of sales) and in 1985 gross profit was $5.9 million (42.6%) of sales. Operating profits were $2.0 million in 1986 and $0.8 million in 1985.

The company gets its Cola, Lemon Soda and other international flavours from the Cola company, but produces the other flavours itself. Carbon dioxide is purchased from a local company, Fluid Gasses, or occasionally from National Breweries Ltd. if Fluid Gasses is out of stock.

4. Labour

Refreshments Unlimited employs approximately 180 persons of which 162 are permanent staff members. Many of the staff have been with the company for a very long time; 2 people have over 40 years of service, 6 - 8 have over 30 years service and many others have over 20 years of service each. The company recognizes the contingent severance pay liability but is not unduly worried by it since the company does not plan any contraction or indeed foresees any such contraction occurring in the industry. The company has had, however, to pay severance one year ago when it retrenched six workers; the severance payment then was in excess of Bds$50,000.

5. Relations with Government and other Agencies

The company reports that it continues to have efficient and cordial relations with the Ministries of Finance and Trade.

6. Capital Investment

As already discussed above, the company will soon begin to use disposable plastic bottles. It will also soon produce aerated "percentage juices" which the company hopes will attract more health conscious consumers and increase the company's overall market share.

The company does not however plan to expand its basic plant since it currently runs at 40 - 50% utilization of capacity on the basis of a two shift operation.

7. General Diagnostic

Refreshments Unlimited seems ready now to cast off its old conservative image and ways, and adopt a product development and marketing strategy that responds to low cost Trinidad suppliers of sodas and to the marketing aggression of Drink Barbados! Ltd. Its investment in the new bottle making plant, the new bottling line, and the new bottles indicates a consumer oriented strategy that emphasizes responding to changing consumer taste.

Dovetailing with packaging innovation is increased and improved advertising which promotes the appealing lifestyle and freshness associated with the company's products. The company could, however, expand its customer base and promote its products more directly to the tourist market. In addition, the company may want to expand its product line more quickly, specifically to fill out its product line in the coke market for all age groups and tastes and test market the new as well as cherry coke.

Similarly, the company should continue its aggressive promotion of new "percentage juices" towards those health conscious segments.

Barbados Real Estate LTD.

Date of Interview: May 28, 1987

Interviewers: Darcy Boyce and Qaiser Khan

Interviewee: George "Sam" and Mary Laurie

1. Introduction

Barbados Real Estate Ltd. (BRE) was started in 1979. The company manages and rents villas mainly for foreign owners, and also sells real estate, mainly to overseas clients. Mr. Laurie thinks that his major competitors in the villa rental business are Alleyne Andrews Ltd. The villas rented by Barbados Real Estate Ltd. are used several times in the winter season by the owners and rented largely to cover maintenance and upkeep costs. These villas are located on the west cost between Speightstown and Paradise Beach Hotel. The company controls 23 villas but can offer up to 50 villas for rental to tourists. The company does not own any of the villas.

2. Market Structure

Barbados Real Estate Ltd. manages to have occupancy of only 30% during the summer season even though the houses are normally rented at half price. The company used to get a strong demand from Europe during the summer but the strength of the US dollar against European currencies in 1984 - 1986, resulted in a fall in this market.

Besides the drop in size of the summer market, the company's underutilization has also resulted from insufficient and poorly targeted marketing. In general the company has not adequately identified the tastes and needs of potential market segments according to income levels, country origin, and travel agents/-wholesalers. In the past BRE has carried out "mass advertising" by placing ads in papers overseas. This shotgun approach, however, is inappropriate in a highly segmented market in which competitors (hotels primarily) offer a wide range of prices and services. According to the owners, the above approach has also resulted in conflicting images and messages. The only consistent advertising BRE does is with colour brochures that are prepared for each property. These brochures, however, are not systematically distributed to potential clients before they come to the island.

In order to solve the above marketing problems, Mr. Laurie's wife plans to become involved in the company's operations. She reportedly had 'marketing' experience in Canada and will be

looking after the company's marketing. She however seems to know very little about where to pitch the advertising and how to conduct the local public relations with the Tourist Board.

The company is also trying to get an Inclusive Tours (IT) number from Pan Am so that its visitors could get reduced airfare when travelling to its properties in Barbados.

During the peak Winter season, occupancy of the villas range from 90% to 100% The owners figure that their primary comparative advantage is price and a feeling of independence a villa provides to the tourist. Rates range from US$1,500/week to US$10,000/week in the winter and from US$350 to US$3,000/week for 4 persons in the summer. The Lauries estimate that 3 nights in a good hotel in Barbados for 6 people would equate to 1 week in a villa which could accommodate the same 6 people. At this level the villas are then competitive with hotels. Given full occupancy rates, the primary problem for the Lauries is expanding its number of villas.

3. Finance and Capital Investment

Revenue of the company in 1986 was reported as Bds$368,200 of which $103,600 came from property management fees, $176,400 came from rental commissions and $88,200 from estate commissions. Mr. Laurie fixes the rent, occasionally with guidelines from the client on rate and minimum period of occupancy.

In an effort to better respond to peak winter season demands, the company is now involved in an expansion which will provide one house, which has been pre-sold, and three luxury townhouses on Gibbs Beach, St. Peter. Funding of 90% over 15 years with 1 year moratorium at 10% annum was easily secured from Caribbean Commercial Bank, largely however through the connections of James Andrews who is the company's partner in the expansion. James Andrews is a principal in Alleyne, Andrews.

Apart from the above expansion the company expects to add two more properties to its listing for the coming winter season which it expects to be very good.

4. Labour and Training

The company itself employs 8 people including one person on straight commission to sell real estate to local residents.

In addition, the company manages permanent domestic staff of 105-110 persons for the villa and 140 such staff in the high season. Most of the domestic staff are reportedly very well treated by the villa owners and have been with their employers for over 5 years.

6. Relations with Government and Institutions

Barbados Real Estate Limited are members of the Barbados Hotel Association from which it receives what it terms a very "important" newsletter. The company has however never participated in any of the Tourist Board's hospitality programmes in Barbados or any of the promotional tours done by the Board and/or the Barbados Hotel Association. Indeed, the company seems to have very little contact with either the Barbados Board of Tourist or the Barbados Hotel Association.

7. General Diagnostics

The company operates without any real marketing plan or direction. Whatever the company sells seems purely fortuitous. From what one hears from the new person to be responsible for marketing, it seems hardly likely that there will be any improvement in the short run. Both Mr. & Mrs. Laurie need to be trained in marketing and need to get advice on how to market the properties which they manage.

The villa which we were shown, on Gibbs Beach, seemed over priced. This may or may not be a contributing factor to slack demand during the summer months.

Revenues of the company seem quite low to support the staff of 5 and other costs. The company may well be making a loss, or at best only marginal profits.

Bajan Handicrafts

Date of Interview: June 3, 1987

Interviewers: Darcy Boyce & Qaiser Khan

Interviewee: Mr. J.C. John

1. Introduction

About thirteen years ago, looking about for a Christmas present that typified Barbados to send to her family in England, Mrs. John was not surprised not to find any quality souvenir indigenous to the island. Many times in the past, Mrs. John had tried to find such souvenirs without any success. Even though Barbados had many talended craftsmen, most stores offered as souvenirs factory made plastic mementos imported from Taiwan or Hong Kong.

Twelve years ago, however, all that began to change. Back then the Johns acquired a store on the West Coast of Barbados the family were casting around for ideas what to sell having never been in trade before. Mr. John was a highly successful professional architect but had very little idea of commercial business. Mrs. John's previous frustration in trying to find quality Barbados-made souvenirs, however, led her to use the store to sell quality Barbados products. Hence, the name Bajan Handicrafts was chosen.

Since then, the one store operation has grown into seven retail outlets. In addition the company operates the store called Bajan World which sells quality imported goods generally not available elsewhere in the country. The company also operates the Parc de Fleurs. Despite the above diversification, the company's primary "cashcow" is the Bajan Handicrafts system.

2. Market Structure

The company's revenues can be segmented according to the following distribution channels:

a. Merchandize sold directly through Bajan Handicrafts outlets;
b. Merchandize produced by the firm but sold through other local retail outlets;
c. Merchandize produced by the firm and exported out of the country;
d. Merchandize sold through Bajan World, and
e. Revenues from the Parc de Fleurs.

The essence of the company's marketing strategy has been based on the production of quality products either made in Barbados, or when technical problems make the local manufacture of the product difficult, the products are designed in Barbados and manufactured outside the country. The production of high quality "Barbados" products has given rise to the two segments of the market-domestic wholesale and exports. The emphasis on high quality since the company started in 1975 has been accompanied by an increase in demand for quality products by Bajan consumers. Thus the business is not excessively dependent on the tourist industry and avoids the greatly amplified seasonality of more businesses that are dependent almost exclusively on the tourist end of the market.

In their effort to expand the product line and include products not traditionally available in Barbaods, the Johns have encountered often costly sourcing problems. For example, in importing Indian cotton fabrics, they are forced to transship to Trinidad. The freight charges for the Port of Spain to Barbados sector are just as high as that for the India to Port of Spain sector. In an effort to reduce costs, they have since decided to resort to transhipment in the U.K. or the U.S. which despite the added distance actually turns out to be cheaper.

The customers at Bajan World are heavily local particularly at Christmas time. Yet local buyers are also an important consumer group for the Bajan Handicrafts stores. The only store with an exceptionally heavy dependence on tourism is the West Coast Store which is the most profitable of the Bajan Handicrafts chain. (The most profitable unit in the company is the Parc de Fleurs where the staff and overhead costs are minimal). As far as sales volumes go, Bajan World by itself generates 20% of the total volume which is well over $2,500,000 annually. The Southern Palms outlet of the Bajan Handicrafts chain also does very well, but the profits at the Bridgetown store are not very high despite good sales volume due to the inordinately high rents.

Overall, between 40% to 45% of the company's customers are local. When the company began operations, over 85% of its sales were in the winter (or tourist season). As the firm's local reputation grew that figure has dropped to about 60%. The drop in the ratio of winter sales to total sales understates the increase in local customers, since Bajan World is heavily patronized in the Christmas season by local buyers. Despite the seasonal Christmas rush, the local customers keep the seasonal variations smoother than they would be otherwise. On the otherhand, the tourist trade is a major foreign exchange earner for the company and Barbados. The company also generates foreign exchange through export sales.

Due to its reputation for quality, the company has been able to expand significantly into export markets. It has had direct export orders from the United Kingdom, the United States, Canada,

the Dominican Republic, Grenada, Martinique, St. Lucia and St. Vincent. The firm is marketing those high quality products which will permit Barbados to remain competitive in for a significant period to come.

3. Finance

On a total sales volume of well over $2.5 million Barbados dollars, the pays out $462,500 annually for labour, about $210,000 on rent (over $300,000 if we impute a rental value to the factory, warehouse and head office premises which are owned by the family). A great deal of raw materials even for the Barbados made products are imported and just about all the items sold at Bajan World are imported. The consultants estimate that pre tax profits in $375,000 to $500,000 range. These translate to a margin of 15% or more of total sales which is very good.

The proprietor remarked that he preferred to get his credit "the good old British way through overdrafts rather than new and unfamiliar Americanized ways". This has proved fairly easy for the company since it seems to have a very good credit rating and Barclays has willingly provided all the overdraft funding requested at Commercial Rates. Initially, the overdrafts were secured against the factory buildings and the family residence but recently Barclays willingly changed the collateral. It is now secured against the company's inventory.

4. Labor and Production

Bajan Handicrafts has from its inception seen its role as dual purpose. One of its goals is based on a desire to operate a business that produces quality products with links to Barbados. The other goal has been a social one of promoting employment at home for workers who for various reasons are unable to leave home to go to work (if they have young children or if they have to take care of sick people at home). They hoped to do well financially and at the same time not abandon these two basic goals. As noted in the preceding section it is clear that they have succeeded in making a substantial profit. It is also clear from the steady growth in sales including local buyers that the quality of their products is recognized. They have also achieved their remaining goal of providing employment at home for fifty cottage workers. These people are given work both in summer as well in the winter when sales are high.

The firm also employs 50 employees on regular wages. The morale among these people seem to be fairly high as indicated by their willingness to work extra hours without overtime. Also, the employees recently did all the work necessary for the BEMEX exposition. This level of employee morale is due in part to the loyalty expressed by the proprietors towards their employees.

Yet recent legislation on severance pay has forced Bajan Handicrafts along with many other employers to be tougher in keeping staff on for extended periods. Thus, many staff members who are on the margin may be let go after two years rather than kept on as they would have been before the severance pay legislation. The result of this is increase frictional unemployment. Also, as workers have less chance to stay long on a job and acquire needed skills their less likely increase their productivity. Also, the marginal worker is less likely to get a steady job. It is worth pondering over the consequences of a law that leads employers like the Johns with a demonstrated sense of obligation towards their employees to let them go, what would employers with a less well developed sense of social consciousness do. A better way to finance an otherwise useful and well intentioned law should be devised.

5. Training and Technical Assistance

The Johns recognize the need for training and technical assistance. They have requested for and received such assistance in the past. The first instance was through British Executive Service Overseas (BESO) whICH provided an expert in silk screening. The executive trained the company's staff and helped develop a line of quality silkscreen products.

More recently help came from a CFTC expert who specialized in cost accounting. This individual helped improve their inventory control system and developed a system of computerizing inventory and cost accounting. The firm acknowledges a strong sense of gratitude for the technical assistance received.

Bajan Handicrafts has written to the U.S., Canadian and U.K. Ambassadors requesting more similar management help. There have been positive responses from all three sources.

6. Relations with the Government

The problems regarding severance pay aside, the firm reports very favorably about its relations with the government. For example, they were offered duty free import facilities by the previous Prime Minister, Mr. St.John without even requesting for it. Other members of the government and government agencies (even Inland Revenue) have been very helpful.

7. Diagnostics and Strategy for the Future

The firms previous track record of growth with quality will be difficult to sustain unless several basic things happen. The improved accounting system designed by the CFTC adviser is an important first step but it needs to be followed up. An external adviser can set up a system but the company will also need an in-house expert. In a growing business these procedures are dynamic and there is a need to modify the system from time to time. The

consultants are wary of the dependence placed in the system designed by the CFTC adviser to solve the inventory control problems. Internal cost accounting needs to be improved, perhaps with some time off for the company's in-house accountant (the Johns' daughter) to pursue on-the-job training in a multifaceted retail and production organization in the U.S. or Canada. There are numerous firms which produce quality materials, import quality materials and are much larger than the Bajan Handicrafts operation (for example L.L. Bean, Eddie Bauer etc.). A temporary attachment on the cost control staff of one of these organizations would prove to be a very useful investment for the future. Without good cost control and good in-house cost accounting, growth may suffer or quality may suffer. Neither of these outcomes are desirable from the view point of the Johns.

COOLCO LTD.

Date of Interview: May 19, 1987

Interviewers: Darcy Boyce, Qaiser Khan & Peter Medford

Interviewee: Tom Browne

1. Introduction

Mr. Browne is Chairman of the National Employers Council (NEC) as well as Managing Director of COOLCO Ltd. The interview therefore dealt with NEC as well as COOLCO matters.

2. National Employers Council (NEC)

The NEC is a trade union of employers and assists members with matters such as employment practices, compensation practices, negotiations with workers' unions, and training. Membership of NEC is approximately 250, most of whom are medium to large businesses in the context of Barbados.

Mr. Browne feels however that NEC should have more of the smaller businesses in its membership, largely because these members would strengthen the NEC's political lobbying, and also because the smaller businesses are equally, if not more, in need of the services provided by NEC.

Since the Small Business Association (SBA) has no funding at present and has historically appeared not to have served its members well, Mr. Browne thinks that the NEC could provide a secretariat for small business matters. He proposes that small members, appropriately defined, could possibly pay an annual fee of $50-$100 for NEC membership. In addition USAID could subsidize the remainder of the fees. The NEC would have to increase staff to provide an adequate level of service for the smaller firms, and would be forced to give good service since the subsidy from USAID would be tied to the small business membership.

3. COOLCO Ltd.

3.1 Marketing Structure

COOLCO Ltd. manufactures ice cream and rents cold storage space. Its sales in 1986 were $5.72 million, an increase of 8.5% over sales in 1985. Since 1982, sales have however grown by only 3.5% per annum. On the other hand, profitability has increased by 14.9% per year over the period and represented 8% of sales in

1986 as compared with 5.3% in 1982.

There are several small manufacturers of ice cream in the market place but most are in highly specialized markets and have not affected COOLCO's market share. In fact COOLCO's sales of ice cream have grown very quickly in 1986. COOLCO Ltd. markets four different qualities of ice cream including standard COOLCO, Double Delight, Flavour of the Month, and Old Fashioned, available in thirty (30) different flavours. Additionally, COOLCO also introduced a new product - Frozen Mousse - in 1986.

Half of COOLCO's ice cream trade is done at the retail level where prices are 30 - 60% higher than at the wholesale level. Retail sales are made from the COOLCO trucks which travel around the country. These trucks are staffed by two attendants who are paid a small basic wage of around $4,000 - $5,000 per year and who work mainly for commissions. The drivers must work at least five (5) days per week, and all the expenses of buying, maintaining and operating the trucks are borne by COOLCO Ltd.

Because of the large percentage of COOLCO's sales which are made at the retail level, the company is able to keep its wholesale prices at very reasonable levels through a cross subsidization from retail sales. COOLCO has 600 wholesale customers. The company also avoids interest costs since the retail operation is done on a cash-only basis.

While the sales of the Frozen Mousse have been reasonable, Mr. Browne believes that they could have been higher. People have apparently treated the mousse as an ice cream and have eaten it frozen rather than thawed. COOLCO plans to review and amend its marketing strategy for this product at a later date.

Besides the ice cream business, COOLCO has diversified into other businesses as well. Of secondary revenue marking significance is a reefer facility where COOLCO performs custom, warehousing, and longshoreman functions. Containers are discharged from vessels direct to the COOLCO facility at the port. COOLCO then unpacks containers, computes, charges and collects stamp duties, consumption taxes and import duties as appropriate, delivers cargo to consignees, or stores the cargo until the consignee wishes to have it delivered.

Cargo being discharged to the reefer facility has been growing at the rate of 10 - 12% per year over the last few years. However, cargo is not remaining in storage as long as before since other businesses, in order to become more efficient themselves, have been placing smaller orders so that they can move the cargo out of storage sooner and reduce their cold storage charges. Overall, however, it seems that revenue from the warehousing operation has been increasing.

3.2 Labour and Training

COOLCO Ltd. occupies 90 full-time staff, and between 15-20 casual staff who work 3 or 4 days a week. The company finds that absenteeism more so than lateness is a particular problem among workers. Employees in most cases treat the 6-day casual leave clause in union agreements as vacation, rather than as a bona fide sick leave.

COOLCO does not appears to have any difficulty in training its workers.

3.3 Diversification and Capital Investment Plan

For the future COOLCO plans to further diversify its business towards tourism and other food related businesses. One major redevelopment of a property owned by COOLCO and situated on Cove Street is being planned will include a very large bar and restaurant, changing facilities, craft booths and boutiques. The facility will cater largely to cruise ship passengers calling at the island, and will probably open form 10:00 a.m to 11:00 p.m. The facility should open in November 1988, and will cost Bds$5 million.

The redevelopment project will be entirely debt financed at 1/2% over prime lending rate over 7 years with a further 7 year rollover option. No penalty will be charged for early retirement on the loan. Funding is being provided by Barclays bank PLC, who are COOLCO's bankers, and the loan is unsecured.

Mr. Browne reports that his firm has had no difficulty in raising loan funds from the commercial bank, and further, that he is unaware of firms which service their debts having any problems with securing loan funds.

3.4 Relations with Government and Other Institutions

Relations between Government and COOLCO appear to be quite cordial though Mr. Browne seems to think that some junior officers in the Ministry of Labour occasionally tend to give workers incomplete advice to the detriment of the workers.

For COOLCO, the Caribbean Financial Service Corporation (CFSC) seems to offer little benefit since COOLCO is able to get adequate financing (on better terms) than CFSC can provide. Further, Mr. Browne did not seem at all impressed at the mention of the name of CFSC's manager.

Similarly, CAIC seemed to have very limited usefulness to COOLCO, and large Barbadian business. Mr. Browne thought that individual Barbadian business as well as NEC could lobby more effectively in Barbados than could CAIC. Further. Mr. Browne seemed to think that CAIC was a bureaucracy which "knew how to spend money".

4. General Diagnostics

NEC

The NEC appears to be an organization which is becoming more dynamic and meeting real needs of its membership in the area of labour advisory services. Similarly valuable services could also be made available to small businesses and a vibrant small business association developed through NEC.

COOLCO

COOLCO Ltd. has continued to prosper over the last five years. The company enjoys a virtual monopoly (not Government supported) through the strength of its ice cream products as well as a monopoly on reefer space at the Bridgetown port. The high profit from these operations will allow the company to invest in other high growth industries like the Cove Street property development. This diversification strategy will allow the company to keep growing even as more competitors enter the reefer space and ice cream markets.

The company is well able to arrange its affairs, has no problems with its bankers, and expects to continue growing over the next few years. Most of the new growth will probably be generated from the Cove Street tourism oriented property development.

JOHNSON & EVERETT LTD.

Date of Interview: May 26th, 1987

Interviewers: Darcy Boyce, Qaiser Khan

Interviewee: Gary Johnson

1. Introduction

Johnson & Everett Ltd. is part of a complex of firms mainly owned and controlled by F. McCormick & Co. (Bdos) Ltd. F. McCormick & Co. (Bdos) Ltd. is a holding company which owns all the real estate in the group, and all the shares in Johnson & Everett Ltd., (the trading company) and in the insurance agency. F. McCormick & Co. (Bdos) Ltd. also owns all the shares in Bajan Paints Ltd., which mixes and retails automotive paints. Graphics Galore, one of the largest printers in the island is owned 85% by F. McCormick & Co. (Bdos) Ltd. and Black & Evans, furniture manufacturers, is owned 33% by F. McCormick & Co. (Bdos) Ltd.

Johnson Investments, owned by Gary Johnson, owns a small part of F. McCormick & Co.

The company, Johnson & Everett Ltd. was started in 1960 by Mr. Johnson with Bds$3,5000. Prior to opening his own business, Mr. Johnson has worked with E. Brathwaite & Co., wholesalers of beer and stouts.

2. Market Structure

Johnson & Everett Ltd. is both a wholesaler and retailer of building supplies. The company also wholesales printing supplies, imports mahogany and plywood for distribution to some wholesalers.

After declines in fiscal 1984 and 1985, the company's sales increased by 16% in fiscal 1986, so that the overall annual rate of growth of sales over the last three (3) fiscal years has been 4.7%. This rate of growth was only slightly above the rate of inflation over the same period.

In fiscal 1987, sales are expected to increase by around 21% to approximately Bds$29.4 million.

The furniture industry has been supported over the last few very difficult years by Johnson & Everett Ltd., which has supplied lumber to firms in the industry on credit terms. When many firms in the furniture industry became unable to pay their debts last year, Johnson & Everett Ltd. had to make a provision of $230,000 for bad debts in relation to these firms.

Much of the printing industry seems to depend on Johnson & Everett Ltd. for stationery and supplies. A significant portion of such sales is due on credit and so Johnson & Everett Ltd. is owed a great deal of money by the printing industry, which is in quite serious financial straits. In the future Johnson & Everett Ltd. may have to increase its bed debts allowance accounts.

Perhaps partly as a result of the collection problems which the company has faced, it has moved more of its business onto a cash only basis. In any case, the company seems to be concentrating more of its efforts on the retail end of the market and this has increased its cash sales.

The company is anticipating some future difficulties in its ability to supply its market in mahogany. Most of the company's mahogany now comes from Brazil but the quality has deteriorated and orders have not been fully met. Brazil is apparently cutting the mahogany at a rate which Mr. Johnson feels will deplete commercial reserves within fifteen (15) years. Already decreasing supply has contributed to prices doubling in the last few years.

Mr. Johnson has therefore began to look for alternative sources of mahogany. Currently he is exploring the possibility of bringing 2000 cubic metres or 6 months supply of lumber out of the Ivory Coast. The company would have to arrange charter freighting in order to get the lumber to Barbados as well as pay all port charges. Freight and port charges would be expected to be Bds$200,000. The wood would cost FOB Ivory Coast $490/cu. metre, although Johnson & Everett Ltd. will need funding of Bds$1.2 million to secure this source of wood. Such funding will be arranged into an associated company called Johnson & Everett Insurance Ltd., at around 4% per annum on an open repayment plan. The cost of this shipment is still considered a good bargain by Mr. Johnson.

Mr. Johnson also intends to visit Africa in the near future and hopes to be able to bring more products from there.

The company sells 2 - 3 containers of (900 - 1000_ doors per month. These doors are imported from Trinidad (mainly cedar), and Costa Rica (mahogany). Mr. Johnson believes that with the availability of lumber kiln dried to and maintained at the correct moisture level, local furniture factories such as Legacy and Seaman could produce these doors and he would distribute them. Eventually, Mr. Johnson believes that local furniture factories through the use of kiln dried lumber will be able to enter the market. Specifically, he has targeted at Legacy and Seaman outlets as potential substitutes for imported doors.

3. Finance

Finance does not appear to be a problem for the company. The company is profitable and its profits before corporation tax have increased from $1.75 million in fiscal 1983 to $3.1 million in fiscal 1986. Additionally, the associated company, Johnson & Everett Insurance Ltd., generated substantial cash flows which as already pointed out in the case of the $1.2 million African mahogany, are being invested into the other business lines of Johnson & Everett Ltd.

4. Labour and Training

Fifty (50) people are employed in this trading company. Of these, seven are office workers, six are drivers, and six are van assistants. The remaining 31 are warehouse workers. The company owns two warehouses consisting of 70,000 sq.ft. of space and is about to buy a third adjacent to the existing complex.

Mr. Johnson boasts that he has never had to fire or suspend any worker since he started business and none has left him. He assists four of them in getting to and from work each day; helps to drive the forklift himself, as his sons likewise do; and he also pays his staff 2 - 3 months in bonus wages each Christmas.

5. Capital Investment Plans

For the future, the company plans to continue both the vertical and horizontal integration of its business. The company wishes to purchase the complex presently owned by the Barbados Furniture Trading Company Limited. Johnson & Everett Ltd. intends to purchase a fully computerized Hilderbrandth electric kiln for drying lumber and to keep the lumber in a humidity controlled warehouse for sale to local furniture manufacturers.

As cited earlier, the company is also buying another building (where Firgos used to be located), and will use part of the additional space provided to CIBC from its insurance associate, cars, damaged in accidents for resale as parts.

Purchase of the new warehouse will be financed by CIBC; but plans for the kiln and drying complex are still in the conceptual stage.

6. General Diagnostics

Johnson & Everett Ltd. appears to be a closely run family business with Mr. Johnson in near absolute control. Mr. Johnson however, is quite personable and paternalistic to his staff. This may be one of the key success factors of his business over the years, which has led to very good service and loyalty from

his staff.

The company appears to adopt a policy of always being able to provide timely service. Interest costs on carrying inventory are considered a necessary cost of guaranteeing a product on time. Judging from Mr. Johnson's emphasis on maintaining a high inventory, one could surmise that this has been one of the company's comparative advantages.

The well balanced business portfolio of the company allows the company to advance large credit to its furniture and printing industries without risking any cash flow problems. Mr. Johnson seems interested and capable at further expanding this portfolio through vertical and horizontal integration of the furniture industry.

BRITISH WEST INDIAN AIRWAYS (BWIA)

Date of Interview: May 14, 1987

Interviewers: Darcy Boyce and Qaiser Khan

Interviewee: Glyne Greaves

1. Introduction

BWIA which is owned by the Government of Trinidad & Tobago is now the only airline owned within the region which services air routes to Europe, Canada, the United States of America and Venezuela. The airline calls at Guyana, Trinidad, Tobago, Barbados, St. Lucia, Grenada, Antigua, St. Kitts and Jamaica.

2. Market Structure

Summer traffic out of Europe to Barbados, and the rest of the Caribbean, is expected to be good the year, largely as a result of the appreciation of the European currencies against the US dollar. Indeed, the number of seats available on scheduled flights will probably not meet the demand, and neither BWIA or British Airways (BA) can expand the present seating capacity on the airplanes. Even charters are almost fully booked for the summer season.

In order to respond to increasing demand, however, BWIA hopes to increase its number of non-stop flights between Barbados and London to five per week from the current two per week. This decision comes as a consequence of the decision of the Government of Barbados to stop flying its Caribbean Airways operations. One of these flights, on Thursday, will go on to Frankfurt and return the next day (Friday).

Despite the increase in flight frequency, BWIA still has not received status as the representative carrier for Barbados on the UK route.

Aside from increasing the number of flights, BWIA, in the short term, has very few options to increase its share of the European market. Firstly, BWIA does not have the capital necessary to acquire additional planes and/or provide more seats on the European routes. Secondly, if in the near future more seats become available, BWIA will be unable to adopt an aggressive pricing strategy to attract new customers. Under the existing

regulation, BWIA, with Fifth Freedom rights, must wait until UK and Canadian airlines change their pricing policy. This regulatory barrier-to-entry could prevent BWIA from expanding it present market share. At present, the airline carries about 35% of departures from Barbados and 33% of all arrivals.

In terms of local marketing, BWIA is quite happy with the support which they get from local travel agents but feel that even more support would be forthcoming if BWIA's reservation system provided faster seat confirmations. Problems with the reservations system include a long wait to get connected to a BWIA reservation officer and a long wait for the computer reservation. Even though the reservation system is computerized and some agents can communicate directly with the BWIA computer, the system seems too small to handle the demands made on it. More reservation clerks are also needed, according to Mr. Greaves.

Because of the slowness of the above system, Mr. Greaves reports that BWIA's lost call experience was 15% against an industry standard of 4%. The lost call ratio had been 20% before installation of the computerized system. Since then, the volume of attempts to use the reservation system had increased while the lost call ratio had fallen.

BWIA hopes to hook into the reservation system of one of the major American airlines.

Besides passengers, the airlines has expanded its service/market focus to include a Jetpac service for small parcels which has met with some success. Jetpac sales are now $.75 million out of Barbados. Post Office mail is also a good revenue earner for the airline.

3. Operations

Because of the small number of planes which BWIA has, the airline has to use those planes very heavily and under very tight schedules. Breakdowns and subsequent schedule delays are therefore quite frequent. With very little price compensation, the above problems in service have discouraged some agents from using BWIA.

In addition, check-in times are in Mr. Greaves' opinion, twice as long as they should be. He estimates that the counter time at check in is 3 minutes compared with a required 90 second standard, and that waiting time in line before reaching the check in agent is 10 minutes.

Ramp handling operations are, in Mr. Greaves' judgement, quite effectively performed though they are costly. There is only one ground handling company at the airport.

Outside of its passenger market, BWIA is extremely cost competitive. It offers very preferential rates to shippers of fresh agricultural produce from Barbados. BWIA charges fresh fruit at $0.70 per kg, as compared to $4/kg for normal freight, and provides between 10,000 and 20,000 lbs of cargo space for agricultural produce on each north bound trip. Shipments have been good to the UK especially and to Canada. BWIA offers these preferential rates both to support local agricultural diversification and to fill otherwise empty belly space on the north bound trips.

4. Finance

Mr. Greaves reported that BWIA did not have the capital to acquire additional and larger aircraft which could be used to provide more seats out of the US and Canada, and to improve BWIA's on-time performance. The additional aircraft would necessitate additional crews and BWIA is reportedly not in a financial position to take on these additional high labour costs.

Lack of funding also is restricting expansion of the equipment and staffing levels of the reservation system in order to improve the response level of the system to travel agents.

5. General Diagnostics

Service levels - in terms of timely reservation responses and on-time schedule performances - present some of BWIA's greatest problems. These service levels influence, substantially, the decision of travel agents to use BWIA for their passengers and so affect BWIA's revenues.

Lack of capital to provide equipment and higher staffing appears to be part of the solution to the problem of inadequate levels. By itself, however, increased capital would probably not solve all the problems. Improved internal efficiency in operations may also be required if service level problems are to be overcome.

Lack of capital to provide more aircraft also wound not necessarily ensure BWIA a larger share of the UK and Canada market. Without the required seating capacity, BWIA would not be able to exploit the official carrier status. Existing market regulations against price changes, coupled with BWIA's undeveloped marketing network in those countries, would make it difficult in the short term to cut into the existing national carriers' market shares.

PASTA INC

Date of Interview: May 13, 1987

Interviewers: Darcy Boyce, Qaiser Khan & Gerrit Argento

Interviewee: Ken Eddie

1. Introduction

On April 21, 1964 PASTA INC opened its doors and started producing a basic staple food that was to become an important and integral part of the diet of people in the country. The company came together under the auspices of some major trading houses and some outside owners. The factory was relocated to its current site in 1977. Last year four million pounds of pasta, primarily macaroni and spaghetti, rolled out of the plant of which almost 95% to 98% was destined for the local market. That amounts to about 16 pounds for every person in the country.

2. Market Structure

Most of the products are sold in local markets. The balance is divided between PASTA of Trinidad which focuses on the Guyana and Trinidad markets and the rest of the Commonwealth Caribbean which is indeed the Barbados firm's domain. Once when the Trinidad factory had to close for renovations the Barbados factory produced under licence for the Trinidad firm so that the product under the brand name would remain available to the public in that market. The manager of the Barbados factory argues that even after the devaluation of the T & T $ he could still land products in the Trinidad market at a price that were competitive with the local factory's.

At present export markets are limited to the OECS states though there have been some inquiries from Jamaica. Despite a 7% duty advantage for CARICOM products in these markets (for example in St. Lucia CARICOM producers pay 10% duty while others pay 17% for this line of product) it is still difficult to compete with the North American factories who themselves are having trouble competing with subsidized EEC products. EEC subsidies for export will continue to increase as the EEC food surplus grows.

The domestic market which purchases the bulk of the production is a price controlled market. The prices of spaghetti and macaroni, which together comprise about 80% of output, are controlled. At the same time, import of these items are restricted thereby creating a regulated monopoly. The system of a regulated monopoly guarantees a certain level of profit which cannot easily be

increased or reduced. More significantly, this regulated monopoly reduces incentives for controlling the cost of production. As the suppliers of raw materials also happen to be directors of the company there is little pressure to keep input prices down. Consequently, the costs can keep escalating over time. This lack of pressure to keep down prices may explain why even with a 7% advantage in duty the Barbados plant has difficulty competing in neighboring CARICOM markets.

The controlled prices can be changed on application to the Price Control authorities. However, costs must be documented. As PASTA is the primary producer of the product on the island its costs normally determine the standard price. In anticipation of higher profits, the smaller producers are happy to ride along with these prices even if their costs are lower. When the smaller producer's cost may be higher the authorities would try to protect him by setting a suitable price. In either case there is no pressure on the PASTAi board of directors to reduce costs except other than a desire on the part of the plant manager to be an efficient producer.

3. Finance

Financially, the firm is doing very well. It has assets of $ 3.5 million with an outstanding liability (not including stockholders equity) of $414,000 incurred in purchasing new machinery. There is an overdraft facility that is hardly used. Last year profits reached almost $700,000 on sales of slightly over $7 million. These figures actually understate the returns to the stockholders since the trading houses that own shares in the company supply all the material and act as wholesalers for all the output. For the shareholders it is a highly profitable venture.

4. Labor and Training

The factory employs 72 workers on production and packing lines. There is also a production supervisor and a maintenance specialist. In the front office there is the plant manager and two others. Production line workers are paid on a weekly basis and earn between $160 to $340 per week. The workers on the packing line are paid on a piece rate basis and clear about $175 a week on the average. Workers seem quite willing to work overtime if adequately forewarned of the need to do so. There does not seem to be an outstanding need for training as the plant seems to run quite smoothly. Labor costs amount to about 17% of total and there seems to be no major problems with labor regulations and laws.

5. Relations with the Government

As the plant handles neither input purchase nor wholesale distribution directly there is a limited amount of contact with government agencies. The principal problem in government relations is the handling of periodic negotiations of the controlled price. The government protects the market by restricting imports of spaghetti and macaroni, the two principal lines produced in the plant. Payment of national insurance for workers etc. which creates problems for other firms is not reported as a problem. This is as would be expected from a regulated monopoly operating under a regime of controlled prices. Those costs are taken account of along with a guaranteed profit margin when the prices are set. Thus the burden of national insurance severance pay does not pose the kind of problem they do for competitive firms which are price takers.

6. Prospects for Capital Investment and/or Development of New Lines of Products

The factory concentrates on producing a staple commodity for a steady market which has reached saturation point. It operates at 50% of installed capacity which is well below optimum operating points for most firms in this industry (i.e. about 80% of installed capacity). There is no real prospect for an expansion of the domestic market and thus production is unlikely to expand unless the factory becomes competitive in the external markets. There are several ways in which this can be achieved as discussed in the following section. Regardless of the company's business strategy, future forecasts indicate that the company won't require an increase in installed capacity in the medium term (up to ten years).

There is the possibility of the development of new lines of products utilizing unused existing capacity. The possible line of products include dried tropical fruits to be produced in two generally unused drying rooms. This type of product is more in line with the country's comparative advantage and is therefore much more likely to be competitive in international markets. This is discussed further in the following section.

7. Diagnostics of Problems and Strategy for Development

The consultants note that the principal source of problems that the plant faces is not due so much to internally generated as to the environment in which it operates. There are two sources of problems in the external environment which in fact compound and reinforce each other.

The first of these two problems emanate from the nature of ownership of the plant. Presidents from local trading houses make up the Board of Directors. These individuals are more

comfortable with making profits from trading rather than from efficient industrial production. In fact for reasons already noted and to be discussed further, there is no need to be efficient. Thus, the trading houses which own the factory take turns selling raw materials to Pasta Inc. The prices that the factory pays seem to be significantly above even those quoted for direct sales of small amounts (which would imply that these trading houses as large distributors get quoted prices even lower). At the distribution end they take care of distribution under a price control regime which tends to guarantee a reasonable profit margin. The owners make significant profits in trading at both ends of the production process. There is therefore no incentive to increase efficiency and lower costs particularly in a quasi-monopoly environment offered by import restrictions combined with the cost plus pricing policies that characterize controlled price regimes.

The removal of price controls and import restrictions may force the Directors to change strategy and try to increase efficiency by lowering costs. The cost of imported semolina constitutes 55% of the production costs. Even a 20% reduction in the factory gate price of semolina would lower production costs by over ten percent. This small reduction in costs would allow the plant to be more competitive in the neighboring islands. As that happens the capacity utilization rates would rise thereby increasing economies of scale and perhaps providing an impetus for even faster growth in export markets. This strategy would require two things to happen - first a reduction in the profit margins on semolina sold to the plant by the trading houses which own it, and secondly the development of a marketing department for the plant itself. The first is unlikely to happen under a price controlled and restricted import regime.

As noted in the previous section the plant could also use its excess drying capacity to dry tropical fruits for specialty markets in Europe and North America. The demand for these products is generally price inelastic and the key factor in this is to line up a special marketing arrangement with a chain of stores which would sell the product in targeted markets. There is also a need to develop reliable sourcing lines. Presently several regional entrepreneurs are selling fresh fruit. Some of them may be willing to enter in a joint venture to sell the higher valued dried fruit. The High Impact Agriculture Marketing Project (HIAMP) would be a potential source of assistance in this and has been informed.

The second will only develop as the opportunity and need to enter the export markets becomes more urgent. This will probably only become a reality once the domestic market becomes less protected and more competitive. As profit margins are squeezed, PASTA Inc will have to lower its average cost and develop a marketing strategy in order to maintain its market share. Once it becomes more efficient and outward looking, it will then be possible to consider penetrating external markets.

PIONEER PHARMACY

Date of Interview: May 11, 1987

Interviewers: Darcy Boyce and Qaiser Khan

Interviewees: Mr. & Mrs. Grant - Founders and owners of Company owning Pioneer Pharmacy and two other outlets.

1. Introduction

Thirty-three years ago Mr. Grant was working as a druggist for $150 a month. The Grants already had one child and Mrs. Grant was pregnant with a second. Mr. Grant was not looking forward to working for $150 a month and supporting a second child. Mr. Grant had only $150 in savings and he wanted to start a pharmacy. He was able to put together a start-up capital of $1920 of which $1000 came from a friend, $500 from his father and $260 from his brother -- all as loans. He went to Mr. Foyt of A.S. Foyt and Sons one of the major suppliers of pharmaceuticals, for assistance. Mr. Foyt said that while he did not help start new pharmacies he would be willing to extend credit for supplies should that become necessary. Over three months of intense work in the early stages of a business followed and Mr. Grant had no need to call on the credit offered by Foyt. At that time the business was already somewhat established on High Street as a result of hard work. Finally, the new entrepreneur called upon Mr. Foyt to take advantage of the proffered credit for supplies.

2. Market Structure

The pharmacy which stands opposite the main bus station had been prospering though of late a series of events have caused a decrease in annual sales from about $975,000 in calendar year 1984 to about $885,000 in calendar year 1986. Part of the change could be explained by the recent reconstruction of the bridge and the construction adjacent to it of the central bus depot. The pedestrian traffic was oriented differently and they got used to using the stores on Broad Street. More serious challenges have come from the proliferation of stores selling similar lines of goods - as a consequence price wars have resulted. The Grants' insist that the price wars are difficult for them to fight as long as they continue to get supplies through legally established channels. They have directly imported items to avoid paying wholesaler profits but have not been able to reduce their cost of supply in certain items to the level of some competitors. Among the competitors the larger stores have a natural advantage as they can take advantage of significant economies in purchasing.

The owners argue that even this would not explain some of the low prices. Their conclusion is that illegal channels are being used which evade duties and allow competitors to charge lower prices. If this is so, then in a competitive business environment in which the pharmacy operates there would be an **unfair advantage to those trading illegally acquired goods.**

The key problem identified by the Grants is that of acquiring goods at a price low enough so that they may meet the lowest price offered by some of their competitors. Their response to the drop in market share and sales has been to move towards a more specialized, high mark-up end of the market. They have also tried to increase their margins by lowering costs. Recently they decided not to hire a replacement for one of their sales assistants that had just left. The Grants also consider moving further into drugs not carried by the non-pharmacy variety store.

The clientele served is a cross section of the community and includes a significant number of newcomers. Under pressure from the government they joined the National Drug program as of this year. Their marketing problems have been aggravated by the delay in payment of bills by the government as well as the price reimbursement policy adopted by the government. About 20% of the sales are in prescription drugs - the remaining being in over-the- counter drugs as well as sundry items.

3. Finance

With a small start-up costs and a wholesale supplier's credit the business prospered for over twenty years without any further injections of outside capital. Today sales are about $900,000 annually. About ten years ago the Grants approached the Royal Bank of Canada for an overdraft arrangements which they were easily able to get. The overdraft of $50,000 had reached-$100,0000 a few years ago and they converted $50,000 of it to a five year term loan. This involves monthly payments of $1100. Recently the Royal Bank which had been cooperative in the past became less accommodating on the overdraft facility. This would not seem to be explained by their total indebtedness (about $105,000) but rather by circumstances affecting the Royal Bank itself which has been experiencing significant loan loss problems in its Canadian energy sector loans.

They tentatively approached the bank for capital financing to purchase the building in which their present store is located. They shelved the idea, however, after deciding that the original asking price was too steep.

The manager seems to run the company without a detailed knowledge of the accounts though she does have a fairly good idea about their approximate range. No lengthy accounts are prepared - the management simply compares gross sales to cash overhead items. A developing difficulty is the long 2-3 months period taken by

National Drug Service to pay. This could become a significant problem if the proportion of sales attributable to National Drug Service clients rise significantly. The delayed payments are financed by overhead which is non-reimbursable under the scheme. The real costs of maintaining National Drug accounts is even higher due to increased overhead devoted to the paperwork needed to get reimbursed under the scheme. It would also bring additional increased overhead costs as a good deal of paperwork is necessary to get reimbursed under the scheme.

Inventory at the end of 1986 was about $126,000 giving an inventory turnover rate of 4.7. This means that average item was held in stock for about 11 weeks.

4. Labor, Training and Technical Assistance

The Grants report that they do not have difficulty in recruiting workers except for druggists. The latter have better paid opportunities with lower hours in the public sector and try to leave as soon as such an opening is available. For other workers the problem is not so much in recruiting but in motivating. They are also unwilling to work extra hours even at overtime rates. The total number of employees is nine including the druggist, Mrs. Grant, and one of their daughters. Mr. Grant is on the payroll of another pharmacy owned by their parent company. The monthly wage bill is $7800.

Training issues are somewhat complex. Workers who work in the drug store are always looking for opportunities elsewhere and except for the druggist, (who is already formally trained) do not necessarily intend to stay in the pharmacy business. They are therefore not motivated to go for training even if the training costs are paid.

Technical Assistance is an area about which the Grants were somewhat skeptical. They claim a neighboring store did a feasibility study which showed no significant gains to be realized from TA. They did, however, call in an architect when they considered renovating the store.

5. Capital Investment Plans

The Grants had proposed renovating the store at a proposed cost of $15000. The renovation plans were dropped, however, even after they had purchased the gondolas for new displays. The reason for dropping the plans seem to be a combination of factors. They were unsure if the renovation would generate enough business to pay for the costs of renovating. Of major concern was the fear that there would be more shoplifting in the more spaciously laid out stores. Furthermore, the pharmacy has recently tied up funds in a competing pharmacy they bought for $3,000. Since that pharmacy had been making losses for a while, the Grants considered it

better to keep some funds in reserve. As a result of the above factors, the renovation plans are dormant. If and when the Delaware Pharmacy income statement crosses into the black, (already the level of losses have been significantly reduced) they may consider renovating again.

6. Relations with the Government & Public Sector Organizations

No real problems are seen on the regulatory environment. The Grants use a broker to clear their imports and have therefore not encountered any first hand problems themselves. The only problem they have vis-a-vis the government is related to the National Drug Program where some delays in payment occur specially around budget time.

Labor relations law does seem to be posing some kind of a problem. The accumulation of severance pay at the rate of one month for every year worked can cause problems for firms wanting to increase productivity as the cost of firing employees is high. For firms in the competitive sector such as pharmacies, it is very difficult to set aside sufficient funds. Pioneer Pharmacy itself does not seem to face much of a problem as their staff turnover is quite high. Should that change they may be faced with a critical problem.

7. General Diagnostics

The success of the Pioneer Pharmacy may be attributed to the entrepreneurial ability and the hard work of its owners. Assistance from public or private programs to help businesses has not been a factor.

The consultants are of the opinion that the Pharmacy renovation which was put off should be reconsidered. The present cramped lay out of the space would seem to deter productivity growth. Having already made a significant part of the new investment (i.e. the Gondolas) the net additional costs of the renovation should be easily recuperated through additional sales induced by a more attractive and less cramped layout. Productivity of the sales personnel and druggist should also increase with changes in the present layout. Shoplifting can be controlled by adequate use of turnstiles which is something that was considered in the original renovation plan.

OFFICE OUTFITTERS LTD.

Date of Interview: May 26, 1987

Interviewers: Darcy Boyce & Qaiser Khan

Interviewee: Mr. Paul Harris

1. Introduction

Seven years ago, Paul Harris came to Barbados to set up a factory making office furniture. His approach was different from the other furniture makers in the country in that he was making HPL furniture which required very little joiner type work. He also developed an innovative marketing strategy. Unlike his competitors, both large and small, who sought to provide a limited selection of office furnishings, Harris strived to provide a complete line of services. This business strategy stems mostly from Mr. Harris's training and experience in interior design. Because of the size and cost of these operations, it also provides a sufficiently high barrier to entry into the market. While some single item producers may be able to be price competitive, very few will be able to provide the encompassing line of products and interior design services--Harris's principal comparative advantage. In the near future, Harris plans to expand his market and strategy to include the more upscale domestic furniture marktet.

2. Market Structure

It was evident from the discussions that Mr. Harris, unlike a good many other furniture makers in the country, was very aware of the structure of his market both domestic and regional. His marketing skills are unusual among regional manufacturers. His marketing strategy in Jamaica provides a good example.

On a trip to Jamaica, Mr. Harris contracted to set up a marketing company in that country. Within that company, he also set up the small machines necessary to complete assembly in Jamaica. When Seaga returned to power, business confidence boomed and a major expansion in office space took place. Harris' marketing company was well positioned in the market and sales consequently boomed. The operation was so well established that, until the devaluation of the Jamaica dollar, combined with sagging business confidence, eliminated Jamaica as a potential market. Exports to Jamaica alone amounted to two million dollars. During this time, "Office Outfitters" also increased exports to the Trinidadian market. Operating through Geddes Grant total sales in Trinidad peaked at about two million dollars. Together the two export markets

accounted for more than 50% of the company's total sales which were $7 million.

Eventually, the devaluation of the Jamaican and T&T dollars coupled with non-tariff barriers ended the above export boom. Harris, however, believes that the above set back is only temporary. According to him, overseas investment money will return to Jamaica after the elections and there will be a revival in demand for office furniture and equipment. As such, the company with its marketing network already established will be in ready to promote and respond quickly to new business. While the same scenario could materialize in Trinidad, Harris is less sanguine. The government's non-tariff barriers will make it difficult for Outfitters to gain a foothold in the market.

Still, there are other potential external markets to penetrate. The most promising is the possibility of supplying the complete range of office furnishings for the new government complex going up in St. Lucia. The only obstacle is the St. Lucia government's requirement that foreign firms proposing to work in the country post a bond worth 25% of the contract on which no interest will be paid. As the firm is coming out of a lean period in sales, occasioned by the collapse of the T&T and Jamaica markets, its cash flow situation is not good enough to tie up such a large sum of money for an indefinite period in a no interest account. Therefore the company is looking at other strategies including the possibility of supplying the furnishings as a subcontractor to the main contractor, Kier International.

The idea of penetrating the U.S. mainland market is rejected by Mr. Harris as a pipe-dream. He suggests that the U.S. market is a volume market which requires the supply of bulk orders that far exceed the capacity of his plant. As for outside the mainland, Mr. Harris has already had some success in the Puerto Rico market. He attributes much of this success to a good agent, and beleives that the company could improve its market position there.

Ever since exports were drastically reduced, the domestic market has accounted for the majority of sales. Currently sales in Barbados made up 95% of total sales which last year totaled $3.2 million. In Barbados there is no real local competition in the office furniture market - though the Central Bank Building was furnished with imported furniture. The key in such a situation is to maintain strict internal control over quality and costs. The latter is achieved by careful sourcing of raw materials and keeping control of labor productivity. Mr. Harris has been careful in both these areas. Following the recent fall in the U.S. Dollar he has been sourcing primarily from North America rather than Europe even though he is more familiar with those sources. The fall in the dollar combined with the fierce competition among U.S. and Canadian suppliers has resulted in significant cost reductions and consequent increases in profits.

The success in office furniture and the interior design area has provided an opening for expansion into "up market" domestic furniture. Mr. Harris proposes to manufacture domestic furniture from his own designs and from those of leading designers around the world. The material used will be high quality and much of the processes subcontracted out to others. The most innovative strategy involves the marketing end. He proposes to set up a showroom in the St. Lawrence Gap area which will display a fully furnished interior complete with drapes and tablecloth. The idea is show the buyer what a fully furnished interior looks like. Mr. Harris also proposes to design the interiors for those who want and supply the whole range of home furnishings from furniture to bed sheets if required.

3. Finance

The recent crisis following the collapse of export markets in Jamaica and Trinidad has put pressure on the company's financial situation. This has been redressed to a large extent but the impact is still felt. At one point outstanding debt had reached $750,000. This has been brought down but the company still does not have an overdraft arrangement. Imports of raw materials are financed through confirming houses which charge higher interest costs. Local market inventory costs are financed by the firm's retained earnings.

Ever since the company was started over seven years ago, a good deal of the profits have been plowed back into the business. The strategy has been to keep the basic business afloat and keep down long term debt. The plowing back of profits has not really led to a big expansion in equity because of the difficult situation following the collapse of the export markets a few years ago. Today the company is in a position to build up net equity.

The cost of production is dominated by raw materials. Currently, raw materials account for 35% to 45% of total costs. The target is to reduce this figure to between 32% and 40%. This should be attainable now that the company is acquiring its raw material from the more competitive North American sources. Labor costs account for about 10% of costs even though labor is paid at higher than union minimum rates.

4. Labor, Training and Technical Assistance

Forty-six workers are employed in the production process. Over eighty percent of these workers have been working for the firm since it started over seven years ago. Mr. Harris is a strong believer in training and consequently, even when times were difficult with sales dropping, he held on to the already trained work force rather than risk losing them. There seems to be no area of technical assistance which would be of much benefit to this firm. It is possible that the situation may change once the

new line of domestic furniture is in operation. At present things seem to be going as well as possible.

It is worthwhile considering the option of using Mr. Harris's operation as a model in both training and technical assistance programs. However, his willingness to participate in such may be tempered by a fear of developing the competition. Also, the success of "Office Outfitters" and its modus operandi is built around Mr. Harris's knowledge and skills. It may therefore be difficult to replicate his success elsewhere without similar personal qualities present in the management.

5. Relations with the Government and Private Sector Associations

The government has done several things to facilitate the establishment of "Office Outfitters". At the outset, the company received a ten year tax holiday and a loan from the the Barbados Development Bank. Mr. Harris reports no trouble in importing his inputs. The only grievance vis-a-vis any public sector organization seems to be concerning the Central Bank's decision to import the furniture for its new building rather than acquire it locally. Even in this case he blames the Barbados Manufacturers Association rather than the government. He suggests that had the leadership of the BMA been more vigilant, looking out for the interests of the manufacturers, and presented its case to the public better, the Central Bank would not have dared to go outside the country for its furniture. Barbados manufacturers (i.e. "Office Outfitters") would have been able to supply all the needs at a lower cost. If the last is true then the Government's decision not to intervene in the Central Bank's decision seems to be difficult to understand.

6. Diagnostics and Future Strategy

The principal requirements in any manufacturing industry is to ensure focus on three items : a. Knowledge of Markets, b.Knowledge of the Production Process, and c. Ability to control costs without sacrificing quality. Mr. Harris seems to have strong control over all three. The future strategy laid out by him for the development of the business would seem to be an appropriate one to follow.

For export markets Mr. Harris proposes to expand the assembly unit in Jamaica into a factory to manufacture exports for regional markets. But he is prudently waiting until the Jamaica market improves before proceeding with any such plans. Harris realizes that when the time is right, he should be well positioned and have the proper business portfolio to compete and finance expansion into external markets. The high profit margins and cash flow from the domestic market should allow the company to squeeze profit margins and gain market share in the export

market.

The biggest problem with the office furniture business would be the post-cyclical nature of demand. Demand for such investments peaks in the period immediately before and after the peak in the business cycle. Compounding the above cycle are government policy decisions. For example, the recent decision to encourage off-shore insurance businesses led to a major surge in demand for office furniture in Barbados. Such policy induced increases in demand are very temporary and cannot be relied as a long run indicator of market demand. Thus, unless there is strengthening in other subsectors, the total level of demand may very well fall. By diversifying into domestic furnishings and attempting to secure public sector contracts (which are non cyclical) Mr. Harris will be able to reduce the variance in demand.

LITTLE & CO. LTD.

Date of Interview: June 10, 1987

Interviewers: Darcy Boyce and Qaiser Khan

Interviewee: Sam Little

1. Introduction

Little & Co. Ltd. sells Hilti building tools, building fastening systems, specialized institutional size foods, audiovisual equipment, educational supplies for pre-school and infant school, rehabilitation equipment, and motor vehicle number plates. The company also provides and lays floors of parquet and terrazzo and does floor sanding. The General cinema is part of the group as are Bajan Marble and a sign painting shop. Video shops used to be included in the operations, but these established shops have been sold at the height of their popularity, and a new one will be opened in Bank Hall to service that area, (Bush Hall, Eagle Hall, etc.). All these areas and the surrounding areas are very heavily populated and are not now being served with any video shop services.

2. Marketing

Total annual sales of Little & Co. Ltd. are in the vicinity of Bds$3.5 million. Additionally, sales of Caribbean Marble are Bds.$0.6 - 0.7 million per year.

Recently, the most successful part of the business has been with the food lines. Compared to the the building lines, the marketing of food lines seems to be more effective. The salesmen of the food lines seem to know and be able to respond directly to the needs of his/her customers. In contrast, the salesmen for the building lines have a harder time promoting the products. Specifically, the salesmen have not been effective at either demonstrating how the tools work or convincingly demonstrating to the customer reduction in building costs and savings to be gained from using the tools.

Mr. Little says that, in general, it has been difficult to find a good marketing person for the building tools and fastening systems lines of business. In addition, Mr. Little has not sent any of the persons recruited for the job in the past for any kind of motiviational training. Despite these difficulties, the building line still accounts for between Bds $15,000 and $20,000 per month.

Regarding the cinema line of business, attendance has fallen over the years. The popularity of VCRs and Betamaxes have cut drastically into the cinema's customer base. Mr. Little estimates that the cinema, which is known for showing films with a great deal of physical adult action, has probably lost 25% of its patrons over the last two years to the video busines and between 50% and 70% over the last five years. The cinema still grosses close to Bds$1.4 million in sales and has generally contributed to net income but not to the extent which Mr. Little would like. For the past three years, the cinema has been available for sale but no acceptable offers have been received. The company is asking Bds$1.75 million, and the building has been valued at Bds$2 million.

Mr. Little feels that Bajan Marble is not getting as much of the marble business generated through the refurbishing of some of the hotels, simply because the hotels can get the marble imported free of duty at a cheaper rate. This explanation, however, does not seem to provide the complete picture. Even when Bajan Marble imports the marble duty free, it is still unable to win many hotel contracts. Either a lack of contacts or effective marketing, therefore, seem to be contributing factors to Bajan Marble's inability to enter the hotel market.

In terms of sourcing, many of the food products sold by Little & Co. Ltd. are sourced in the U.K. As the sterling has appreciated against the US$,however, the company has been switching away from some of its sterling denominated inputs to the those denominated in U.S. dollars. This fluidity in sourcing has resulted in the reasonably stable pricing of the company's products.

3. Finance

Little and Co. Ltd. does not appear to have any problem in getting finance from the local banking and insurance sources. The company has a loan of Bds$350,000 from Manufacturers' Life Insurance Company. Additionally, there are overdraft facilities of Bds$420,000 for Little & Co. Ltd. itself, and Bds$140,000 for Bajan Marble.

The company's assets are close of Bds$4.2 million and profit in 1985 were of the order of Bds$280,000. More precise accounting information were not forthcoming since the accounts for 1986 had not yet been completed and 1987's also appeared to be late. Mr. Little indicated that his accountant had been trying for two years now to get the accounts computerized and was hopefully now close to completion.

4. Labour and Training

Fifty-five people are employed by the company. The only training need which Mr. Little mentioned was the need to get an

experienced trainer who could teach a talented Barbadian how to do freehand sign painting well. The company finds that is has not been able to hire competent sign painters in this regard for its sign painting operation.

5. Capital Investment Plans

The company plans two expansions. The first is a move from its current headquarters in the General Cinema building where minibuses reportedly sometimes block the sole access road with impunity, to more spacious, brighter and more modern quarters in Cheapside, St. Michael. The company has just bought the building in Cheapside with a bank loan.

The second expansion was alluded to by Mr. Little but he would not reveal the nature or extent of the new project.

6. General Diagnostics

Little & Co. Ltd. acts like a holding company that is constantly looking out for new businesses to include in its portfolio. Where possible it has tried to develop retail businesses in mature markets that rely on effective marketing (food and building/tool line). It has also tried to balance its low-growth businesses (cinema) with businesses located in higher growth markets (videos).

While the above strategy worked initially, it is beginning to show signs of weakness. All of the company's holdings are in mature markets characterized by high competition and lower profit margins. In order to effectively compete, the company will have to develop a more aggressive marketing strategy. To do so, the company willl need to invest wisely in the recruitment and training of sales and marketing staff.

MEATY DELIGHTS LTD.

Date of Interview: May 19, 1987

Interviewers: Darcy Boyce and Qaiser Khan

Interviewee: Mr. Hal Klammer

1. Introduction

Meaty Delights Ltd. is a manufacturer of processed meat products - ham, smoked ham, sausages, mixed meat slices called "meaty delights", back bacon, and a small retailer of frozen meats, mainly lamb and beef. The company started operations in 1980 without fiscal incentives which were denied because there was already another manufacturer of meat products in Barbados. Mr. Klammer, who is an European and seems very experienced in meat processing owns and manages Meaty Delights Ltd.

2. Marketing

The company now operates with one travelling salesman. During 1986, the company had sales of $884,000, of which approximately $455,000 were achieved over the Christmas period. Meaty Delights competes on the basis of a tastier, more tender, and consistent product. The company has been very successful at developing a premium product image, that is price competitive with other products in the market place.

Despite the above positioning, Meaty Delight has been unable to develop adequate distribution channels. Mr. Klammer claims that they can't produce enough volume to entice the island-wide distributors to add the Meaty Products to their shelves. In addition, sales may have been limited by the company's inability to provide credit to customers.

In the early stages of Meaty Delight's operations, the company made products under the Adam label for the Edward's group. This no longer happens since the Edward's group now owns its own meat processing plant, and Meaty Delights has not found any other business here for whom it may provide contract meat processing services.

At present, Meaty Delights processes approximately 40 pigs per week and feels that about 150 pigs per week could be marketed as fresh meat if they were properly slaughtered, packaged and presented attractively as fresh meat.

3. Finance

Mr. Klammer indicated that the company was currently making a loss largely because it did not have the capital to permit an increase in the range of products and production levels necessary to attract distributors. In an effort to save costs, Meaty Delights has switched its sourcing of pigs from the Barbados Agricultural Society to the small farmers directly. This switch has apparently enabled the company to reduce wastage by 60%, since the small farmers supply a leaner pig.

Meaty Delights pays its suppliers two to three weeks after delivery.

4. Capital Investment Plans

Meaty Delights Ltd. is about to apply for a loan from United Trust Bank of Switzerland to finance an expansion of the operations. The expansion will cost Bds$13 million, of which $1 million will be used to upgrade the existing facility, $7.8 million for the purchase of fixed assets in the new facility and $4.2 million in working capital and start-up costs.

The expansion will enable Meaty Delights Ltd. to increase its product line,especially into tinned goods where the market is almost completely dominated by imports valued at $45 million. This will include the production of: tinned corned beef, tinned frankfurters, tinned chopped ham and pork, tinned luncheon meat and tinned vegetables. Besides being price competitive and already possessing an image as a producer of premium meats, Mr. Klammer hopes that his expansion into the tinned goods market will be aided by the government. Specifically, he plans to apply for fiscal incentives and market protection.

Coupled with the company's product expansion will be an expansion in market scope as well. In Trinidad, Meaty Delights plans to supply two containers per month of their new products to a Trinidadian wholesaler who will probably distribute the product under his own label.

Distribution of the product will be done throughout the region by A.S. Bryden & Sons Ltd. who has wholesaling facilities in Barbados and the rest of the English speaking Caribbean. Bryden's does not have a meat processing facility.

Prices of the new products are expected by Meaty Delights Ltd. to be competitive with the CIF price Barbados and Trinidad of similar imported products. Market protection is therefore required only to provide an opportunity for the company to develop consumer awareness and initial brand loyalty. The new processing operation is expected to become operational around November of this year.

The new plant will reach breakeven at 50% of capacity based on a single shift but is expected to operate at 64% of capacity in the early stages. Later the plant will gradually move to a 3 shift operation producing 36 - 40 million cans of products, and providing employment for 280 - 300 people directly and indirectly.

Meat for the operation will be purchased from New Zealand, Ireland and USA depending on the best available price at time of purchase. Meaty Delights Ltd. does not expect any significant price increase in beef prices over the next 3 years.

An offshoot of the expansion will be some effort to form a cooperative venture between small pig farmers,medium sized farmers and Meaty Delights Ltd. This arrangement would have the small farmer rear pigs to the stage just prior to finishing. At that point the pigs would be taken to the medium sized facility where they would be finished to the specifications required by Meaty Delights.

After this first expansion is operating successfully, Meaty Delights Ltd. plans to can flying fish.

5. Labour and Training

At present Meaty Delights employs 16 - 17 people. With the expansion programme, employment (direct and indirect) will rise to 280 - 300 people.

To handle the expansion, Meaty Delights Ltd. plans to have its butchers sent to Germany for training with German butchers. Meaty Delights Ltd. wishes the local butchers to be exposed to a complete slaughtering and meat processing experience so that they would be more productive in the expanded operation. The company will approach the EEC for financial assistance in this regard.

Additionally, Meaty Delights Ltd. would like to have some Europeans come to work with him in the expanded project, both to ensure top quality production and to train local staff. The company will therefore apply for work permits and hopes that Government will support the company in this matter.

6. Relations with Government and Institutions

Meaty Delights Ltd. seems to have no problem in dealing with the Government. However, Mr. Klammer reported that he was advised to consult with person after person, to no avail, when he asked USAID for a grant of $30,000 -$40,000 for market research and prefeasibility studies on the expansion now being planned.

Adamntually, Meaty Delights Ltd. contracted BIMAP at a cost of $12,000 to do this work for them, only to have BIMAP prepare a document which stated that the market research was outside the terms of reference of the consultancy. Mr. Klammer expressed great dissatisfaction with this performance of BIMAP and proceeded to do the market research himself.

7. General Diagnostics

Mr. Klammer of Meaty Delights Ltd. appears to be very enthusiastic about his operations. His focus however seems to be primarily on the production side of the business, which is apparently the area of his competence. As a result, one would expect that the quality of product which Meaty Delights Ltd. will produce will be very high.

An expansion of the size that Meaty Delights is entering will however need substantial and effective management. Mr. Klammer recognizes that he will need to improve the administrative, financial and cost accounting systems to help him manage the expanded operations.

Meaty Delights Ltd. will probably also need to recruit a full management team so that the attention of Mr. Klammer on production and quality matters is not diluted with all the other management issues.

Finally, Mr. Klammer is essentially a small operator in the context of his banker, United Trust of Switzerland and his distributor A.S. Bryden & Sons Ltd. He may also need substantial assistance in managing these two relationships.

FEENEY & CO.

Date of Interview: May 15, 1987

Interviewers: Darcy Boyce, Qaiser Khan, Gerrit Argento

Interviewee: Max Feeney

1. Introduction

Max Feeney is the owner and manager of Feeney & Co. He went to primary school only, and started working at the age of fourteen. His factory is located at Hoyte's Village, St. James on land which is leased from the Government and which he has been trying to purchase for the last five years. The Government is apparently unable to get the legal documents ready for the conveyance of the land to Mr. Feeney.

Mr. Feeney's factory is sited on Government land because he was unable to use his own land which adjacent to the Government land but is zoned for agricultural purposes. It took two years, Mr. Headley reported, before he got a reply to this effort from the Town and Country Planning Department.

2. Market Structure

Feeney & Co. manufacture custom mahogany furniture, designed by Mr. Feeney in consultation with the customer. In addition, the business provides maintenance services on wooden furniture, builds cupboards for houses, and does subcontracting work in certain furniture manufacturing processes for other small furniture manufacturers.

Current sales range between Bds$20,000 and Bds$30,000 per month or between 20% and 30% of plant capacity. The plant was constructed when Barbados was exporting a substantial amount of furniture to Trinidad. The company, however, was only able provide one shipment to Trinidad before that market folded.

Mr. Feeney says that he will not sell furniture to the stores because they do not pay a high enough price to manufacturers; and additionally require the manufacturer to give them various rebates amounting to approximately 10% of the initial price paid to the manufacturer. As an example, Mr. Feeney provided the following information on the price paid to a manufacturer as compared with selling price and the manufacturer's costs.

Selling Price (Retail)		$1,800.00
Price to Manufacturer		$1,100.00
Costs:	Cushions	$350.00
	Labour	$350.00
	Material	$250.00
	Transport	$60.00
	Surplus for electricity, overhead and profit	$90.00

This surplus is, in Mr. Feeney's opinion, not sufficient to provide him with a profit.

In order to sell his furniture then, Mr. Feeney has focused on the high margin, custom designed segment of the market. Feeney & Co. have developed an image of producing high quality furniture that is unique. He hopes to retail his furniture through his own retail outlet. He is also considering producing small high quality antique reproductions for sale to cruise ship passengers.

3. Finance

Most of the capital in Feeney & Co. has been contributed by the owner. Mr. Feeney contributed 75% of the cost of the factory from his own resources. Additionally, he mortgaged two other plots of land which he owns as collateral for the additional 25% ($60,000) of the building costs, obtained as a loan from Barclays Bank, and for his overdraft facility of Bds$8,000.

Despite the obvious slow level of sales, Mr. Feeney continues to service his debt with Barclays Bank and now will be able to clear his loan in about 14 months.

Because he has invested so much of his own funds in capital assets, Mr. Feeney has been strapped for working capital. He will get working capital from his bankers on the strength of firm orders, but he reports that he has been unable to get any support for other working capital needs. The mix of lengths, widths and quality of the mahogany pieces available in any random bale of mahogany purchased is reportedly very unpredictable and leads to excessive wastage and non-standard quality of the furniture. Mr. Feeney wishes to get away from these problems by importing first quality wood directly. To date, however, he has been unable to get the working capital needed to finance these imports.

Quite apart from saving costs through importing his own lumber, Mr. Feeney would also like to his broaden product line and produce furniture of wood other than mahogany (e.g. teak, oak).

Once Mr. Feeney has repaid his loan to Barclays, he intends to use the released collateral to back credit to finance his new marketing efforts.

Mr. Feeney maintains his records himself and appears to keep these records very carefully. His year end statements are done by an accountant.

4. Labour and Training

Feeney & Co. employs four people in addition to Mr. Feeney. Mr. Feeney however thinks that he could get enough work to employ 16-20 master joiners if he could find them. Apparantly, good joiners are hard to find. Even apprentices are reported not readily available or trained. Mr. Feeney thinks that the training programmes of the Polytechnic and Skills Training Board do not keep the students on the job long enough or give them a rounded training. He thinks that apprentices should spend 3 - 4 years in training before they become joiners.

Mr. Feeney also finds that many of the workers do not achieve acceptable standard levels of productivity.

Although Mr.Feeney is a master joiner, he sees the need for himself to get additional training in finishing mahogany furniture. He would like to go overseas for a few months for such training, after he has completed the repayment of his loan.

Mr. Feeney also feels that various technical aspects such as kiln drying and finishing should be improved by having a foreign expert based in Barbados for 2 - 3 years with Barbadian understudies. After that, Barbadians could take over.

5. Relations with Government and Institutions

Mr. Feeney has reported unsatisfactory support from the government agencies, largely because of inaction on their part and their tendency to send small businessmen from one person to another without result. Mr. Feeney was apparently unable to find out until after a number visits to various people how he could get his material free of stamp duty, consumption tax and import duties. In addition, the experience with the acquisition of the land and the still outstanding matter of the conveyance of such lands from Government have increased his dissatisfaction with government agencies.

Mr. Feeney therefore would like to see a small business consulate established to provide onestop guidance to small and micro

businessmen on all the various regulatory aspects of their businesses and ways to get funds or technical assistance.

6. General Diagnostics

Mr. Feeney seems to be a very honest and hard working businessman. He is not afraid to invest his own money to pursue an idea. Additionally, Mr. Feeney is prepared to learn from others whenever he can and so will be prepared to accept advise on its merits.

Feeney & Co. should be a good candidate for assistance under the Small Enterprise Assistance Project.

ROY RATTAN

Date of Interview: May 12, 1987

Interviewers: Darcy Boyce & Qaiser Khan

Interviewee: Joe Roy

1. Introduction

In 1972 Joe Roy a skilled carpenter came to work for Parke's furniture factory making mahogany furniture only at that time. In 1976 Parke's branched into rattan furniture in the wake of a boom in export sales particularly to the Trinidad market and Joe Roy became a shop foreman. The rattan furniture business prospered driven by the demand in Trinidad until in 1985 Trinidad and Tobago put in place a set of import restrictions. At that point in time the volume of export sales to Trinidad had reached close to a million Barbados dollars. Once exports to the Trinidad market fell close to zero the primary outlet for the furniture became the local market. Until that point, sales to the local market had primarily been to hotels and offices.

During this difficult transition period, Joe Roy took the plunge and became an entrepreneur. His decision was driven by his belief in the quality of the product which convinced him that over time rattan furniture would become the accepted alternative to mahogany furniture which is currently preferred in Barbados as the choice for home furnishings. At the end of February, 1987 Mr. Roy purchased Roy Rattan and became the sole owner as well as manager.

2. Market Structure

2.1 Domestic Markets

After the Trinidadian trade restrictions were imposed, the market for rattan furniture had to be built up from a narrow customer base. Competing in this market were Roy Rattan and one other local producer. Despite limited demand and market size, Mr. Roy never resorted to price cutting since he was confident that this furniture was of superior quality and the customers would pay for that quality. In order to fully develop this positioning strategy, however, Mr. Roy had to overcome what many consumer's perceive as the rattan's inferior quality compared to mahogany furniture--the principal furnishing used in homes.

Already, Mr. Roy has tried to identify and match consumer incomes and tastes to his line of products. He had developed several lines of products which target different income groups.
His primary outlet to sell to the general public are through Courts Stores which carry three of his lines and through Cave-Shepherd which carries one line at the expensive end of the scale. Modern Living and Mannings also carry his furniture. Mr. Roy feels that younger home buyers are less attached to traditional mahogany furniture and will buy rattan when they enter the market. Since assuming ownership in March, Mr. Roy reports sales of $ 60,000 worth of furniture per month.

2.2 Export Markets

Some new export opportunities are looming. He expects to sell to Courts Stores in St. Lucia about two to three containers each valued at approximately $34,000 to $51,000. Some of the former Trinidadian buyers have also returned to purchase from him whenever they receive import licenses.

In the long term, however, Mr. Roy is pessimistic about his ability to compete in the U.S. and other extra-regional markets. He claims that East Asian labor costs combined with their superior technology allows Taiwan and other such producers to land at C.I.F. prices well below his F.O.B. prices. He is convinced that his product is superior - arguing for example that he uses screws rather than nails which makes the product more durable. Besides labor, the company also probably has to pay more for its raw materials --all of which are imported.

3. Finance

Mr. Roy's accession to ownership was facilitated by the company accountant Mr. Karim who helped renegotiate the $105,000 Barbados Development Bank loan under which the machinery had been purchased so that he could assume the loan. The BDB loan is serviced at the rate of $1,275 per month. No major difficulties were caused in this process. The premises are rented at $1,600 per month and did not need to be purchased. The remaining needs for working capital finance seem to be adequately met given present levels of production by an overdraft of $48,750 from the Canadian Imperial Bank of Commerce. The bank had required that Roy put up his own house as collateral since the machinery was already being used as collateral for the BDB loan. No major financial problems have arisen in the short period since Roy took over the ownership. Orders for individuals are paid in cash while those for stores are paid for in a month's time, so that cash flow would not appear to be a major problem.

4. Raw Materials

Most of the raw materials are imported. The rattan and wood come from Puerto Rico and Indonesia. Fabrics and foam for the cushions are purchased from Miami. The principal locally acquired input is labor. The three percent increase in stamp duty on general imports will increase Mr. Roy's raw material costs. This is a particular burden since he has already published his price list and would be unable to pass on some of the additional cost on to the customers.

5. Labor and Training

The factory has eight workers plus Mr. Roy who is generally in charge of production and design. Of the eight employees four are on staff and the rest are doing piece work. This system means that wage payments vary from $2500 per month to $5000 per month. The principal variation is in the wages of jobbers between $200 per week to $500 per week.

The use of jobbers (piece workers) gives the company the ability to treat the bulk of its production workers as self-employed sub-contractors. They are therefore not covered for severance pay and other worker benefits. This allows the company to be flexible in its hiring and firing decisions. It can retrench or expand without worrying about the high transaction costs due to worker benefits. The problem with using piece workers is sometimes apparent in the domain of quality control. Mr. Roy is an expert in making rattan furniture himself and can fairly easily control the quality of output particularly since all the production takes place on the premises. If management responsibilities were to take Mr. Roy away from the premises (or at least the factory floor) for longer periods of time than now, e.g. an overseas marketing trip, there could be some quality control problems as a result.

The new owner-manager was quite receptive to the idea of additional training for his workers. He indicated that since they viewed their work as a skilled job they were more than willing to improve upon their skills. As they were generally piece workers, there was no direct cost in labor time accruing to the company and as such had nothing to add except for a preference that the training should take place in the slack season immediately after Christmas. Training could take place on premises and if that resulted in improved productivity per hour the benefit would generally accrue directly to the workers in view of the fact that they are paid at piece rates. Improved productivity would not have any immediate effect on the company since the level of demand was such that they were operating currently at 75% of attainable capacity even at existing levels of productivity (which Mr. Roy regards as quite high for the region). However, if demand rose significantly the situation would change.

6. Capital Investment Plans and Prospects

Expansion seems to be an unlikely prospect in the near future as there is excess capacity in the existing plant. Until demand rises to the level at which full capacity is reached no expansion is necessary. Even then a training program which increased worker productivity would be the more feasible route to follow initially. The question of any expansion of physical facilities must necessarily be an issue for the fairly distant future unless something unexpected happens such as a reopening of the Trinidad market. Mr. Roy feels that even then it would not be as easy as in the past to penetrate that market since there is the local rattan furniture industry in Trinidad has become more competitive and the TT $ has been devalued considerably against the Barbados $ reducing or eliminating any cost advantage. The principal source of expansion lies in the growth of domestic markets and other regional markets such as St. Lucia or Guadelope from where there had been inquiries of late.

7. Relations with the Government

The owner does not seem to have particular problems in his relationship with the government. He pays a stamp duty on his imported raw material but when exporting receives a credit. The labor relations legislation and regulations do not really affect him since the bulk of his workers are on piecework arrangements. He did not report any trouble with any other regulatory environment. He is not a member of the Barbados Manufacturers Association primarily because he has just taken over and has even considered the possibility.

8. General Diagnostics

The general impression that the consultants got was that Mr. Roy was an enterprising man extremely aware of the production side of the business. He is also quite realistic in his assessment of the potential for growth and the nature and quality of international competition. He has wisely left the financial details in the hands of his accountant who is also the company secretary as he realizes that his comparative advantage does not extend to these kinds of details. However, he seems quite unaware of how well he has been doing since he took over and should probably insist on a monthly financial statement. He does however have a sense that things are going well.

The consultants feel that he could use some assistance in domestic marketing as well as in export marketing. The quality of the finish seems to be very good which is essential particularly for export. Training workers to improve their productivity would be also a source of help that could be extended to him.But as noted in the previous section this is not going to be a critical until the markets grow beyond their present size.

PRINTING ENTERPRISES

Date of Interview: June 10, 1987

Interviewers: Darcy Boyce and Qaiser Khan

Interviewee: William Smith, and Mrs. Smith (William's sister-in-law)

1. Introduction

Printing Enterprises was started 12 years ago in a garage by William Smith who was trained in printing in Chicago. The business is owned by William and his brother. Their father is the accountant and William's sister-in-law is the salesperson and general controller. The business moved into the current premises in 1979.

2. Market Structure

Printing Enterprises does any kind of printing other than boxes. The printery also does full colour printing but because it does not have the equipment to do the colour in one run, and because it thinks the market is too small for colour, the printery will not develop any specialization in colour printing.

Most of the printery's business comes through word-of-mouth referrals, which are very effective when the company's customers include Barbados External Telecommunications, Barbados Mutual Life Assurance Society, United Insurance and T. Geddes Grant Ltd. These firms are lorgstanding customers of the printery, and Mr. Smith indicated that he personally knew the people in these firms who made decisions on printing. Besides contacts, the business has developed reputation for providing quick and reliable service. The printery ensures that these large, regular and "special" customers get very fast turnaround, even to the extent, if necessary, that other individual people's orders are shoved backwards in the queue.

The printery did not go after the regional export market as did the larger printeries. Consequently, when the regional market was severely reduced around 1984/1985, the printery's sales were not affected, although in order to maintain its market share in an increasingly competitive domestic market, the company had to cut its prices. In the medium term Mr. Smith expects that many of those companies that entered the domestic market will eventually focus on providing colour printing for U.S customers through Miami brokers who may have jobs which are too small for U.S. printers to show interest in them. If this happens to any significant degree as Mr. Smith expects (apparently some of this printing work for U.S. brokers has already started), more of the

limited local market would be available for the smaller to medium sized printeries such as Printing Enterprises.

While not particularly interested in exports, Printing Enterprises does occasionally sell printing to local brokers for export to one of the regional countries.

A major constraint to continued market expansion in the domestic market is the imposition of a consumption tax on local printing. While none of the regional or other foreign products are taxed, the local printeries must pay a tax by the 15th of every month. This situation reduces the price competitiveness of the local product and prevents printeries like Printing Enterprises from squeezing their profit margins any more to gain market share.

Revenue in 1986 was between Bds$720,000 and Bds$800,000 and Mr. Smith expects that revenue in 1987 will be better. The peak work period is between September and February, coinciding with the preparations for and the actual height of both the retail selling season and tourism.

3. Finance

The printery owns its own premises which it purchased with a loan of Bds$400,000 from the Royal Bank of Canada (RBC), over a period of seven years. The loan has since been refinanced with Barbados Mutual at 2% about prime lending rate and with a maturity period of 15 years. The printery also has an overdraft facility with a limit of Bds$90,000, and secured by a second mortgage on the property as well as personal guarantees.

Equipment has been purchased with loans from both RBC and the Barbados Development Bank. The printery boasts of never having missed a schedule installment payment of interest or principal.

Trade credit is provided by the suppliers of paper, most of which comes from Blades & Williams Ltd. (85%) and T. Geddes Grant (12%). Blades & Williams will give credit from 1 month up to 6 months, while Geddes Grant will supply credit for 1 to 2 months. Credit for purchase of inks in provided by the German suppliers on a 60-day term bill.

Mr. Smith was unaware of his costs but thought that materials and direct production labour probably accounted for approximately 60% of sales revenue.

The printery has apparently not made a profit since it moved to the new premises, partly because of the economic recession and partly because of the depreciation and maintenance charges on the new building.

There seems to be little trouble with collecting accounts receivable. The regular customers with a good credit record will

generally get credit for as many as 6 weeks, while other customers are required to make a deposit of 50% of the cost of the job and the remainder at the time of delivery. This practice has apparently not caused any problem for the printery.

Costing of jobs is done by hand by Mr. or Mrs. Smith. The costing is done manually because the business has reportedly not found a software package or a local programmer to build the costing system which meets Mr. Smith's needs. However, Mr. Smith is interested in getting a computer system when he finds one to meet his needs. He would also like the computer system to include a laser printer to speed up the art work.

The costings done now are mainly prepared after the printing is finished since most of the smaller jobs do not require an earlier costing. For the large jobs, the costings are done before the work is started, so that a reasonable quotation may be made.

The accounting documents in the firm are prepared by the accountant, the senior Mr. Smith, and then sent to a leading "Big Eight" accounting firm for processing on the computer. Statistical data which is supplied to the Government is not on computer and so government Statistical forms are quite tedious and time consuming to prepare. Implementation of a computer system would probably reduce significantly the work involved in filing these statistical returns.

4. Labour and Training

The printery currently employs 10 production and 8 office workers. A few years earlier, the firm had been employing as many as 22 production workers. Most of these were dismissed for poor performance or resigned to join other printeries. Before these workers left Printing Enterprises, however, the printery experienced some difficulty with the workers' union. One of the workers who subsequently left the printery had come from a unionized firm where there were very strict rules about separation of job functions, and wanted to have the same rules adopted in the much smaller Printing Enterprises, where everyone does everything.

Generally, Printing Enterprises pays a lower wage than the larger printeries such as National Press, Graphics Galore, and Jack's Printery. As a result, many of the employees of Smith's Printery are attracted to the larger printeries after they have been properly trained on the job by Mr. Smith himself. Such training normally takes the first 2 days of the job and an additional 1 to 2 hours per day for 1 month, plus on the job experience.

The printery would like to supplement the training and experience which its workers get with a workshop in the month of August if it could get the workshop funded with a grant.

5. Capital Investment Plans

Printing Enterprises does not plan any major expansion, though it will seek to acquire some replacement/upgrade equipment (probably from Germany from where most of its equipment comes) in September 1987. The equipment is expected to cost Bds$40,000 - 50,000.

6. General Diagnostics

This printery seems to be run in a deceptively tight way. Although Mr. Smith appears very casual, he seems to have a very good grasp of the printing market and his sister-in-law seems to be quite tight on control of the business. They both pay special attention to their major customers and continue to cultivate friendships with these customers.

The Smiths have decided to remain small and to give very good service to a few large customers who apparently form the core of their sales. They also intend to ensure that they do not get into the cash flow binds that affect many businesses by providing large credit to customers. Even if such a practice means foregoing some sales, they would rather not risk incurring a large some of uncollectible accounts receivable.

The printery is likely to make steady, though not spectacular, progress. With the current difficulties in the printing industry, this would be a significant achievement.

SURF 'N SAIL WATERSPORTS.

Date of Interview: June 10, 1987

Interviewers: Darcy Boyce and Qaiser Khan

Interviewee: Don Grower

1. Introduction

Surf 'N Sail Watersports is owned by Beach 'N Sun Ltd. (which operates as Beach 'N Sun Cruises) and by Beach 'N Sun Marine Charters. The watersports company has been in operation now for five years, and the cruise operation has been going for 17 - 18 years. The Surf 'N Sail Watersports offers all the usual water sports except the motorized ones such as water skiing, jet skies, and power sailing. These three are not offered because of the very high insurance premiums which the company would have to pay. Indeed the company had at one stage investigated the prospects of offering power sailing but at the time could get no insurance for that activity. Another reason for not offering these sports is that some one-man operators depend for the entire livelihood on providing these sport facilities and Mr. Grower does not wish to compete against them since they also do serve to promote his business free of charge to the tourists.

2. Market Structure

Sun 'N Sail Watersports operates from three locations. The oldest (5 years) is at White Sands Beach in Worthing on the south coast. Another shop is at Sunrise Bluff (4.5 years) on the west coast and the third shop, which is also on the west coast at Indo Beach Bar, is only 6 months old. Total sales in 1986 were approximately Bds$243,750 of which the Sunrise Bluff shop contributed approximately Bds$120,000 and the White Sands Beach shop yielded Bds$138,750. The new shop is expected to yield between Bds$30,000 and Bds$40,000 in the first year. This last shop has been opened at the Indo Beach Bar essentially to provide a service to the Pirate Bay Beach Hotel, though it does not appear that the hotel pays the watersport operation a fee for each guest night. Surf 'N Sail Watersports charges Bds$20 for each sport.

During the tourism recession a few years ago, the White Sands Beach shop continued to perform quite well and did much better than the Sunrise Bluff shop. The White Sands Beach property and other surrounding south coast properties apparently did not suffer as bad a recession as the Sunrise Bluff property either in terms of the number of tourists and bed nights, or in terms of the purchasing power of the tourists or their willingness to buy "nonessential" vacation services.

The water sports industry appears to be fairly competitive. Mr. Grower estimates that there are about 15 "large" operations and between 30 and 40 small one-man operations.

Mr. Grower cited two marketing problems in the water sports industry. The first is the very limited advertising done by the Tourist Board on Barbados as a water sport center or indeed as hardly any other destination other than one for tanning and quiet swimming. Mr. Grower recited an incident of a tourist who saw an advertisement for Barbados in a diving magazine, but was told by a receptionist at the Tourist Board's office in New York that there was no diving in Barbados.

The second marketing problem which Mr. Grower cited was the annoying behaviour of some people on the beach, including one-man water sport operators to flirt with the clientel. He agreed tat some sort of sensitization workshop should be held on the beaches for these one-man operators so that they would become more aware of good professional customer relations.

Little information could be obtained about the Beach 'N Sun Cruises since Mr. Grower is neither a shareholder nor direct employee of the cruise operations. The schedule for the cruises is 8 cruises during the off-peak season for each of the two vessels carrying 160 passengers per vessel per trip, and 10 trips during the peak season for each vessel carrying 200 passengers each. The rate for the cruises is Bds$65. On these assumptions, the cruises would earn approximately Bds$9.75 million per year.

3. Finance

Initial funding of the Surf 'N Sail Watersports operation came from shareholders's equity and from a loan of Bds$130,000 from the Beach 'N Sun Ltd. This loan appears to have been repaid and the watersports operation now owes only $20,000 on a compressor financed for the operation by General Finance Corporation. The watersports operation does not itself have an overdraft facility or particularly appear to need one, though it may occasionally seek some temporary financial accommodation from Beach 'N Sun Ltd. which apparently has a big overdraft facility.

Local water sport operators are required to pay 40% import duty on their equipment and spares. Consumption tax and stamp duty are also payable. Mr. Grower complained that the foreign operators of any water attraction were exempt from the import duty.

Surf 'N Sail Watersports pays rent of Bds$500 per month for the shop at White Sands Beach. This rental charge includes the cost of utilities and security. At Sunrise Bluff, the rental is Bds$250 per month but neither security nor utilities are covered by the rental charge. The shop at the Indo Beach Bar, located at Pirate Bay Beach Hotel, does not pay a rental charge, apparently

because the hotel wishes to have a good professionally operated water sports facility developed as another feature of the hotel.

Insurance costs as much as $15,000 per year for the company's dive barge and Bds$7,000 per annum for the cabin cruiser. On the cruise vessels the insurance for each is more than Bds$100,000 per annum.

4. Labour and Training

Nine persons are employed by Surf 'N Sail Watersports and 23 by Beach 'N Sun Cruises. Many of those employed by the watersports company were transferred from the cruise operation. The workers at Surf 'n Sail Watersports earn an average basic wage of Bds$1000 per month. The staff also work a fair deal of overtime whenever they are required and are paid extra for this overtime work. Mr. Grower did not think that he needed any training for his staff other than the customer relations workshop which he proposed for all persons working on the beach.

5. Capital Investment Plans

The company has only very recently (six months) opened a new shop. Further expansion in the next 2 to 3 years does not appear likely particularly in view of the heavy competition in the industry and Mr. Grower's aversion to competing with the one-man operators.

6. Relations with Government and Agencies/Institutions

Mr. Grower says that the water sport operators have written to the Ministry of Fiance seeking relief from the duties on equipment and spares but have not had their request granted.

Surf 'N Sun Watersports is a member of the Barbados Hotel Association, but feels that the BHA is really only a club. Mr. Framer thinks that the officials of the Tourist Board do not make sufficient effort to have dialogue with operators on the beaches. As a result, the Tourist Board, in Mr. Grower's opinion, does not know the problems of the operators and does little to help them. Grower feels that the beach operators would themselves help to keep the beaches safe and comfortable for visitors if government officials helped the operators to solve some of their problems, and showed that they cared about the operators.

7. General Diagnostic

Surf 'N Sail Watersports should continue to grow through its locations near the major concentrations of tourist accommodations, its association with the Beach 'N Sun name which

is synonymous with Barbados island cruises, Mr. Grower's known association with water sports in Barbados and his expected social contacts in the island.

The operation seems to be professionally run and so should be able to survive competition in the industry.

While Mr. Grower is right to want more advertising extra-regionally for Barbados as a water sport destination, he may also wish to do more promotion to local residents and to regional tourists from, for example, Trinidad and Venezuela.

The larger water sport operators should also consider quietly organizing the one-man operators to get some publicity on the import duty problem and on the lack of Tourist Board support for the indigenous part of the industry. Government is likely to be much more sympathetic to the smaller operators than to the large operators.

BAJAN GASES

Date of Interview: June 4, 1987

Interviewers: Darcy Boyce and Qaiser Khan

Interviewee: Tom King (Senior Representative of Nils and Tacs in Barbados)

1. Introduction

Ever since carbonated drinks such as Coca Cola became popular, a very basic product such as liquid carbon dioxide became a heavily selling industrial raw material. Capitalizing on the rapid growth of this market was International Gases Ltd. a Chicago based multinational. IG has established a global network to supply liquid carbon dioxide, especially to those low volume bottlers of carbonated drinks whose own volumes of production make it uneconomic to produce their own liquid carbon dioxide.

In the Eastern Caribbean, International Gases went into partnership with the Trinidad Conglomerate Nils & Tacs to set up International Gases (Trinidad) Ltd. This company will be refered to as IGT from now on. Twenty five years ago, IGT set up a Barbados company Bajan Gases Ltd. refered to as BG later in the text. In view of the organizational structure of the Trinidad conglomerate concerned, BG operates without any senior managers in Barbados. The management input is provided by the senior management of that company in Barbados who are otherwise involved in different lines of business. Management problems requiring expert knowledge of the industrial gas business are refered to the IGT.

2. Market Structure

As a subsidiary of IGT, BG benefits from a market sharing pact with IGT in which BG is virtually granted a monopoly position in Barbados and the OECS market. The market is too small to encourage the development of other competitors and the only source of competition is Trinidad which effectively does not compete as a result of the agreement. Consequently, the prices are "a bit high but not too high" as one of the biggest customers note. The monopoly position allows some excess profits to be made but not too much. If the prices were pushed up too high, other suppliers could step in or the bigger customers could find it profitable to make their own liquid carbon dioxide. Currently, Banks Brewery makes a lot of the gas as a by product of its own brewing process and they too could become suppliers were the prices to go above a critical point.

The principal market for BG is in Barbados, with seventy five percent of the output being sold in that market principally to

the three bottlers of carbonated beverages. The rest of the output is sold to bottlers in the smaller eastern Caribbean states.

Marketing to such a limited number of buyers does not really pose a problem for a monopoly supplier with a clearly defined market. Thus, most of the problems normally found in the marketing area do not appear to be of concern for this company. They do not need a marketing staff - all they seem to need is a clerical staff to keep track of orders.

3. Finance

A firm operating in a quasi-monopoly market such BG and part of one of the largest conglomerates in the region is hardly likely to have any financial problems as long as they are making a product for which there is a market. The average monthly sales of $105,000 indicate their present strong position in the market. The principal cost items are labor, diesel, electricity and water. The gross profit margin appears to be about 30% to 35% though that could vary significantly with shifts in the price of diesel, a critical raw material. Nevertheless annual gross profits should be over $375,000 which is fairly substantial on sales of under $1,275,000.

BGs biggest financial problem may come as a consequence of events not directly related to finance. The plant equipment is old and aging and needs urgent replacement. As part of the replacement process, local production may need to be shut down and gases imported from the parent company's Trinidad plant. That would cause a decline in profits. But even that minor threat to profits is highly unlikely to come about as the plant management plan to carry on working during the period in which the machinery is replaced or overhauled.

4. Labor, Training and Technical Assistance

The plant employs 15 workers of whom three could be considered overhead staff i.e. the plant manager cum technical supervisor, the Senior Accountant and the Clerk. Most of the staff have been there for a long a time (two of them for twenty five years since the inception of the plant). Most of the production worker jobs require on the job training as each worker handles specific and specialized tasks. The training is conducted by the technical supervisor.

Technical assistance, when required such as during regular inspections, are carried out by IGT in cooperation with the Chicago based parent company - International Gases Inc.. The engineer for Nils-Tacs operations in Barbados also provides technical assistance to BG on an as needed basis. Any problems that he feels uncomfortable with are refered to IGT in Trinidad.

BG is unlikely to have much need for outside technical assistance or training. It is quite well organized within the structure of its parent company to secure the training and technical assistance needed.

5. Relations with the Government

No oustanding problems are reported in dealing with the government. As a firm selling an intermediate product to a group of large customers that is not surprising. The problems that BG faces are those that are common to most businesses. With its substantial profit margin, BG is better able to deal with problems such as severance pay than are some other firms.

6. Diagnostics and Future Strategy

Even though the managers of Nils-Tacs in Barbados assume that growth in the demand for liquid carbon dioxide in the region will remain relatively stable, the consultants feel that such an assumption is not justified. As the soft drink manufacturers introduce new lines of soft drinks, there is likely to be a significant increase in the demand for liquid carbon dioxide. The plant is an old one and operating close to full capacity. In the near future then, BG will have to increase its capacity. If such a contingency arise, the management appears ready to invest in a new plant.

Besides developing an ability to respond to increased demand, the company might also have to protect itself against the soft drink manufacturers vertically integrating the production of carbon dioxide. If that occurs the company should develop a marketing strategy based on price cutting to maintain its market share.

HENRY DESIGNS

Date of Interview: June 1st, 1987

Interviewers: Darcy Boyce and Qaiser Khan

Interviewees: Mr. & Mrs. Mike Henry

1. Introduction

Mr. Henry was trained as a commercial artist at Algonquin College, Canada. He concentrates on the artistic and production side of the business which prints T-shirts, posters, signs, etc. The business also does silk screens.

The business started in 1972 as a company printing T-shirts when there were only 3 firms in this line of business.

Mrs. Henry looks after the financial side of the business paying bills, collecting revenue and preparing accounting documents for posting by a major local accounting firm.

The business is now a partnership between Mr. Henry and his wife. The Henry's have been in the present location for 3 years. Before that they were in a larger rented premises, but had to move after the business entered a period of decline.

2. Market Structure

At present the business concentrates on sign work though it also does T-shirts on order. Clients include all four (4) oil companies in Barbados, Banks Breweries, Barbados Light & Power Company Limited and the major advertising companies. For the latter, however, the signs are sold at a reduced price thereby allowing advertising agencies to make a reasonable mark-up.

The business is now earning revenues of approximately Bds$250,000 per year. This is a very significant recovery from the level of 2 years ago when sales were down to Bds$125,000 per year. Prior to that, annual sales were in the vicinity of $375,000 when Henry printed T-shirts for garment manufacturers and for the Cockspur Gold Cup horse racing event. During the recession of the early 1980's, however, the garment manufacturers began to print the T-shirts themselves at prices lower than the Henry's could charge. Eventually, they began to compete on other printing jobs like the Cockspur Gold Cup horse racing event. Unable to become more cost efficient or reduce profit margins any further, the Henry's eventually had to shed some of their staff to survive.

Nevertheless, the Henry's today believe that they can provide some of the best prices and services in the market. As long as all the competition has to purchase materials at the same price, the Henry's think they produce signs more cheaply than most other printers. An additional comparative advantage they cite, is their policy to replace any piece of work which does not measure up to standard.

Despite the above comparative advantages, the business still faces some problems in producing some of the jobs on time because it is under-equipped. Mr. Henry does not, however, feel that any new equipment would be fully utilized. He has therefore been reluctant to invest in any new fixed assets.

In terms of marketing, the only promotion of the business comes by way of word-of-mouth.

3. Finance

The Henrys have just finished repaying a debt on their business. This debt of Bds$22,000 had been secured by a mortgage on their home. Now that the debt is repaid, the Henrys, especially Mrs. Henry, are not at all keen on taking on any more debt. Apparently, it had been very difficult to service the debt during the recession. The Henrys have also repaid their overdraft and do not intend to use it again. At present, the Henrys do all their transactions on a cash basis; they make their purchases with cash, while they require the customer to pay a 50% downpayment on work and the remainder on delivery. They feel that this purchasing system has not had an adverse effect on the business.

In terms of pricing, the Henrys price each job separately since production is based on specific orders for jobs. Mr. Henry prepares the pricing by costing each material and each labour process separately, and then adding 70% to the total of material costs and 100% to the total of the costs of the labour processes.

Aluminum needed for signs as well as most specialized inks are imported, apparently from the U.S.A. Three orders of ink, of approximately Bds$5,000 each are made each year.

Some inks are available from a local agent who obtains his supply from the parent company in Trinidad. The cost of inks from this source is apparently very much higher than the cost of inks imported from Miami.

Wages at the rate of between $170 - $190 per week are paid to each of the two permanent employees.

Mr.Henry estimates that the business needs to earn $100,000 per year in revenues to break even before providing a living for his family. On that basis, and the basis of the costs above, one may

reasonably expect that the business is making profits of around Bds$70,000 per annum, before partners' drawings.

4. Labour and Training

The business currently employs 3 people other than the partners. Two of these staff are full-time employees of the business and one is an independent contractor who looks after his own taxes and NIS contributions and who is hired only when needed.

Fear of the severance liability was cited by the Henrys as one reason for not expanding their payroll and production capabilities. Apparently, the severance payments which had to be made when the business retrenched staff earlier, caused much distress for the business.

Both of the two permanent staff have been with the business for approximately 9 years and were entirely trained by Mr. Henry.

5. Capital Investment

Mr. Henry is considering purchasing a small screen printing press for approximately $25,000. He is afraid, however, to obtain a loan for which the security will be anything much more than a mortgage on the equipment itself. The press would however, increase the firm's productivity by a factor of 6, and would be very useful for maintaining productivity in the factory at the rate required to meet deadlines, while most, if not all of the production workers are in the field, erecting signs. The press would also provide the opportunity for relatively easy night-time printing, if necessary.

6. General Diagnostics

Henry Designs seems to be very tightly run now, largely due to the determination and tight management of Mrs. Henry, who looks after the finances.

The business appears to be doing quite well, and the partners have made the strategic decision to remain small. Quality is the key business success factor and the consultants believe that the business should remain small to ensure its quality standards.

Mr. Henry should begin to use some production scheduling to ensure that he does not miss his delivery deadlines. Further, he should have some standard cost production forms so that he could have his wife assist him in the costing of the jobs. The firm may also have to hire an independent contractor to supervise erection of signs so that Mr. Henry is can make some more time available to drum up business with prospective clients and maintain a tighter production schedule.

Finally, the firm should acquire the new screen printing press and begin to actively promote this business.

PIZAZZ LTD.

Date of Interview: May 13, 1987

Interviewers: Darcy Boyce and Qaiser Khan

Interviewee: Maxwell Deere

1. Introduction

Pizazz Limited started business in 1980 in the IDC Cluster Block on the Harbour Road where it is still located. The company manufactures all types of garments but gained its reputation in Barbados and Trinidad for its "snazzy" jeans which were designed to fit the black female form properly. Secondary acclaim was also received later for the company's dresses which tended to be fashion leaders. The company produced mainly for the Barbados and Trinidad markets until the Trinidad market was effectively closed in 1985.

2. Market Structure

In 1986, the company's sales fell to Bds$153,000, of which Bds$84,500 came from the local market and Bds$67,600 from export markets within Caricom. This volume of sales is however far below the 1984 and 1985 volumes which were as follows:

	Local Sales	Export Sales	Total Sales
1984	Bds$577,200	Bds$413,400	Bds$990,600
1985	Bds$170,300	Bds$243,100	Bds$413,400

The heavy sales exposure in the Trinidad market, while providing good initial prosperity also led to a large write-off of bad accounts receivable to the extent of Bds$160,000. Now in 1987 only approximately 5% of the company's production is being sold in Trinidad.

Mr. Deere reports, however, that for the first time, the company has made a shipment to Puerto Rico where prices received are three times as high as in Trinidad. This shipment was a small one of $20,000 and was made possible through the assistance of the Puerto Rico agent of the Barbados Export Promotion Corporation.

Mr.Deere considers it vital for his company to continue expanding its market scope and export extra-regionally. He believes that his company's jeans would find as much appeal among the black female population in the USA as they have found in the Caribbean. Possible distribution channels for this market would include:

direct house-to-house selling a la Avon sales lady, mail order catalogue shopping or distribution through a major black enterprise geared to serve the black population in USA.

The company prepared a strategy for marketing the jeans and approached CAIC in early 1986 for assistance in refining the strategy, studying the market more carefully, and planning the execution of the project. Mr. Deere claims that thus far the CAIC has not provided that assistance. As a result of CAIC's lack of action, Mr. Deere approached BIMAP on the recommendations of one of his friends. Within three (3) weeks, BIMAP has been able to commission the required assistance for the marketing study in the American market. The study has however not yet begun.

Other facets of Mr. Deere's marketing strategy include the publication of magazines. Out of its own funds, the company has mounted a picture magazine in colour of West Indian ladies modelling a line of the company's garments known as the "Frangipani" line. The company reports that it has approached both the CAIC and the CDB for assistance in final production, printing and distribution of the magazine. Mr. Deere reports that neither agency has responded favourable to his request because they feel that such a publication should include material for other companies. Apparently, Mr. Deere does not think very highly of the reliability of most of the other manufacturers to produce the model garments and to supply them in regular volume.

In terms of the local market the company sees two factors prohibiting the company's maximization of profits and growth. First the manufacturer has to incur the costs of holding onto inventory. This results from local buyers ordering small quantities of items. Rather than buy all their items locally, many buyers prefer to travel abroad to fill out their retail inventory. The second factor is related to the first. In general, the local market is not large enough to support the production capacity on the island. Many of the manufacturers have overbuilt in anticipation of building sales volume around the Caribbean.

3. Finance

Pizazz Ltd. now carries an overdraft in excess of Bds$100,000 from the Barbados National Bank. In addition, the company has a loan of $100,000 from the BDB. According the Mr. Deere, total liabilities are in the vicinity of Bds$650,000. It does not appear that any of these liabilities are being serviced.

The company also has a liability of approximately $104,000 for the severance payments which were issued to those workers who were retrenched in the wake of the death of the Trinidad market. The company could not at that time meet its severance obligations.

Mr. Deere reports that his costs of material and production labour approximate 50% of revenue. Under normal working conditions, his profits before interest and tax are about 20-30% of revenue.

At the moment, Mr. Deere needs $15,000 - $20,000 to conduct a pilot market project in the USA, but is having difficulty in raising the money. He has not considered raising any by way of equity from family or friends, and the banks are reportedly not prepared to lend for such marketing costs.

Mr. Deere has not approached the CFSC for such funding, because he did not know of the CFSC.

4. Capital Investment

At the moment, the company's priority is to stay in business. The company is operating at only 10 -15% capacity. If the opportunity arises, the remaining capacity will be brought into service the Puerto Rico and/or mainland USA markets.

5. Labour, Staff Turnover, Training

Current labour force in the factory is between 13 - 18 workers depending on orders at any point in time. This compares with 40 - 45 workers a few years ago. The company pays its non-unionized labor force about Bds $ 120 per week. Aside from the dismissals a few years ago, the company has had little labour turnover.

Mr. Deere sees little usefulness in the CAIC sponsored factory training programmes at the moment because of the low level of manufacturing activity.

6. Relationships with Government and Public Service Agencies

Mr. Deere does not think highly of the government agencies or the other institutions designed to help manufacturers. Generally, he believes that these institutions are staffed by civil servants who will not make any decisions but merely frustrate the manufacturers through delaying and making excuses to cover their lack of action. His views cover the BEPC, BIDC, CAIC and CDB. He is,however, fairly high in his praise of BIMAP, probably because they have been able to commission marketing help for him quickly.

Pizazz Ltd. seems to think that its relationships with Government agencies are adequate since the Government has not been hounding them for rent arrears, debt service arrears or arrears of National Insurance contributions.

7. General Diagnostics

Pizazz Limited seems to have well designed products and a good name for its jeans. Additionally, the company seems to have some innovative ideas and seems prepared to spend what money it has to develop its marketing.

However, the company's apparently strapped financial condition prevents it from raising more funds to finance marketing initiatives. Further, the company is probably under-capitalized and needs more equity to assist with the marketing initiatives.

Because of the quality of its garments, this factory could with good management, tight quality control and careful execution of the marketing initiatives being considered, again experience substantial growth in sales and profitability.

HUMANA RESOURCES

Date of Interview: June 2nd, 1987

Interviewers: Darcy Boyce and Qaiser Khan

Interviewee: Earl David

1. Introduction

Mr. Earl David who is the principal in Humana Resources is an accountant by training and has worked in that field for a long time. At one point, he became the Chief Accountant in a housing development firm but eventually relinquished the comfort of a sedentary job to seek out something more action-oriented and independent.

At first, Mr. David took up pictorial photography as an interim activity to keep him occupied while he looked for more suitable work. The pictorial photography business, called Keen Edge Services, grew and went on to laminating menus and other items for restaurants, hotels and stores. To date, most of Mr. David's income comes from this pictorial photography and laminating business.

But that is not the only line of business he runs. In 1983, Mr. David was introduced to the Performax human resource management development systems in Washington. He thought that the programs - largely for psychological testing awareness and personality development training - would be of significant benefit to individuals and businesses in Barbados. Hence, he formed Humana Resources company.

2. Market Structure

The programs offered by Mr. David include:-

* Personal Profiles
* Child Profiles
* Youth Development
* Body Language
* Time Management

* Stress Management

* Wellness, incorporating modules on nutrition, needs, personality, fitness, relationships, stress and values

So far the most successful line of business has been in conducting personal profiles. Mr. David's primary customers in this field have been insurance companies including INA and Confederation Life. At present, he is also trying to gain a contract with the Colonial Life Insurance Company (CALICO), Life of Barbados, and British American Life Insurance.

Outside of this consumer group, Mr. David has been trying to enter the retail and accounting markets, since many of these businesses have daily contact with clients and require good inter-personal skills.

Despite the initial contacts made, the market is too new and unknown to most potential clients. Many of the personnel managers in companies are reluctant to commit resources to such a new field. Even though, they themselves may believe in the profiles they are not certain that their bosses will approve. In fact, Mr. David seemed to think that most senior business managers did not appreciate or see the need for trying to improve staff motivation through psychologically oriented personnel training.

Unfortunately, Mr. David is not in a position to educate a broad group of consumers and develop the market on his own. Fortunately, for him, however there are several developments in parallel markets that could spill over into his market.

Recently, the CAIC sponsored a seminar on stress managment which was reportedly well attended by senior executives. It is likely that some of these executives will contract Mr. David for his stress management services then, if they are useful, expand their horizons to include David's other lines of services.

Secondly, the "wellness program" is, in Mr. David's opinion, well suited to many people who have become health conscious and go to health clubs regularly. As such, Mr. David intends to market this program in those carefully defined markets.

Finally, Mr. David has decided to follow the advice of his suppliers of training materials, and sell the programs as individual packages rather than as part of his more expensive one-on-one contacted services. This depackaging of his services will perhaps allow him to gain a better foothold in the market. The above strategy reduces the initial cost of the program to a buyer but still allows the buyer access to Mr. David for clarification if he/she needs it, for a separate fee. Programs sold in this way would be partially conducted by the purchaser himself/herself.

Net revenue from the training systems was only approximately Bds$12,000 in 1986. Mr. David however hopes to earn between Bds$40,000 and Bds$50,000 this year from the training systems and to net Bds$30,000 - Bds$35,000 from this revenue.

3. General Diagnostics

Mr. David is a very personable gentleman who seems to enjoy what he is doing. He does not however appear to have a particularly well designed marketing plan for his programs. The vague plan which he does have is not well executed and does not respond to the concerns or needs of potential clients. In a market that is in its infant stage of development, Mr. David must overcome potential client's lack of understanding and skepticism of the services he wants to provide. Rather than promote his most expensive "complete package" services, Mr. David needs to start smaller, offering materials and/or group seminars. In this way he should be able to educate and develop an initial contact with his clients.

CARIB FITNESS CENTER

Date of Interview: June 1, 1987

Interviewers: Darcy Boyce and Qaiser Khan

Interviewee: Marva Babb

1. Introduction

In a world where keeping fit is the craze, Maureen Babb, a Trinidadian trained in the United Kingdom, Australia and the United States, set up one of the first health centers in Barbados. The establishment is located at the Hotel International near Bridgetown. The business has prospered primarily due to patronage from the local population. While there are several establishments on the island, the Carib Fitness Center retains the loyalty of many clients who prefer its smaller intimate atmosphere to the more impersonal style of a larger club.

2. Market Structure

As stated, there are several health centers on the island. Besides its intimacy, the principal comparative advantage that the Carib Fitness Center offers is its comprehensive and personable line of services.The Center has the unique distinction of being the only one in Barbados providing the whole range of excercise and health-related services: dancersize, supercircuits, nautilus, sauna, massage and scientific facials.

From its very inception the Carib Fitness Center realized that the key to success lay in targeting the local population rather than being dependent on the hotel guests and other tourists. The rationale being that the local population was more likely to be repeat visitors and serve as a source of long term revenues. The principal marketing tool used to capture this consumer group was through attractive pricing policies.

In general, the center has been able to attract customers from both lower and upper income classes. More importantly, they have had a high success rate in maintaining their customer base. While the poorer clients seem to come only when they have cash in hand, many of the better off customers are extended credit.

Besides the regular return of local customers, the center also has receives a fairly consistent cash flow from a contract they have with the Hotel. Under this contract, the Hotel pays the center to allow guests to use the services. Whether the guests use the center's facilities or not, the Hotel pays a basic fee based off the number of occupied rooms.

The steady flow of income has allowed the center to provide credit and, more importantly,provided the capital to branch out into more specialized and capital intensive services. For example, the center recently purchased Nautilus equipment. It also has begun to offer a "supercircuit" of excercise classes and gym equipment where the emphasis is on high frequency and low resistance excercises.

Perhaps the principal constraint on increasing revenue will be scheduling and overall space capacity. At present, the center only offers its "supercircuit" classes during the middle of the day when many potential clients are at work. If the center reschedules these classes for after work--the center's peak hours--then many of the regular customers may protest and leave the center. In general, the center needs to study the trade-off between increasing its peak hour usage rate and losing customers as a result of that policy.

3. Finance

Sales have been rising steadily. Due to the center's diversification policy of balancing the revenues from the hotel with those from the local market, the center's performance has not been affected by consecutive bad years in the tourist industry. On the otherhand, that is not to say that a good tourist boom does not affect the center's profitability. In general, the marginal revenues brought in by the tourist segment exceeds the marginal revenues brought in by local "regular" customers.

Sales in 1984 were in the region of $202,800 and by 1985 it had risen to $223,600. During the same period net profits rose from from $5,400 to $20,400. The final figures for 1986 are not in yet but generally they should show an improvement. The monthly fees charged for locals were $50 for Aerobics only, $65 for Nautilus, and $90 for the combination. The corresponding annual fees are $300, $350 and $550 respectively. Saunas are included at no extra costs but facials and massages are charged for individually and are generally requested by tourists. These last items bring in significant added revenues, and allow the center in part, to offer lower membership rates to the local population.

The Center invested $100,000 in Nautilus Gym equipment. This was largely financed by the Barbados Development Bank.This loan is being paid off at $2,800 a month while rent comes to about $3,000 a month. Staff salaries are about $6,000.

The anticipated volume in gym equipment use is yet to be realized and consequently the additional monthly costs generated by financing the Nautilus Equipment is not being covered by the incremental revenues. Profits have dropped significantly as a consequence. In the long run, however, this investment should prove lucrative and essential to the center increasing its market share. For the most part,no health club can make do without

sophisticated Nautilus-type exercise equipment. If the center wishes to maintain its marketed image as a center that provides all services, then they will need the Nautilus machine. Besides, the cash flow from the center's contracts and other services still allow the center to maintain its profitability.

4. Labor Relations, Training and Technical Assistance Needs

Apart from the proprieter, Ms. Babb, the club employs four full time staff - one receptionist, two masseuses and a maid. The rest of the staff i.e. gym instructors, aerobic dance instructors- are paid on a piece rate basis. Most of the permanent staff have been with the club since inception and have generally caused no problems. A few of the other staff have been fired for stealing. To control such problems the proprieter and the receptionist stagger hours so that one of them is always present during the hours between 9 A.M. and 7 P.M. when cash reciepts are most likely to come in.

Regarding training,Ms. Babb laments the lack of training and certification programs in Barbados for Aerobic Instructors. She claims that she often gets instructors who do not know the first thing about dancersize and may even end up injuring the customers. She states her willingness to share training costs with other clubs or institutions. She is however unwilling to develop a program herself out of a fear that other clubs would take advantage of her program and use people trained at her expense.

In the past, the center required technical assistance from a local accounting firm to bring her books up to date. As far as the technical aspects of running a health club are concerned, Ms. Babb seems to be fairly knowledgable and competent and does not seem to require any assistance except as noted in the preceeding paragraph.

5. Relations with the Government

The only complaint that Ms. Babb makes-- and here she was like the majority of businesses surveyed in Barbados-- concerned the problem of severance pay liabilities. She claimed that this made it both necessary and at the same time impossible to restructure the labor contracting structure in the business. Out of a fear of having to pay out high levels of severance pay at the very time that a business may be in financial trouble there is a desire on the part of the proprieter to convert most of her employees into independent contractors possibly at a higher monthly pay.

Apart from the severance pay problem she had no outstanding difficulties with the government except of course the Commissioner of Inland Revenue. Even that has more or less been resolved following the complete overhaul of her accounts.

6. Diagnostics and Recommendations

The problems that the Carib Fitness Center faces seem to be endemic to that line of business in Barbados and not unique to the club. Our recommendations are that the club try to institute a supercircuit at an hour after office hours so that working people can take advantage of it. We expect the long run incremental revenues to justify the venture.

Regarding the Nautilus equipment,the Proprieter seems to be having second thoughts about owning the Nautilus equipment rather than leasing it. We expect,however, that in the long run the return accrued from owning the equipment will be positive. As stated earlier, the positioning strategy of the center requires that it provide a complete line of services.

The only real problem seems to be the availability of space. The Hotel has talked of doing some renovation and perhaps will be more likely to do so if it keeps maintaining high operating profits.

SOLAX

Date of Interview: May 19, 1987

Interviewers: Darcy Boyce & Qaiser Khan

Interviewee: Charles Paul

1. Introduction

Seven years two talented Bajans - Victor Morrow and Ben Layne decided to exploit the cheapest source of energy available to Barbados - solar power. They joined a growing group of dynamic entrepreneurs who have together transformed hot water systems on the island both in private residences and commercial buildings. Since then one of the founders left for personal reasons and today the firm is controlled by three owners one of whom, Mr. Paul, is the manager. Solax is surviving in what has become a highly competitive environment.

2. Market Structure

The market leader in the solar energy market is Solarmax. Unlike the other manufacturers, Solarmax has the best marketing and distribution network in the industry. The attractive packaging and advertising carried out by Solarmax has allowed the firm to increase its market share at the expense of Solax and other smaller manufacturers. This marketing campaign also has allowed the market leader to establish distributional links with retail stores like Courts. In a market dominated mostly by private home owners, this distributional network has provided Solarmax with a formidable comparative advantage.

Given the above, Solax is struggling to maintain its share of the market. Unlike the industry leader, Solax's only distributional channels consist of two salesmen selling "door-to-door." Ninety-five percent of the Solax's total sales comes from sales to private residences. As a result of the 8% commision given to the salesmen, the time and cost incurred by selling to residences has constrained profit margins and limited the product/customer scope of Solax.

In addition, Solax has to take on the risk of providing credit to their customers. As more and more competitors offer financing, the volume of credit sales has increased over time. While the credit price includes a mark up that pays for the cost of the money at overdraft rates, these purchasing schemes still restrict the company's cash flow. With no other businesses or services to divert cash from, the company has been unable to launch a marketing campaign. As such, Solar Dynamic's position in the

market goes unchallenged. Furthermore, the purchasing schemes offered by Solax still do not compete with the ones offered by retail stores. While a store like Courts requires approximately $300 in downpayment for a standard 55 gallon heater, Solax requires a $1,000 down payment. Thus even if Solarmax' products in the retail stores carries a higher base price, the credit scheme offered by the stores would still make their products more attractive to customers.

Perhaps the only way for Solax to expand its market share would be through effective product differentiation. To date, the company has designed a basic modification that they call the "bread box". It is uncertain what its distinctive advantage exactly is. Aside from size the "bread box" does not provide any significant savings or increases in heating capacity.

Still, the company plans to distribute flyers explaining the superiority of the new model. If the firm evers hopes to increase its market share, however, it will have to undertake a more effective "mass" advertising campaign. The most cost effective advertising would probably be through the newspapers.

3. Finance

The slow movement in sales - particularly cash sales creates a difficult financial position for the company. The total sales in 1986 amounted to about $240,000 to $255,000 which has been the company's best year so far. Raw materials comprise 40% of costs and labor 30%. Allowing for overhead costs at $2500 a month, the gross profits for 1986 were well under $30,000. The installed capacity is between $330,000 to $350,000. At that level of output profits could be well over $70,000 per year.

The total equity is $105,000 to $120,000 while the overdraft stands at $63,000. In addition the company owes national insurance about $3000. The debt equity position is not too bad. The firm is also making an operating profit and the return on equity is fairly reasonable though perhaps not commensurate with the risks.

4. Labor, Training and Technical Assistance

The firm employs four workers, one of whom has been there over four years. The workers are hired from a pool of people with plumbing experience and technical college training. The present level of staff can be doubled given the existing space and capital stock. The workers are paid on a weekly basis and apart from the above mentioned problem with arrears in National Insurance payments there seems to be no significant problems related to labor costs. The consultants suggest that the company keep current its national insurance payments and put aside a fund for meeting severance pay obligations. In view of the cyclical

nature of the business which is heavily tied to the home construction industry, the firm will have to embark on a well developed financial planning strategy.

The management sees no need for training given that the workers are recruited from a fairly skilled pool. The situation may change, if and when, the volume of orders reaches a much higher level of capacity utilization.

Technical Assistance per se is not perceived as a necessity. The management would, however, be receptive to any help in marketing. It not clear though that given overcapacity in the industry whether any marketing assistance would help stimulate growth.

5. Relations with Government

The management perceives no outstanding problems in its relations with the government. The tax advantages given by the government to those residences installing solar heaters helps increase sales. There is a peak in sales towards the end of the tax year as people take advantage of the tax benefit.

6. Diagnostics and General Strategy for the Future

The principal problem plaguing this company is the nature of the market. Residential solar water heaters are tied to the construction of new homes or major capital improvements in new homes. These kinds of activities are very cyclical in nature. The market will therefore fluctuate with economic cycles. Even without the cyclical fluctuations the market is very limited and the number of producers is higher than the market can bear. An industry wide rationalization is necessary. Over time this is likely to happen. The ones that will survive will be those that can achieve economies of scale through well developed distributional and marketing networks. Given the market leader's control in these areas, it looks like any attempts by Solax to increase market share will have to depend on trying to diffentiate its product line. Until the market becomes more mature, and product differentiation can include new packaging and remodeling, the most successful types of differentiation will focus on cost savings. While the "bread box" is a start in the right direction, it appears unlikely that Solax with that product will be able to make any inroads into Solarmax market share. Leader, Solarmax, already has the above economies in place and will be very tough to act against.

The consultants see very little that can be done to help this particular firm. It may survive and grow without help if management is careful. There is very little in the domain of public policy or outside assistance programs that can be done to help the firm specifically.

MARBO PRODUCTS LTD.

Date of Interview: May 20, 1987

Interviewers: Darcy Boyce & Qaiser Khan

Interviewee: Wayne Marshall

1. Introduction

MARBO Products Ltd. as it exists today, developed out of a set of unfortunate circumstances. The current owner, Mr. Walter Marshall, had twice tried unsuccessfully, in 1971 and 1975, to stimulate local interest by the IDC in a cultured marble operation. Eventually, in 1975, he started a factory producing a brand name autobody filler but got no market protection for the product in Barbados. Additionally, poor business contacts in Trinidad led to a substantial loss on a shipment, and the factory closed soon afterwards. Mr. Marshall then ventured into mixed farming and autobody repair in order to build some capital.

In 1983, MARBO Products Ltd., then owned by one Peter White, went into very deep financial trouble largely because quality control on the product was very poor and a very major order was almost all rejected and not paid for. Mr. Marshall paid $16,500 for the business, with the price to include stock, moulds and equipment. After the price was paid, Mr. Marshall found that there was no stock, the moulds were all damaged and the equipment needed repair. A court action was filed but has not yet been heard.

2. Finance

After purchasing the company, Mr. Marshall asked Barclays Bank for a line of credit in the amount of Bds$20,000 but got only $10,000.

Subsequently MARBO approached BDB for a loan of $250,000 to buy equipment, moulds and material. After one and a half years and three changes of project analysts/supervisors, the project was eventually approved one year ago for $131,250.

To date however, the loan has not been disbursed. Mr. Marshall reports that he was not given full instructions for the legal formalities to be performed and so more time was taken on these matters than was necessary. Additionally, MARBO's attorneys were reportedly not well versed in preparing some of the legal documents required and so took longer than normal on this work. In the meantime, MARBO utilized a bridging loan facility from Canadian Imperial Bank of Commerce until this facility was exhausted and stopped.

At the time of the interview Mr. Marshall indicated that he had still not had any communication from the BDB on the timing for release of the funds. When those funds are finally released, they will be used to buy equipment as stated in the project document. However, this equipment will not equip the factory as extensively as Mr. Marshall had originally wished.

Mr. Marshall also reported that he had no raw materials in the factory and so would not be able to prepare articles for showing at BMEX, or to complete some orders which are still outstanding.

3. Marketing

MARBO Ltd. sells directly to individuals or contractors for specific jobs. One firm contract the company has is with the Nehaul Construction for Bds$94,000. In addition, MARBO reports that it has been selected to supply the sanitary ware for the Speightstown bus terminal. A final future prospect, is to quote a price for both contractors bidding on the new King's Beach Hotel in St. Peter.

Recently, the company has employed a young sales representative on a commission basis plus travelling. This representative has managed to get two small orders worth $5,000 from Manning Wilkinson & Challenor Ltd., retailers of building supplies. These orders are for display at Manning. Other retailers of building supplies are reportedly now also requesting to view the products in order to make a decision on whether or not to purchase the products for display.

4. Labour and Training

MARBO now employs 10 people (including 1 office worker). Mr. Marshall reports that productivity has increased by 300% since last year because of improved training of workers and greater working experience. Mr. Marshall trains the workers himself, as he is a college graduate in polymer chemistry.

5. Capital Investment Plans

A prospective joint venture partner has approached MARBO about a merger to provide marble and marble and wood products for export to Suriname, the USA, and to the rest of the Caribbean. The new venture will require 6500 sq.ft. of space, as compared with the company's existing 5000 sq.ft. Most of the space now available is, however, not being utilized.

Mr. Marshall would also like to produce autobody filler again since almost all of the Eastern Caribbean countries have to import the filler. This product expansion strategy seems to make

good sense. In pursuing this strategy. the company could more fully utilize existing plant capacity without having to make any major investments. The existing equipment is suitable for both the production of autobody filler and marble products.

5. General Diagnostics

MARBO Products Ltd. seems to produce a good quality product. However the company's financial state is shaky and the manager, at times, lacks a proper forward-looking and objective business orientation. These attitudes and traits of the manager have hindered the company's marketing in the past as well as its dealings with banks.

Entering a joint venture agreement with a partner who is strong on finance and marketing would be good for MARBO. The division of responsibilities may, however, not please Mr. Marshall who sees the factory as part of himself. In the final analysis, however, such a division of responsibilities with a joint venture partnership arrangement may be the only thing to save MARBO Products Ltd. from liquidation.

BAJAN TOURS

Date of Interview: May 28, 1987

Interviewers: Darcy Boyce and Qaiser Khan

Interviewee: Mr. R.A. Jones

1. Introduction

In 1971 Mr. Jones found himself without a job, near bankruptcy with a family to support. From the security of a job with the Coca Cola Bottling company in St. Kitts, Mr.Jones jumped into the Bajan tourist industry. Seeing an opportunity in the growing tourist industry in Barbados, Jones decided to respond to a growing demand for organized tours. Despite a myriad of difficulties, the tour operations started in 1971.

Since then the business has prospered and a rental car operation has been added. Despite competition from Charlene Tours, Sunflower Tours, Johnson Stables and Dears Garage, Bajan Tours remains the premier tour operator in the island - in fact the only one that offers a scheduled all island tour on a year round basis.

2. Market Structure

Bajan Tour orincipal comparative advantage in the crowded tour market is its contacts with hotels around the island. Through these contacts, the company is able to market to a relatively uninformed and semi-captive market group. Most tourists have little knowledge of the island are willing to follow any suggestions put forth by hotel clerks and managers. As long as Bajan Tours is at the front of these hotels' lists, the tourists will be at the front of the line waiting to get on one of Jones' buses.

While the tour operations relies on its hotel contacts for most of its contacts, the auto rental business attracts customers by offering the best rates on the island. The two businesses complement one another (travel vehicles) and help to diversify Jones' business portfolio. Whether a tourist wants to be led around or take himself around the island, Bajan Tours is there to provide either a bus or an auto.

For the future, Mr. Jones plans to expand his rental services to include long term leasing. New cars would be leased long term for two yeears then put on the short term lease and rental market for a further two. Again, this strategy would work off of Jones' existing contacts and market image.

3. Finance

The company's gross sales are about $800,000 a year of which about 10% comes from auto rentals. Outstanding debt should be in the range of $160,000 or so. The total assets are estimated by the consultants to be worth about $280,000 giving a healthy debt to equity ratio.

The principal problem in financing came a few years ago when Mr. Jones tried to acquire a couple of buses. Bankers insisted that he put up his family's personal assets as collateral. They were unable or unwilling to accept the buses themselves as collateral. Having suffered from putting up such collateral in the aftermath of the St. Kitts affair, Mr. Jones was unwilling to take such a risk. Instead he preferred to pay the higher rates prevailing at finance companies. Consequently, the buses were financed by a finance company which took only the buses themselves as collateral. The interest rate was 13.5% on the whole amount (not on reducing balances) and effectively worked out to be over 22% annually.

The firm pays $56,000 per year in insurance premiums. This represents a sharp increase from a few years ago, and is largely attributable to an increase in the percentage of Americans riding the buses. Mr. Jones feared that Americans wouldl sue at the proverbial drop of a hat. Other overhead fees include $19,200 in licence fees.

The new Bank manager at CIBC is very cooperative according to Mr. Jones. They currently have a $20,000 overdraft arrangement and if the overdraft is temporarily exceeded, the Bank is willing to accommodate the temporary discrepancy.

As a consequence of depreciating the newly purchased equipment, the firm had no pre tax profits. However, operating income exceeded operating costs.

4. Labor, Training and Technical Assistance

The firm has seven employees including members of the family who are also Directors. The drivers have been with the firm over eight years or so and they have an impeccable safety record. In 17 years there were only 3 accidents of which two were due to the company's vehicles being hit while stopped. The firm does its own mechanical repairs but has body work done elsewhere.

There seems to be no serious need for training and technical assistance.

5. Relations with the Government and Public Sector Organizations

Mr. Jones complained about the indirect taxes which he claims were unfair. Barbados Transport microbuses paid lower duties than those paid by Tour Operators. Mr. Jones also pointed out that rental cars paid higher excise taxes even though there were many privately registered vehicles being used as rental cars. Jones complained that he supplied the police with a list of violatores, but that nothing was dones about it.

Mr. Jones also added that for the most part the government ministers were sympathetic when approached about business problems. In the near future, he expected to approach the government.

6. Diagnostics and Conclusions

Bajan Tours is doing as well as can be expected in a lucrative tourism market. Despite the high level of competitiveness in this subsector the firm seems to be holding up as an industry leader. The reasons for this is explained by Jones relationships with the hotels, the good value provided by the tour, and the competitive pricing policy in the rental car market. Judging from Jones' use of depreciation rates to pay less taxes and his decisions to only go into businesses that complement one another, it appears that the company is reaping sufficient cash flows today while also positioning itself in the market for tomorrow. This strategy has and should continue to benefit Mr. Jones.

W.C.PENNEY & CO.

Date of Interview: May 14, 1987

Interviewers: Qaiser Khan & Darcy Boyce

Interviewees: Mr. W.C. Penney and
Mr. John Penney

1. Introduction

The big 747 comes into to land at Singapore's gleaming new airport and Walter Penney steps off the aeroplane marvelling at the continuous changes in the city state in the last two decades. Every year for over twenty years his annual buying trip has brought him here and every year the changes are more and more striking. As he travels onto Hong Kong and Japan these changes in the Pacific Basin continue to amaze him. And yet none of these changes could compare with his own amazing story from the time he came to Barbados from Grenada as a 19 year old boy with a hundred dollars or so in his pocket to see what the world had to offer.

That was fifty four years ago. Today W.C. Penney and Company is a success story of a black businessman that all of Barbados likes to talk about. When he first came to the island the business community was dominated by traditional trading houses and new comers did not fare very well. Particularly those new comers that set up in direct competition with the stores owned by the powerful trading houses. W.C. Penney had to start in Swan Street where all the black businesses were - he could not afford to penetrate the domain of the traditional power brokers in business. Yet the values that he offered attracted customers from the traditional stores and that started him on his path to becoming a legend in the history of Eastern Caribbean businesses.

2. Market Structure

W.C. Penney is one of the industry leaders in supplying fabrics. By implementing a strategy that focuses more on low sales prices and high sales volume rather than high profit margins, the company has successfully marketed to the lower and middle-income consumer groups on the island. Today, the store has one of the largest selection of fabrics on the island. Shrewd purchasing policies handled directly by the founder and the company's mass appeal have enabled the store to maintain its market share and offer a range of values. On average sales have grown at about 5% a year in cash value, in effect keeping up with inflation.

From its main line of business of providing fabrics, the company has expanded its product scope to include hats, shoes,

of course be fairly easy to get.

5. Labor, Training and Technical Assistance

The company employs forty people of whom about 25 to 30 are more or less long term while the rest of the positions rotate fairly frequently. The workers are non-unionized and get about $136 per week. The annual labor costs should be in the range of $400,000 to $480,000 per year. Staff customer relations seem to be good and floor supervisors are very strict in enforcing good customer relations habits. The store is reputed to have one of the best customer relations reputations in the country.

There is little apparent need for staff training assistance. But there would seem to be considerable assistance for management technical assistance especially in accounting. However, the owner's son is a qualified business graduate with a fairly good idea of what needs to be done though he lacks experience. Mr. Penney however is unwilling to listen to advice on how to run his business from his son and it is unlikely that he would take advice from outsiders.

6. Relations with the Government

The principal complaint the Penneys have about the regulatory and tax environment concern the levels of import duty to be paid. They argue for example that while garment manufacturers can import fabrics for their factories without paying any significant duty, their fabrics which are used by local homemakers is taxed. In their minds the two "producers" of garments should be treated equally.

The fact that many of their employees have been working for long periods of time means that their obligations for severance payments is fairly high. The company would, however, be unlikely to be affected by any cash flow problems in meeting their severance pay liabilities.

7. Diagnostics and Recommendations

It is hard to criticize a company that has been an outstanding success for so long. Yet some problems are apparent, many of them already identified by the younger Mr.Penney. Some other problems were noted by the consultants during their visit.

A business in such a prime location and with a such a well known reputation for delivering value for money should not be going through a stagnant stage in the real volume of sales as has been the case in recent years (though cash value of sales has been growing at 5% a year). While economic conditions may have contributed to this levelling off, it is not the sole

contributor.

With the company's shift toward a high volume, mass market marketing strategy, there has been a flight of middle and upper middle class blacks from the store. The downward market trend in the line of fabrics and a slight deterioration in the interior of the store have alienated some of the higher income groups. This last factor is extremely important to the upwardly mobile middle class market whose self-perception is an important factor in determining the kind of places that they shop. However, the elder Mr. Penney may be quite right in assuming that attempting to attract these people back to the store would cost more than the potential increase in revenues.

Yet some layout changes would still help significantly in increasing sales. A key area of change would be a floor reorganization. The ground floor is primarily given over to fabrics for which the store is historically well known. Customers looking for fabrics would naturally put W.C. Penney & Co. on their list of places to go to. Consequently,it would be a better idea to put the fabric department on the upper floor and move the lesser known items to the ground floor. Thus customers coming off the streets would see immediately the range of other products offered. Those coming in specifically for fabrics would go through the range of other products and may be tempted to buy something else as well. As it is right now, many people who come in to shop for fabrics do not get a chance to see other items. To help the older customers who come looking for fabrics and may have difficulty taking stairs, the installation of an escalator or an elevator would be necessary. This cost is likely to be more than made up in increased sales in non-fabric items.

The area of purchasing and inventory control needs a great deal of attention as well. Installation of a computerized stock control system would help but would probably be rejected by Mr. Penney who views use of computers akin to playing with a toy. A good range of items seem to stay on the shelf a long time while others move faster. Yet the store purchases most its stock during the three month (June to September) purchasing trip that the elder Mr. Penney takes once a year. Shorter and more frequent purchasing trips would keep inventory holding costs down. It is probably not necessary for Mr. Penney to visit all his suppliers every year since in thirty eight years of round the world buying trips, a shrewd individual such as him would have a pretty good idea of how most of his suppliers would respond to telexed orders.

The consultants make all of the above suggestions with the certain knowledge that the elder Mr. Penney is unlikely to consider any. That kind of attitude is not surprising in a man who started a business in the middle of the depression in a hostile environment and against all odds prospered over fifty years. Mr. Penney is rather pessimistic on the prospects of the local economy. It is possible that in his fifty four years of

business he has picked up insights into business cycles that is difficult for the less experienced to perceive.

NOVELTY FURNITURE

Date of Interview: May 15, 1987

Interviewers: Qaiser Khan & Darcy Boyce

Inverviewee: Valan Long

1. Introduction

Some day Valan Long hopes to make it to the top of the popular music charts both in the U.S. and the U.K. with a Billy Joel style ballad. Until then he keeps trying to get recording sessions in local studios so that he can circulate his music to the better known producers. Similar to other struggling musicians, Valan Long is looking for his first break. Unlike his peers, however, Valan Long is not dependent on cutting his first record or setting up his next nightclub gig.

Besides being a musician,Valan Long is an entrepreneur who works hard at trying to make an iron furniture business profitable and a livestock farm a reality. While dreaming of performing before adulating crowds in the Hollywood Bowl, Mr. Long also dreams of a refrigerated mobile butcher van that would take neatly packaged fresh meats from his farm to various neighborhoods of Barbados. Aside from these dreams, however, Mr. Long is actually producing furniture for Barbados schools in his workshop. He is the only metal furniture maker in the country offering a one year guarantee on his product. What is even more amazing about Mr. Long is that he has designed and built most of the tools in his workshop. Mr. Long is the classic example of a dreamer who is also a doer. His shrewdness and intelligence combined with an extraordinary capacity for hard work makes him the kind of person folktales are built up on. One wonders what heights someone like that would have reached were he not born into a poor Bajan family.

This case will focus on the Novelty Furniture part of Mr. Long multifaceted and diverse career. The rest of his entrepreneurial activities would need to be remembered as we focus on that background.

2. Market Structure

In view of the competitiveness of the Barbados furniture making industry most factories are price takers. Mr. Long has tried to establish a reputation for quality which enables him to sell his metal furniture at a higher price than that received by other furniture makers.

But as a consequence his market seems to be limited to institutions where there is a great need for very sturdy metal furniture for example schools. In fact at the present moment his entire market seems to be in selling school furniture. That type of dependence on one specialized segment of the market would seem to be a major destabilizing factor in any production plans. Mr. Long's success in selling to the school market comes from the sturdiness of his products and the fact that he is the few metal furniture makers offering a one year guarantee on his products. But few other users need would need furniture of the level of sturdiness that schools do. Mr. Long is a craftsman and he would be unwilling to lower his standards to expand his market. Yet matching the product to what the market needs would seem to be the best way to proceed - there is no reason to sell a Rolls Royce to some one who only wants a Toyota.

Novely Furniture entered the Trinidad market just before the clamp down on imports in that twin island state. At that point sales reached $55,000 per month. Currently, the level of sales should be about $5000 or less though Mr. Long claims that sales have been about $2000 a month in the immediate past. This low level of sales could also be due to the time Mr. Long is putting into his livestock farming enterprise which takes away time from his furniture business. The school furniture business developed over the last two or three years and brings in enough of a steady business to keep the factory afloat.

3. Finance

The factory has been located on the same site for the last seven years on land owned by National Housing. Seven years ago Layn filed an application to purchase the land outright but as yet no response has been received from the government.

CIBC has been accommodating on overdraft arrangements but the proprietor is careful in using it. At one time it stood at $17,000 but has been whittled down to $302. Mr. Long has in some senses been luckier than most entrepreneurs. At the time of the collapse of the Trinidad market he had been proposing an expansion of facilities and had even secured a BDB loan for $125,000 to effect the expansion. He had however not proceeded far enough so that when the market collapsed all he had to do was request a cancellation of the BDB loan.

4. Government Relations

Mr. Long is critical about what he regards the government's non-supportive attitude towards small businesses. He cites various examples which confirm his position. First, he notes that if you are a small business employing less than six people you do not automatically get duty-free inputs. To get them duty-free a great deal of paper work has to be done through the IDC which is very

slow. The slow and time consuming process of working through the IDC costs so much in additional port charges that in view of the small volumes of most of his input purchases it is not even worthwhile to pursue this option. It is therefore cheaper to pay the duty rather than incur the additional port charges. The other aspects of his relations with the government focus on the lack of government purchasing preference for small and microbusinesses. As a consequence he argues that the bigger businesses get preference in public sector purchasing.

One area of government relations which despite the demonstrated inefficiency of the government Mr. Long is not particularly concerned about is the slowness of National Housing to respond to his request to purchase the factory site. Given his current cash strapped situation and additional capital requirements for the livestock farming venture, the delay is quite welcome. In fact the inefficiency of the NHC extends to the point where it forgets to demand and collect rent.

5. Relations with Private Sector Organizations

Mr. Long is not particularly complimentary of the role of the various private sector associations. He claims to be the only member of the Small Business Association who pays his membership dues. While this may be an exageration in itself it is still provides general impression about the SBA. Mr. Long suggests that the triumvirate of businessmen running the SBA are only interested when there are donor funds around which can be used for the benefit of themselves and their friends. While this is only an opinion of an individual member - perceptions like this cannot help but damage the reputation and effectiveness of the SBA. A more responsive attitude towards the needs of the broad spectrum of members would help reduce and eliminate such perceptions.

Mr. Long has also approached CAIC/SEA for assistance with training. He claimed that it was an exercise in futility. It is possible that he may have quickly jumped to that conclusion in view of his past experiences with the small business association. Also, the type of training that he was requesting (see the following section) is not currently within the scope of the SEA mandate though it may soon be.

7. Labor, Training and Technical Assistance

On average about three workers are employed in Valan Long's factory. He has little trouble with his workers because he is an expert furniture maker himself and can do the whole job on his own. To meet rush orders Mr. Long will work late into the night. As a skilled technician Mr. Long is doubly gifted in that he is able to build his own equipment. But gifted as he is technically, he is also realistic enough to know his own limitations. He feels that he could use some on-the-job training in posturpedic

furniture making. He has approached SEA in hopes of getting a three month on-the-job training assignment in the U.S. Due to existing limitations in the scope of the SEA project, he was unable to get any help. But that should change with the proposed amendment to allow such training.

8. Recommendations and a Strategy for Development

The general market for metal furniture will remain limited. However, Mr. Long does have the right idea in branching into the posturpedic line. If he receives training and starts making that type of furniture, he will be able to fill the demand in a section of the furniture market where metal furniture is the norm rather than the exception.

He should be more flexible in targeting products to the market needs, though the scope for expansion as a consequence of this is limited in view of the limited nature of the metal furniture market. The real area for expansion lies in specialized furniture.

Mr. Long is a realist. He is already cogniscent of the limitations of the metal furniture market and is developing a significant part of his time and effort to the development of the livestock farm. His metal working skills are coming in use as he develops and builds various required equipment for the farm. In view of the proposed expansion of the Hojeg Meat Processing Plant the livestock enterprises shows a significant promise of success.

S T . K I T T S - N E V I S

KELCO CO. LTD.

INTERVIEWERS: Darcy Boyce & Qaiser Khan

INTERVIEWEE: Oscar Samson

DATE OF INTERVIEW: June 16, 1987

1. Introduction

KELCO Co. Ltd. was established 2-1/2 years ago as National Industries which was owned by an American company and which produced garments under the 807 regulations. When National Industries went bankrupt, the equipment was bought by Cappel from Idaho, U.S.A., and a new company, KELCO Co. Ltd. was formed. KELCO makes high quality caps for export to Cappel.

2. Market Structure

When KELCO started in late 1986, the company was producing 2300 dozen caps per week. Now, the company is producing 2700 - 2900 dozens and the target production is 4000 dozens per week, using 104 workers of whom 90 would be operators.

The caps made by KELCO are sold wholesale by the USA parent at US$18 per dozen.

3. Finance

Local costs of producing the caps are now US$1.44 per dozen as a result of a change in the type of cap being produced. Nonetheless, the manager of KELCO feels that the productivity of the company is improving.

KELCO now leases 9500 sq.ft. of space in a building owned by ADEL Ltd., with an option to purchase the building. The lease is a 5-year lease and costs US$1400 (EC$4050) per month. The lease has however not yet been signed because of KELCO's uncertainty of getting sufficient labour to permit expansion to utilize the factory fully. KELCO also pays the insurance of US$1300 (EC$3500) per year on the building.

Overheads are reported at approximately EC$60,000 per month.

Funds for supporting the KELCO operations are sent to St. Kitts each month by the parent company. KELCO enjoys fiscal incentives.

4. Labour and Training

The company's total work force is 100, of which 74 are machine operators working on a single shift though the company has 90 machines. However, KELCO's manager reports that it is difficult to find labour for the garment industry because of the low wages and the poor reputation for job security and pleasant working conditions in the industry. KELCO pays its operators a basic wage of EC$1.80 per hour and a piece rate as a productivity incentive so that the range of wages is EC$73 to EC$130 per week.

It is apparently also very difficult to find good local supervisory and management staff for manufacturing industry. Yet the company anticipates great reluctance on the part of government to grant work permits for other OECS nationals to come and work in St. Kitts. Mr. Samson does not however think that there is any scope for much professional/technical progress in the garment industry in St. Kitts.

KELCO reports high absenteeism (5 weeks per month in a work force of 100), and the company has introduced a scheme of granting an extra day's pay or holiday for any employee who is absent for fewer than 28 hours in a 6-month period.

To improve productivity, KELCO has permitted the workers to wear Walkman sets on the job and reports that productivity has increased as a result. The company has even introduced a quarterly drawing for a Walkman prize by all workers whose productivity has increased by agreed amounts in the respective workers' weak production areas, and who have thereby won monthly prizes of EC$25.

The manager was full of praise for a USAID sponsored training programme in which he participated. The programme involved some formal training at technical institutes in the USA, as well as attachments to factories in the USA. Mr. Samson had received previous practical training in management when he worked for ADEL Ltd. under Mr. Mel McQueen whom Mr. Samson praises highly. KELCO is also now sending some of its supervisors on accounting courses.

KELCO considers that more training is necessary for it to build up a local in-plant management team and would like assistance in this area. Additionally, KELCO would like a training course in practical industrial sewing conducted for school leavers.

Mr. Samson is not pleased with the Employee Protection Act which he believes lays the onus on an employer to prove his innocence of any charges brought against him/her rather than have the employee prove the guilt of the employer.

5. General Diagnostics

KELCO is a low basic wage employer whose greatest problem will continue to be its inability to attract and maintain highly productive operators and local management. Sooner rather than later, the company's inability to find enough workers and to raise productivity to the required levels will lead to a closure of the plant. Even the manager's willingness to remain in the plant may be in doubt.

DATA CO. LTD.

INTERVIEWERS: Darcy Boyce & Qaiser Khan

INTERVIEWEES: Ray Smith & Di Waithe

DATE OF INTERVIEW: June 15, 1987

1. Introduction

DATA Co. Ltd. was established in St. Kitts-Nevis in 1981 by Computer & Data Corporation (CDC), performing work for BTC. When BTC was divided up, CDC ran into problems and sold DATA Co. Ltd. to Progam Micro Services (PMS) in February 1987. This sale was reportedly assisted by the Project Development Assistance Project (PDAP) and represents PMS's first offshore facility.

2. Market Structure

DATA Co. Ltd. will perform work for PMS only. This is a continuation of its previous mode of operation when it worked for its owners CDC only. At the moment, DATA Co. Ltd. is not doing any production work. So far, PMS has not been able to finalize the necessary contracts for bringing production jobs to DATA Co. Ltd. but PMS expects to do so in 3 - 4 weeks time.

Meanwhile, PMS continues to hire staff and train them to become very productive and reach 16,000 keystrokes per hour. Some idea of the promise which DATA Co. Ltd. holds out is the fact that in its previous best year 1983, the company had employed a maximum of 284 persons.

3. Finance

When PMS bought DATA Co. Ltd. from CDC, PMS assumed the liability for severance pay in respect of those employees who remained with DATA Co. Ltd.. Half of the present PMS staff came over from PMS. DATA Co. Ltd. also retained the fiscal incentives which had been originally granted under CDC's ownership.

Workers are paid between EC$2 and EC$4.17 per hour depending on their productivity as measured by correct keystrokes per hour. Rent is paid at the rate of EC$1,660 per month for 5,000 sq.ft. of space which is owned by the Government.

Working capital for wages and rents and other overheads is supplied weekly from the PMS office to DATA Co. Ltd.. There is therefore no need for a local overdraft facility.

4. Staffing and Training

DATA Co. Ltd. faces a few problems with staff. Firstly, there is a problem of late arrival at work, largely because of inadequate public transportation. Secondly, absenteeism appears to be a problem even though workers do not get paid for the hours when they are absent. While such lateness and absenteeism do not affect the company much at the moment, since it is not in production mode, they would cause significant declines in productivity in the future.

Thirdly, the company has not been able to recruit workers as easily as it had expected. An advertisement for staff ran for 4 months in the local papers, and the company reportedly got only twety-four (24) responses. The company hopes to build its work force up to 300 persons but now has serious doubts about its ability to do so because of the apparent shortage of labour.

All training is done on computer using training modules from PMS.

5. Operations

At present the company has 60 machines in operation. It hopes to use 56 production operators on a first shift and 20 on a second shift with its current complement of operators. Eventually the company hopes to use 80% of capacity (on a 2-shift basis).

The data will be keyed onto magnetic tapes and flown to the USA. The work which would be done in St. Kitts would not need to be transmitted immediately or on telephone lines, especially in light of the cost of telephone services.

Maintenance of the equipment is done by International Computer Maintenance (ICM) from Barbados.

Power outages will cause some losses to the company, which is therefore planning to buy a stand by generator very shortly.

6. Expansion Plans

DATA Co. Ltd. hopes to expand to 300 workers using 140 machines on a 2-shift basis. The current space is apparently adequate for this expansion.

7. General Diagnostics

DATA Co. Ltd. faces three major problems. Firstly, PMS must find jobs for the DATA Co. Ltd. so that DATA Co. Ltd. can provide meaningful work for its employees and thereby not waste them, and also pay its own way.

Secondly, the company appears very likely to face problems in recruiting a full second shift of staff. This must be the case particularly in the light of previous retrenchments by other data entry companies and the resulting negative publicity given to these retrenchments by the media.

A third problem is that of getting productivity up to the standard required for St. Kitts-Nevis to compete with other countries in this area.

CLOTHES MANUFACTURERS LTD.

INTERVIEWERS: Darcy Boyce and Qaiser Khan

INTERVIEWEE: Ned Seale

DATE OF INTERVIEW: June 15, 1987

1. Introduction

Clothes Manufacturers Limited was founded in 1974 but bought by the Ram group of companies in Trinidad in 1975, and given a twelve (12) years tax holiday by the Government of St. Kitts-Nevis. Since the Ram group went into liquidation in Trinidad, this company is owned by a principal in Sacks Ltd. and by Mr. Seale, who are both directors of Clothes Manufacturers Ltd.

The company started by making uniforms for the whole Caribbean. It then introduced manufacture of bridal gowns for a US firm and later moved on to sewing swim-wear for another US firm when the bridal gown contract began to be reduced.

About 1-1/2 years ago, the US company for whom Colthes Manufacturers Ltd. was producing the swim-wear tried to buy Clothes Manufacturers Ltd. for a very low price. It did not succeed with the purchase and so built its own factory and started producing the swim-wear itself. In the process, the American firm also hired away the supervisors and trained staff in the swim-wear line from Clothes Manufacturers Ltd.

2. Market Structure

The Clothes Manufacturers Ltd. is now producing uniforms and ladies underwear, mainly for the local and Organization of East Caribbean States (OECS) markets though it also sells some uniforms in Barbados. Mr. Seale indicated that there is only one other garment factory in the OECS which manufactures uniforms.

The company is forced to compete in OECS markets with manufacturers of uniforms from other Caricom countries and from extra regional countries since there is apparently no licencing or quota system in the OECS for uniforms. For Clothes Manufacturers, the competitive advantage is being able to supply local retailers with small amounts of garments at short order.

Revenue in 1986 was EC$4.0 million of which EC$2.4 million was earned in the Caricom market (with approximately 30% of the Caricom sales being made in St. Kitts) and EC$1.6 million was earned under the 807 arrangement with USA companies. So far for

the first five months in 1987, the company has earned between EC$600,000 and EC$800,00 under 807 arrangements and between EC$200,000 to EC$600,000 in Caricom sales. Yet Mr. Seale expects 1987 to show a better outturn than 1986, largely because he believes that orders in the latter half of the year will be much higher than the first half of last year. His optimism is based on the closure in St. Maarten of a major importer of 'T' shirts and uniforms from the Far East and the expected resulting shift of retailers to regional OECS suppliers.

Optimism is also based on some as yet undefined expectation that Clothes Manufacturers Ltd. will be able to find an Asian partner for which it produces for the US market in areas where US quotas exist for some garments from Asian countries.

Much of Mr. Seale's optimism is based on the fact that his company and La Collage (a designer type boutique manufacturer) are the only local garment factories producing for the local OECS or regional Caricom markets or even for non-Caricom markets close to OECS markets. The other garment manufacturing factories are all owned by US companies and produce entirely under contract to those companies for sale in the US market.

3. Finance

The company was granted a 12-year corporation tax holiday in 1975. This holiday expires in September 1987. The company does not appear to be making a profit at the moment and so may not have to worry unduly about the end of the tax holiday. Nonetheless, the company should soon apply for an extension of the tax holiday since there is other Caribbean precedent which would enable the restructured organization to get fiscal incentives.

For goods not sold under 807 Contrasts, the company marks up the direct cost of its finished product by 30 - 35% for sale to wholesalers. Material costs represent 40% of the sales revenue or 55% approximately of direct production costs.

Revenue is carried under 807 Contract work at the rate of US$0.12 per minute of machine time. The company collects these revenues about 2 weeks after shipment.

Despite the good collection system for 807 revenue, the company is still not able to generate sufficient working capital to give credit to customers, most of whom wish to get 1 - 2 months credit. At the same time, the company has to pay cash for its purchases of materials or use expensive confirming houses since its local bank, Barclays Bank PLC, will only allow an overdraft of EC$100,000.

Barclays Bank PLC will not discount invoices to customers unless the goods are to be paid for under Sight Draft. Barclays Bank

PLC reportedly will not even consider sharing the risk with ECCB of marking export credit or preshipment finance available for the company under the ECCB Export Credit and Guarantees Programme. Meanwhile Clothes Manufacturers Ltd. claims to need about EC$200,000 to stock materials adequately for meeting projected demand in OECS markets.

At present, the company's monthly overhead cost is approximately EC$18,000 of which only EC$1,400 is rent for a 10,000 sq.ft. of factory space rented from the Government. Government is however pressing for an increase in the rent.

Accounts payable outstanding were judged by Mr. Seale to be approximately EC$60,000 and "live" accounts receivable to be EC$60,000. A large receivable of EC$1.2 million which had been owed by Ram in Trinidad has in effect been written off since Ram went into liquidation.

Medium to long term financing consists of a loan of EC$200,000 from Barclays Bank PLC. This loan was converted from the overdraft facility. The company is reported to be paying EC$10,000 per month over 2 years on this loan. Both the term loan and the overdraft are secured by a debenture on the assets of the company, assignment to the bank of insurance policies on equipment and the term loan is further secured by a bill of sale on the equipment.

4. Labour and Training

At present, Clothes Manufacturers Ltd. employs ninety (90) workers but the capacity is 320 workers. The decline was brought on by the loss of the Trinidad market. Wages paid are a basic EC$83 per 40 hours week for machine operators, EC$160,000 per week to a cutter, EC$160 per week to an assistant supervisor and EC$200 per week for a supervisor.

The weekly wage bill may therefore be approximately EC$9,000 to EC$10,000. Like all employers in St. Kitts-Nevis, the company pays a payroll levy of 9% which goes to provide severance pay, workmen's compensation, sickness and pension benefits for workers. The firm does not therefore have to meet workmen's compensation or severance payments directly. Apparently however, the severance and workmen's compensation scheme may not pay benefits before five years of the scheme has elapsed.

Workers in this factory are unionized with the St. Kitts-Nevis Trade Union but there appears not to be any unpleasantness between the factory and the Union. Indeed, workers in this factory labour for 40 hours per week as compared to 44 hours per week in the other garment factories.

The company has lost some of its supervisors and trained machinists to the swim-wear company for which it previously did

contract manufacturing when that company started up its own local manufacturing. Clothes Manufacturers Ltd. therefore wishes to train more workers, particularly in view of its intentions to produce 'T' shirts for the Caribbean market. However, even such training may be difficult since factory workers are reportedly becoming scarce in St. Kitts-Nevis.

5. Operations

Material for production sold in Caricom is procured mainly in Asia but also in fair quantities from the USA. Power outages over the past several months are expected to continue for another 3 - 4 months, and are causing production stoppages. The company therefore intends to buy a small generator for approximately US$2,000, so that it may continue production during the power outages.

Freight of product to the other Caribbean islands is done on LIAT and the product is packed in cartoons. The company does not appear to get any concessional freight rate from LIAT.

6. Expansion Plans

Clothes Manufacturers Ltd. would like to expand through joint venturing with an East Asian firm which faces a quota in the USA market and wishes to avoid that quota through using a Caribbean producer.

The company also plans to produce 'T' shirts for the whole Caricom market. Clothes Manufacturers Ltd. also wished to cut, print and seal plastic bags made from sheeting bought from Barbados.

7. Relations with Government and Agencies

Mr. Seale was full of praise for CAIC for the assistance which he got in training his staff using non-regional trainers. He was particularly pleased with CAIC since the CDB had reportedly rejected his request since he did not wish to use regional trainers.

CFSC was criticized for the failure of its Managing Director to respond to a proposal in January by the company to make plastic bags for the local market. Relations with the Government of St. Kitts seem somewhat tense as Government is reportedly pressing for an increase in the rent while continuing to increase the available factory space. The Chamber of Industry and Commerce was also praised for its training efforts and lobbying.

8. General Diagnostics

Clothes Manufacturers Ltd. faces a great number of problems. Yet through all of these, the manager seems to have a very deep determination to overcome. His strategy of using 807 Contracts and joint venturing with East Asian firms on quota articles into the USA, if carefully negotiated and executed, should enable the company to use its capacity and to generate better cash flow and profit.

Improved cash flow would enable the company to get more bank credit and to fund by itself some more of the material and credit needed to expand regional sales. The company should however be very careful with granting credit and should ask its local bank to use its connections elsewhere in the region to advise on the credit worthiness of customers who ask for credit or will buy only on credit.

Because it is the only uniform manufacturer in the OECS and one of the few remaining garment factories in OECS producing for OECS markets, the company must not relax its control over quality productivity and costs; otherwise, extra regional suppliers or Caricom MDC suppliers may oust the company's products from the market.

HAMLIN VARIETY STORE

INTERVIEWERS: Darcy Boyce and Qaiser Khan

INTERVIEWEE: Selwyn Hamlin

DATE OF INTERVIEW: June 16, 1987

1. Introduction

Hamlin Variety Store was selected as a formal sector business largely because it was listed in the business section of the telephone directory. This store is however operated as a "hobby" to provide employment for the owner's daughter, though it has been operating for ten years. Because the variety store is part of a much larger group of business, and because it is almost in the area of the informal or microbusiness sector, the interview covered the entire Hamlin's business.

The Hamlin business is a limited liability company which provides earthmoving and construction services, operates a funeral home service and a variety store, and builds specialized mahogany furniture.

2. Market Structure

Sales of Hamlin Ltd. are approximately EC$2 million, or approximately 50% less than they were 5 years ago, largely because the construction business has not been performing as well as before. The reasons for the non-performance seems to be a general fall in construction activity on the island as well as possibly more distant connections between the Hamlin's and the current administration. A competitor named Solomon was named as the fastest growing Nevisian business on the island, though the TDC group was considered to be the strongest business on Nevis.

At present, Hamlin's construction business is experiencing low turnover though this may only be part of the usual fluctuations seen in construction. Hamlin's construction activity now comes mainly from building residences in Nevis for US citizens.

In the funeral service business, Mr. Hamlin is experiencing some difficulties obtaining material for coffins and headstones because of poor transportation. This problem of transportation also affects the construction business and the furniture business. Mr. Hamlin is hoping for some amelioration of this problem of transportation because boats belonging to a John Osbourne of Montserrat are now plying between Puerto Rico and St. Kitts-Nevis.

Much of Mr. Hamlin's furniture is sold to visitors to Nevis. This furniture takes the form mainly of small occasional antique reproduction pieces made of mahogany. Mr. Hamlin believes though that his work could benefit substantially from improved finishing. Hamlin also faces problems in getting kiln dried mahogany for his furniture particularly that which is sold to US and UK visitors. As it is now, Mr. Hamlin has to air dry his mahogany for 1-1/2 years before be can use it.

The Hamlin's have also received enquiries for some of their furniture from St. Croix and St. Maarten, but they have not been able to respond because of difficulties in sanding quickly and at reasonable cost.

The variety shop occupies approximately 1000 sq.ft. of space and gets its sales from the traffic out of the hospital, the courts and residences at the end of the street. People from these places generally pass outside the variety store to get to the centre of town.

Hamlin also owns a factory shell but this has not been rented since the Government provided another shell for the Hamlin's former tenant.

3. Finance

Banker to the Hamlin's business is Barclays Bank PLC which provides an overdraft to the business. Mr. Hamlin said that he did not remember the limit on the overdraft or the current level since his daughter looked after the accounting and financial matters and she was away from the island at the time of the interview. Mr. Hamlin also said that he could not remember the level of sales by the various businesses in the company, once again because his daughter was unavailable.

Mr. Hamlin knew however that his company did not get any problems with its banker on the overdraft.

4. Labour and Training

The company employs 40 people on a permanent basis but may employ as many as 150 when the construction business is booming. Only 2 or 4 people are employed in the variety store.

A problem which Mr. Hamlin faces is the loss to the USVI and Anguilla of many of the workers whom he has trained and for whom he has provided experience in furniture building and general construction. These workers migrate to these places because of the very much higher wage that they can earn there coupled with the ease of entry for skilled craftsmen. Mr. Hamlin would like the Government to provide funds for such training of these artisans so that he or other private employers did not suffer all

the loss.

5. Expansion Plans

Hamlin owns 100 acres of land on which he intends to build 960 sq.ft. houses for sale to local middle income residents at a cost of approximately EC$130,000. Work has already started on the construction of the infrastructure and the construction financing will be provided by Mr. Hamlin himself and his bank.

The company is also building a beach restaurant which it has already arranged to lease to someone else for operation.

6. General Diagnostics

Hamlin's problems reflects the major socioeconomic factor in Nevis of skilled artisans leaving for the USVI and St. Maarten where they earn much higher wages than in Nevis, with the result that Nevis continues to be short of the sort of workers it may need most.

The Hamlin business is also in need of technical assistance in finishing furniture and in selecting equipment for sanding the furniture. These are vital needs since the specialized antique reproductions made by Hamlin for the foreign markets may be the Hamlin business with most potential. Marketing assistance will however be required to ensure that this potential is realized.

Marketing assistance may also be needed to ensure sale of the houses which Hamlin is building. Many of these houses may have to be sold to Nevisians who now live abroad and who may see the purchase of such houses as retirement properties or as rental properties to some types of tourist who may wish to visit Nevis.

ADEL LTD.

INTERVIEWERS: Darcy Boyce and Qaiser Khan

INTERVIEWEES: Mark Maxwell and Mel McQueen

DATE OF INTERVIEW: June 18, 1987

1. Introduction

The trading operation of ADEL Ltd. which was selected in the sample is a part of the ADEL group of companies. This group consists of three companies in addition to the parent company. The group operates the retail department store which includes an automobile dealership; the group also operates a travel agency, a rental service and a construction service. Bottling Co. and a block making business are also owned by the ADEL group. The trading operation of the ADEL group covers almost all types of retailing groups other than clothing, food and drugs.

2. Market Structure

Sales of the ADEL trading section were approximately EC$40 million in 1986. Most sales are recorded in building materials, then in hardware and furniture/appliances and thirdly in vehicles.

Competition comes primarily from St. Maarten and Puerto Rico which are only short distances from St. Kitts. Maxwell complains that ADEL gets a lot of competition from some "small" businessmen who import goods using undervalued invoices to evade custom duties, and then sell the goods locally to compete with ADEL and other firms who do not follow this practice. Another problem faced by ADEL is the business of hucksters and others who trade from their suitcases or cars on an itinerant basis and without licenses etc. This problem may not however be substantial.

Not much of the stock of goods moved by TLC is supplied from local sources. In the case of local furniture, Mr. Maxwell did not think that ADEL bought more than EC$40,000 from local manufacturers in 1986, because there are very few local furniture manufacturers and the quality of their produce is not consistent. Most of the furniture therefore comes from the USA even when the furniture is wooden, in which case it is normally chipboard or plywood furniture with an expensive-looking veneer covering and is priced within reach of most customers.

ADEL does however buy a lot of furniture from Antigua and used, at one stage a few years ago, to buy many Antiguan made appliances. The Antiguan made refrigerators presented many

problems and many had to be repaired or replaced by the suppliers. Consumer resistance has therefore built up against this line and brand of Antiguan appliance and indeed against all Antiguan made appliances.

The company also buys significant amounts from Barbados particularly in cement, aluminum windows and packaging materials.

3. Finance

Principal bankers to ADEL are Barclays Bank PLC, though ADEL does banking business with all the banks in town. The company's overdraft limit is EC$5 million of which only approximately 1/2 is being used at present.

Assets of ADEL are approximately EC$60 million and long term debt is only approximately EC$10 million.

The company is very unhappy about the corporation tax structure in St. Kitts-Nevis. ADEL is unhappy at the high corporation tax rate of 50% of profits, the limitation of depreciation allowances for tax purposes in any fiscal year to 20% of net profit before tax, and the absence of a building allowance other than for warehouse space.

4. Labour and Training

ADEL employs 600 staff in its trading operation and pays annual salaries and wages of approximately EC$6 million. Employees also get an annual bonus which they may take in cash or in shares. If the employee takes his bonus in shares, he gets the equivalent of twice the cash bonus in shares of ADEL.

Starting salaries in the hardware department for sales clerks with 5th form level schooling would be EC$550 - EC$600 per month. A sixth form graduate starting work, say, in the accounting section would earn a starting salary of EC$950 - EC$1,000. The company reports that it has no problems whatever in recruiting workers and that it has very little staff turnover other than those people who emigrate to the USA or the USVI.

The company has an ongoing training programme within the company. This training programme is managed by a training committee of departmental managers, and focusses primarily on customer relations, new staff orientation and selling techniques. ADEL however thinks that they need more training in marketing, in-depth customer relations, computerization and ordering/inventory control. Where possible, the company will engage local or regional consultants for the computer training.

5. Expansion Plans

ADEL is currently constructing a shopping mall which will contain banking offices, tourist shops, and restaurants. The offices of ADEL will also move into the new mall and the space now occupied by the offices will be converted into shopping space to extend the household supplies section. Phase II of the mall will commence after Phase I ends on August 31, 1987.

Tenders are also being received for construction of a new facility for the building materials department, a new shopping complex at Pinnery's in Nevis and a new department store in Nevis.

The steelframes for this new construction were imported from Barbados.

Financing for the expansion is coming from Barclays Bank, from Bank of Nova Scotia, and from the proceeds of the sale of the St. Maarten store.

6. Relations with Government, Agencies and Society

ADEL is a member of the Chamber of Industry and Commerce, and of the Manufacturers' Association and Mr. King seems to be very prominent in both associations.

More importantly, ADEL provides a scholarship starting in each school year in each secondary school on the basis of both need and academic promise which could take a child from secondary school through university at UWI, Cave Hill, Barbados. ADEL is currently paying the way for one student at UWI and there are now 30 scholars in the programme. On Saturdays and during school holidays, these Tom Jones Memorial scholars may work and receive training in the various ADEL businesses. It is hoped that these scholars will eventually come to work for ADEL.

7. General Diagnostics

ADEL continues to prosper through providing very personalized service wherever possible in a business of its size. The company continues to show faith in the St. Kitts-Nevis economy through its expansion programme.

The enlightened personnel compensation policy and the scholarship programme will endear the company to the public, provide a stable and committed staff, and assure the company of a continuing stream of some of the brightest young entrants to the labour force.

The only two major problems for the company are the falsification of import invoices by others for customs purposes and the onerous corporation tax system.

NEVILLE BUILDING ENTERPRISES LTD.

INTERVIEWERS: Darcy Boyce and Qaiser Khan

INTERVIEWEE: Joseph Neville

DATE OF INTERVIEW: June 17, 1987

1. Introduction

Neville Building Enterprises Ltd. was established in 1980 by Mr. Neville who is trained in both furniture manufacture and building of fibre glass boats. Mr. Neville also teaches industrial arts at the local high school for the CXC examinations. Mr. Neville's company does construction work and produces mahogany furniture.

2. Market Structure

Sales are approximately EC$6,000 per month except when Mr. Neville is on holiday from teaching when sales rise to approximately EC$20,000 per month. Sporadic delivery of lumber to Nevis makes it very difficult sometimes to increase sales because of the unavailability of lumber. Mr. Neville reported that he could not get mahogany for half of last year.

Ninety-five percent of sales come from furniture and Mr. Neville intends to continue to concentrate on producing furniture even though he thinks that fishermen are changing to fiberglass boats and that a good market may exist for manufacture of these boats. When he gets orders for boats, Mr. Neville intends to send those orders to Brokers' boat building in St. Kitts.

The company has not yet done any deep market survey though it has made some effort to assess the market in St. Kitts and Nevis. No work has however yet been done at all on a market survey for furniture in the USVI and St. Maarten. On the basis of the volume of furniture which comes into St. Kitts-Nevis, Neville believes that his venture will be successful and the largest furniture and household appliances dealer in St. Kitts has apparently indicated that it would wish to buy wooden furniture from Neville at the prices at which Neville indicated he would sell his mahogany furniture. Kittitians are apparently also moving towards more purchases of wooden furniture in recent years and there are only two small manufacturers in St. Kitts of such furniture.

Neville has already sold some furniture to customers in St. Maarten and the USVI. He hopes to sell more in these markets when he moves into his new factory and to sell some antique reproductions in the USA but he would need to get some kiln dried

lumber. At the moment such kiln dried mahogany is not available in St. Kitts-Nevis but some may shortly become available from one or two merchants in Barbados who may need a representative in St. Kitts-Nevis. Mr. Neville could be that representative.

This company also constructs houses for individuals though it has not been doing much of this lately. He is now opening an office in town and intends to market the construction services some more in the near future. The construction services which Neville now offers and which he will seek to increase, include building doors and cupboards under subcontract to major construction firms.

3. Finance

The company owns the equipment which it uses currently, but rents the land and building. Overdraft facilities are used very sparingly, though the company has a small overdraft facility of EC$3,000 from the National Bank. Mr. Neville is also a member of the credit union movement in Nevis and previously borrowed from the union in the early days of his business. The credit union represents indirectly another quick source of funds for Mr. Neville's business.

4. Labour and Training

Four persons are employed full time by the company. In addition, there are four part-time apprentices, Mrs. Neville and Mr. Neville himself. The full time workers earn between EC$100 and EC$150 per week. The apprentices are students who are being taught by Mr. Neville and they work after school in the evenings and on weekends. Thus Mr. Neville is able to maintain a supply of workers for his operation at little training cost to his company.

Mrs. Neville does the finishing of the furniture along with Mr. Neville who has had some very useful training sponsored by CAIC in furniture finishing as well as in costing. Mr. Neville would like to have more help in training the workers in furniture finishing.

5. Expansion Plans

Currently, the company is working on an expansion for its furniture business. The company intends to lease a large factory shell from the Development Bank of St. Kitts-Nevis (DBSKN), and will be paying EC$3,000 per month for the rental. It seems however that the land which is owned by the Government of Nevis has not yet been vested in DBSKN and so construction of the factory shell cannot begin.

To be able to meet his estimates of the local market, Mr. Neville

thinks that he will need approximately US$16,000 but does not yet know what his equipment requirements are for the expansion into the export market. Financing of the project is expected to come from DBSKN and the Foundation of National Development.

The complement of workers to man the new factory will initially be twenty (20). Neville intends to pay these workers top wages so that his trained artisans do not migrate to earn more money. Productivity of the workers will also increase since the company intends to use the most productive machinery within its means and so to raise productivity to the level where the company can pay high wages but still remain competitive.

6. General Diagnostics

The owner/manager of the company seems determined to succeed, and he is also apparently well connected with the incumbent adminstration. He is also aware of the need to use highly effective tools in order to compete with wages paid in the USVI.

Marketing is another one of the business' weakness and some assistance is required. Help is also needed in the layout of the factory and the use of some of the new equipment.

Mr. Neville should also consider the building of the fiberglass boats so that the weakness of sales in the furniture side of the business may be bufffered to some extent.

ELECTRONICS LTD.

INTERVIEWERS: Darcy Boyce and Qaiser Khan

INTERVIEWEE: Mr. Watts

DATE OF INTERVIEW: June 18, 1987

1. Introduction

Electronics Ltd. is a wholly owned subsidiary of Electronics Inc which is headquartered in Ohio. The St. Kitts factory was established in July 1985 as the consequence of a decision of Electronics Inc. to relocate its off-shore manufacturing facility from Haiti. Electronics did not apparently find the language barrier in Aruba manageable and also has found the Kittitian worker more trainable. The Kittitian factory manufactures transformers.

2. Market Structure

Electronics produces for its parent firm only. AT present, the factory employs 400 people on a single shift basis, though it has the capacity to employ 550. The complement of production workers has grown from 200 to 400 in only 6 months. It is not clear whether the company could produce more transformers for its parent by going to a second shift, but the manager is not thinking of a second shift because of the high incidence of women in the workforce who are single parents. The company is however investigating the possibilities of doing some subcontract work for a New York, USA company.

3. Finance

Electronics Ltd. has been granted a tax holiday of 15 years. The company has also been able to lease a government factory building of 10,000 sq.ft for 30 years at the rate of EC$7.25 per sq.ft. per year. Because of the recent electricity outages, this company is also getting a small standby electricity generator.

The company is run strictly as a cost centre at the moment but does not yet seem to have a proper cost accounting system. The manager of the local factory says that a full cost accounting system is now being developed at headquarters which has just hired a qualified accountant for the first time. The company may therefore need some assistance in developing and/or implementing a cost accounting system at an early date.

4. Labour and Training

Workers at Electronics are paid at the rate of EC$2.10 per hour, with the average weekly wage being EC$100. In addition, the company pays a transportation subsidy of EC$7.50 per week to each worker and will also provide additional subsidized transport on Saturdays and at the end of overtime work. While no major problems were experienced in finding workers, the manager said that one had to spend some time searching before one could recruit the workers one wanted.

Overall worker productivity averages about 70% of standard, largely because of the rapid increase in the workforce and the 6 - 8 month period which a worker normally takes to get entirely off the learning curve. The recent formation of an Employee's Council to liaise with management on worker difficulties in the plant should help to raise morale and increase productivity.

Mr. Watts complained of the high level of absenteeism which results from the situation that many of the workers are heads of single parent families. Electronics would be prepared to contribute funds to help in the establishment of a child care centre which would probably reduce the incidence of absenteeism.

This company is building up some local middle management. The company employs 42 local staff as managers and supervisors in the production process. Further, the company is bringing some trainers in from the USA to assist in training the production supervisors in shop floor supervisory techniques.

5. General Diagnostics

Electronics' management seems completely production oriented with little knowledge of costs of production. The local company is part of what appears to be a small US company and so does not have the technical or managerial systems which one would expect from a local branch of a foreign, particularly a US, company.

Because of the differential in its wages with those of its major labour competitor, the company will probably face a fair amount of difficulty in expanding to the limit of even its one shift capacity.

Glen Co. Ltd.

INTERVIEWERS: Darcy Boyce and Qaiser Khan

INTERVIEWEE: Felix Glen

DATE OF INTERVIEW: June 18, 1987

1. Introduction

Glen Co. Ltd. was started in November 1981 as a limited liability company. The factory was opened in very cramped circumstances on the Bay Road and manufactures and replaces mufflers, and recores radiators. At the end of March 1987, the company moved to the new factory in the industrial park.

The owner and manager of the company is a Kittitian who lived in England for 27 years and reached the level of a foreman on the Land Rover chassis assembly line.

2. Marketing

Sales in 1986 were approximately EC$700,000. The marketing strategy has and will continue to place emphasis on providing high quality, reasonably priced products and services on a timely, basis. Exhaust systems sold by Glen are reportedly from 30% - 50% cheaper than those sold by TDC and Mr. Glen will give and honour a reasonable warranty on his product. With this marketing strategy, the price advantage over TDC provided for customers, and the situation in which there is no other muffler/radiator factory in the country, Glen expects to make sales of EC$1 million - EC$1.2 million in a couple of years and to capture 80% of the market for mufflers and radiators. AT present however, the company's sales are being restricted by the delay in getting a second lift delivered from Trinidad where it had been shipped to the supplier's Caribbean agent for transshipment to Glen. The lift has been in Trinidad for 3 months.

In a couple of years, Glen hopes to sell its mufflers and radiators in Antigua.

3. Finance

Glen owns the new factory building to which it recently moved. The land is however owned by the Development Bank of St. Kitts and Nevis (DBSKN) and has been leased to Glen for 35 years with the option of renewal for a further 35 years. The company has borrowed EC$478,000 from the DBSKN and contributed EC$396,000 of its equity to construct and equip the new factory. The building

cost approximately EC$320,000 and the new equipment approximately EC$500,000. The remainder of the funds for the expansion went to provide working capital, the need for which has been made greater by the fact that the material ordered from Trinidad for the mufflers, while being the best that Mr. Glen has been able to get, always arrives late and unpredictably. This forces the factory to carry higher amounts of material than would normally be required. This burden of extra working capital need is made heavier by the fact that the factory does not get any duty concession on the materials or intermediate inputs that it purchases.

Repayment on the loan will be EC$7,400 per month, beginning in November 1987 and continuing over 8 years.

Mr. Glen aims for an average markup on all costs (with the exception of finance costs) of 40%. He uses a job work system of manufacturing and a job costing card follows each job around to ensure that all the costs of a job are recorded. The company plans to get a microcomputer later this year to assist in the accounting and costings.

4. Labour and Training

Currently the company employs 16 people, including Mr. Glen himself. Apart from Mr. Glen, there are 8 trained welders who earn between EC$150 and EC$175 per week. The company is now also considering paying an annual bonus and has commissioned an insurance agency to structure a medical benefits package for the employees and their dependents.

Welders are recruited from the local technical college at a young age and then trained further by Mr. Glen in the specific areas and techniques which he requires for his factory. Glen prefers to recruit the young welders for training because they appear to be more adaptable in their techniques and ability to learn the company's methods than older, more experienced welders recruited into the company. Mr. Glen said that he had had to fire only older welders who had brought poor work habits or techniques onto the job and refused to change. The company reports no difficulty in finding the kind of worker which it needs.

A management successor has been identified by Mr. Glen from among the workers in the factory. This person is a welder who is now about 25 years old and has worked with Glen from its beginning. Mr. Glen is permitting this worker to run the factory during his (Mr. Glen's) absence and to supervise some of the other workers on a regular basis. Training in accounting for managers and in supervisory techniques is also being provided and Mr. Glen would like to send this supervisor away to the USA for attachment to a similar type operation for a short while. A second supervisor will also be identified by Mr. Glen shortly.

5. Expansion Plans

The company does not plan any further expansion in the short to medium term other than completing the current project which is still underway.

Within the next 2 - 3 months, the factory will have received and commissioned the equipment for building the muffler barrels. This step will reduce the dependence on imports from Trinidad but the company will continue to import the Trinidad product for approximately one more year while the local product is improved until it becomes as good as, or better than, the Trinidadian product which now lasts between 9 and 18 months.

Glen will also offer the service of aligning wheels on vehicles.

In a short while, Mr. Glen expects that he will need to recruit another 4 welders and the target employment in the factory is 24 welders.

6. General Diagnostics

Glen Co. Ltd. should continue to do well: the owner has an enlightened personnel management policy to provide for the needs of the workers and to ensure management succession, there is very little competition in the marketplace and TDC, the main competitor, does not appear to be interested in continuing in the muffler business. Further, the owner is trying to get the most productive equipment he can into the factory and to build production standards which exceed those to be found in the local marketplace. Finally, while the market may not show spectacular growth, it is likely to exhibit a fairly constant increase over time as Kittitian family incomes rise and more vehicles are imported.

NATIONAL ENTERPRISES LTD

INTERVIEWERS: Darcy Boyce and Qaiser Khan

INTERVIEWEE: Andrew Benn

DATE OF INTERVIEW: June 19. 1987

1. Introduction

National Enterprises Ltd. is a manufacturer of electronic products which has been operating in St. Kitts for 13 years so far. At present, the company produces military electronic components.

2. Market Structure

The company ships US$200,000 - US$300,000 per month in components valued at the cost of labour embedded in the components. Shipping is done by Mr. Benn's small private plane to St. Maarten whence they are transhipped to the USA on American Airlines. Mr. Benn reckons that his factory achieves required schedule about 96% of the time and the quality of the components meet standards 98-99% of the time.

3. Finance

Fiscal incentives enjoyed by the company will end in December, 1989. When this happens, the company would like to have the operation taken over by a sister company which has fiscal incentives based on its location in Nevis. The company however wishes to change the name of the Nevis company and to locate this company on St. Kitts. Government is however not allowing the transfer of the fiscal incentive package to the company transferred to St. Kitts.

The existing company uses two buildings both of which are rented, of 5,000 sq.ft. for EC$2,000 per month from Government and the other, also of 5,000 sq.ft. for EC$3,000 per month from a private landlord.

4. Labour and Training

National Enterprises Ltd. employs 480 persons, of whom 430 are production workers. About 60% of the workers come from the Sandy Bay area where the factory is sited. Of the 50 local staff, 24 are at supervisory level in the production area and 8 are at the level of functional manager.

Staff positions are well paid by Kittitian standards: the minimum salary for supervisors is EC$25,000 per year and salary may go as high as EC$45,000 per year. Additionally, these staff are provided with a medical scheme and group life insurance cover. Production workers are paid ED$3.00 per hour and are unionized with the union allied to the current opposition part in the St. Kitts-Nevis parliament. The factory is quite happy with the unionization since it has to deal with one institution only rather than with every individual worker. Further, the factory does not feel any obligation to provide worker benefits other than those agreed with the union.

Staff turnover is very low. Workers with 5 years experience constitute the largest single group of workers and those with 7 years experience the second largest.

Mr. Benn is also training the local supervisory and management staff. The factory uses a local trainer to provide basic supervisory training for first-time foremen and group leaders. Mr. Benn prefers this programme for the first-line supervisors over those provided through the St. Kitts Chamber of Industry and Commerce (CIC) CIC programmes are perceived as geared to the higher levels and as lacking the continuity necessary for the development of the supervisors. The factory's training programme in this area is expected to cost EC$24,000 in 1987, but some of this may be funded by USAID and/or OAS.

Further Mr. Benn has recently sent 4 managers to the University of Illinois on a computerized Material Resource Planning (MRP) course.

5. Expansion

National Enterprises Ltd. plans to use an additional 30,000 sq.ft. of factory space. The material for the building is ready but the land which the company wishes to use has not been released by the Government for the factory This plot of land is the most logistically suitable for the company. There is however another piece of land which the government has proposed for the factory, but the infrastructural works still have to be started. Discussions reportedly started in August, 1986 for the land on which to site the expansion.

6. Relations with Government and Agencies

The protracted nature of the negotiations with the government for the factory site would indicate that relations between the company and the government are not as cordial as they might be. Similarly, the lack of cooperation by the government on the change of location of the Nevis sister company to St. Kitts with the fiscal incentives intact is another indication of difficulties between the company and the government.

Mr. Benn is a member of the East Caribbean Council of Manufacturers but did not know that the CFSC provided loans for industry.

Mr. Benn sees a need for venture capital funds in the country and would like to see some institution provide such funds.

7. General Diagnostics

National Enterprises Ltd. does not have any problem in recruiting the labour which it needs, probably because it is located in an area of the country where there are a few employment alternative. Further, the development of an essentially locally managed company with enough foreign ownership to ensure successful access to the military electronic components market should assure the company of a continued high and favourable local profile and a continued high level of capacity usage.

Relations with the government give some cause for alarm. The difficulty which the company is experiencing may be the result of governmental sensitivities to which the company has not paid attention.

JOBAL ENTERPRISES

INTERVIEWERS: Darcy Boyce and Qaiser Khan

INTERVIEWEE: D. Jobal

DATE OF INTERVIEW: June 19. 1987

1. Introduction

Jobal Enterprises was established 10 years ago and moved to the current location in 1980. The company produces furniture, security grills and gates and occasionally does body repair on motor vehicles. Mr. Jobal owns the business himself.

2. Market Structure

Most of the company's work is done on order for residences in St. Kitts. Sales in 1986 were EC$240,000, most of which were security grills. The market for the product seems fairly difficult however. Kittitians are moving away from iron rails around their patios to all wooden verandahs; many people with patios cannot afford to buy patio furniture; there is a general perception that metal furniture is expensive; designs do not change very much from year to year, or from manufacturer to manufacturer; government buys its metal furniture from overseas; there is little scope for the local firms to export metal furniture and there are 4 or 5 other metal furniture manufacturers in the country.

Mr. Jobal therefore feels the need to have some assistance in product design, in developing his market, and in lobbying the government to buy its need of metal chairs from his factory and those of other local manufacturers.

3. Finance

Jobal Enterprises owns the building from which it operates. The building was constructed at a cost of EC$80,000 approximately and along with the equipment is now valued at EC$150,000 - $160,000. Although the company is a manufacturer, it is not allowed to import its steel free of duties. Indeed, these duties have reportedly been increased by 17% this year on steel out of Puerto Rico and other extra-regional sources. Jobal has therefore had to shift his supply source from Puerto Rico where he got credit terms to less lenient suppliers.

Jobal banks with the National Bank which is reportedly very accommodating and which provides EC$70,000 as an overdraft.

4. Labour and Training

The company employs 12 persons (including the owner) and pays non-management employees at the rate of EC$174 per week. The firm get no problems in recruiting new workers. Mr. Jobal recruits his workers from the Technical College as apprentices and then trains them as he sees the need for his business. All the workers have been with jeffers for at least 5 years.

The company has an Assistant Manager in the plant but he needs substantial supervisory training.

5. General Diagnostics

This company has room for a fair amount of debt to finance any expansion. However the company is very weak in its marketing and product design. To make matters worse, the market is fairly competitive, is unprotected and is small. Chances for growth over the next 2-3 years therefore appear very limited.

The company also needs assistance in training, particularly for the manager and the assistant manager.

S T . L U C I A

NAME: Beverley Lamb

DATE: May 22, 1987

BUSINESS: Retail Grocery

LOCATION: Castries

1. Background

The sign over Mrs. Lamb's grocery store reads "Licensed to sell intoxicating liquor". Even though she started off in 1983 selling mostly dry goods, the sign in 1987 attests to her best selling item --liquor, and intoxicating liquor at that. The personable sixty-one year old semi-retired (from department store work) pleasant woman, knows her customers well and enjoys her business. As she puts it the business "keeps her occupied" and she seems to enjoy interacting with members from her community. For the most part, she seems to enjoy providing a service wile also making a dollar. While underneath she may be a shrewd business woman, to outsiders she emphasizes her desire to just provide enough for her family and meet the needs of her community.

2. Business Strategy

Mrs. Lamb's primary goal is to keep herself busy. She enjoys her business and would like to expand her stock. One senses that she would like to expand her stock so that she could better respond to her customers' needs, and possibly establish a grocery store layout. She has some idea of possible financing arrangements, although she prefers to leave these matters to her daughter and son-in-law. She does, however, know her inventory and turnover very well. She knows exactly when to buy and seems to have amply stock and inventory space.

3. Management Skills

While Mrs. Lamb manages the day-to-day business transactions, her daughter and son-in-law manage the books and cash respectively. It is clear that the old adage "he who holds the purse makes the final decisions" applies to the Lambs. Mrs. Lamb repeatedly referred to her daughter and son-in-law as the ones who will make the final decisions regarding new loans and technical assistance needs. These two family members provide assistance after they get off work (probably about two hours a day). As far as Mrs. Lamb's skills, she worked in the lingerie, piece goods and dry goods departments of MNC a large department store. This background most likely helped her to run her own business.

4. Market Structure

Recently, another branch of a grocery store opened up in the neighbourhood. Mr. Lamb claims, however, that her sales have not been affected, suggesting that her business is limited mostly to regular acquaintances and friends in the neighbourhood. For these customers, Mr. Lamb extends credit. Thus far she has had no repayment problems.

5. Inventory Control

About half her goods are dry goods (cereals, dry milk, canned goods, insect spray, toiletries, oil, etc.) and the other half liquors. She also sells sodas (23 cases on the floor) and candies for children (about 10 - 15 jars full of different varieties). She only adds a new product once "enough customers ask for it". She probably adds new liquors about once every two months. At present liquors account for more than 50% of profits. Even though Mrs. Lamb started off with foodstuffs, the profit margins and demand for liquors have convinced her to buy more liquors.

In terms of pricing, Mrs. Lamb follows the suggestions that wholesalers make. She has never adjusted her prices independently, nor does she plan to.

6. Finance

All start-up costs ($2,000 in 1983) came from Mrs. Lamb's redundancy pay from a large department store she used to work at. The family is bankable although they have not borrowed from a bank yet.

7. Cost Structure

Since Mrs. Lamb lives and works in the same building, her only fixed costs are for electricity and her 1 helper. At present about half the store is used for storage and the other half for over the counter sales. This use of space is not most cost effective and will probably be addressed in the near future.

8. Critical Issues

In order to expand sales, Mrs. Lamb will have to develop more of a profit orientation and a more aggressive marketing approach. She also may require assistance in changing the layout of her store from an over-the-counter to grocery store layout.

NAME: Drew Solomon

DATE: May 22, 1987

BUSINESS: Tailor

LOCATION: Castries

1. Background

Set fifty feet back from Maryann Street, one of the principal roads in Castries, Drew Solomon sits in a 5' X 8' room stitching a pair of pants. In front of him piled up on a table are stacks of pants. An occasional drip of water from the ceiling falls on them. Behind him sits his apprentice making buttonholed on a shirt. In the corner of the room is Solomon' colleague with whom he went to apprentice school with 15 years earlier. Even though the two went to school together, Solomon considers himself the boss, if simply for the fact that the equipment is his and he pays the monthly rent bills. Next to his assistant sits perched on a half open window a radio playing calypso music - music which helps Solomon to work late into the night , sometimes until 1 or 2 o'clock in the morning. All three tailors work on Singer machines which are fifteen years or older. Solomon earned his first machine as an apprentice and has been successful at repairing the machines, although they tend to be a bit slow.

2. Business Strategy

Judging from his work hours, (every day from 9 until nightfall), Solomon has sufficient demand for his services. Still, he would like to make more suits with material bought in bulk. The higher profit margin is the biggest incentive for making suits. He would also like to get some new equipment so that he is better able to meet peak demands during the Christmas season. His present machines are too slow. Finally, at some point he would like to expand and rent the room that is next to his present working space. Solomon knows what he wants, he only lacks the financing and the management skills to develop his suit business and keep track of his books. Solomon conducts his business from hand to mouth because of what he calls "traditional habit". He needs to develop more of a forward planning capability.

3. Management Skills

Solomon works from day-to-day, hand-to-mouth. The only records he keeps are of those of customers who owe him money. Any other records regarding materials bought, number of pants ordered, type of suits ordered, etc. are kept in his head. He would like to receive assistance for accounting and management skills and would be willing to go to classes on his own time.

4. Market Structure

Last year a new tailer in the neighbourhood started a new shop. Solomon claims, however, that his business has had no effect on his business. This suggests that the market is large enough for the two and/or Solomon customers are indeed loyal friends who would never change tailors, or prefer the quality of Solomon.

Solomon' customers are "regular customers" to whom he will extend credit without any advances. Only for non-regular customers does he demand a 50% advance. Solomon figures that his customers come to him because of friendship and because he always delivers on time.

In terms of marketing, Solomon' only advertising is a business card he gives to non-regular customers. Other than that he is confident the open door to his workshop will attract customers.

5. Sales

Most of his business focusses on trousers (number sold per week is unknown). His most profitable service is trousers which he makes from none to five a week (we estimated about 1 a week). Assuming that he makes one suit a week and 10 trousers a week, and a few shirts, Solomon receives about $450 per month. This does not include the number of non-payments that he has on credit extended to regular customers.

6. Cost Structure

Solomon employs two apprentices at an average cost of $220 per worker per month. Compared to the other businesses these wages are almost twice as high. These fixed labour costs along with rent account for more than 50% of total costs. The remaining expenses are for materials.

7. Critical Issues

In order to expand his business, Solomon will have to acquire better equipment and expand his work space. While the above will require financing, he will also require some assistance in keeping better track of his credit and cash sales. It appears that Solomon has had bad luck with payments for his pants. As he gets larger and possibly expands his customer base he will have to become more professional in maintaining an orderly inventory of clothing and records of when he needs to complete various jobs.

NAME: Rose Austin

DATE: May 23, 1987

BUSINESS: Sewing Centre and Boutique

LOCATION: Main Road, between Castires and Gros Islet

1. Background

Rose Austin grew up in St. Lucia but then spent 19 years living overseas (10 years in England, and 9 years in Canada). While overseas she worked in a garment factory and went to the Institute of Technology, a vocational school for 3 years. She has been back in St. Lucia for a year, and is supremely confident about her skills. She considers herself one of the best seamstresses on the island and would like to teach others her skills. She is frustrated, however, by her present location on the main street (3 months now). She has a total of 11 students, well below her goal of 36 students. In addition, she has some high quality and high prices shirts and skirts in her store, but she hasn't sold any in the last 3 months. In short, her goal of combining a sewing centre with a boutique has not been accomplished.

2. Business Strategy

Rose has tried to accomplish all her goals at the same time. Her sign says "Sewing Centre and Boutique". Her business card says sewing classes for all ages. The shirts she makes are intended for both St. Lucians and tourists. To date, neither strategy has been successful.

3. Location

The boutique sits across from the Institute of Computer Technology on the main road between Castries and Gros Islet. There are no other boutiques in the area but Rose has not taken advantage of her location. As one approaches the boutique, all one notices from the road is a large Coke sign. The 2 foot sign for "Rose's Boutique" is hardly noticeable. Rose seems content with the site because it is much larger than her previous place and has better access. The size is especially important for her in order to give her classes. Her rent is $450 per month which is high but fair for her two room 20 x 20 shop.

4. Pricing

Rose values her time at $15 per hour. For her shirts and blouses she calculates how much time she spends (eg. 1.5 hours for shirt), the fabric used and then rounds off her final figures.

She says that all the people that come in and ask her to make clothes complain about the prices. She counters by saying she uses Sea Island cotton, the best cotton anywhere and double stitching. The local population, however, is generally more price sensitive than Rose is willing to admit.

The same is true for her sewing classes as well. Rose established her rates by working back from the prices she was charged to take similar classes in Canada. She figured that since her classes in Canada cost about $170, she would charge her students half that for 25 hours of classes. No attention was paid to what her competitors charged.

In the case of sewing classes,however, there are comprehensive classes that charge $30 per term. Rose is confident, however, that both for her boutique and classes that the quality she provides is worth the price she charges. She really couldn't see going any lower without compromising her quality - something she would avoid at all costs.

5. Marketing

Rose is proud of the fact that she has been interviewed on the radio a couple of times and has placed several ads in the paper. Despite these efforts, her lack of sales has been a persistent problem. It seems that her marketing approach has been too broad and not properly targeted.

6. Cost Structure

Fixed costs account for more than 75% of Rose's total expenses. This obligation coupled with a low capacity utilization rate below 50% means that Rose's cash flow is often negative.

7. Finance

Rose owns six sewing machines the bulk of which were purchased with NRDF loan funds. In addition she has used her own savings to buy materials.

8. Critical Issues

The central issue facing Rose and the question she has to answer is "what is her principal line of business?" She recognizes the profitability of selling clothing but her heart is really set on providing sewing classes. At the moment she is trying to do both and not succeeding.

Besides deciding on a principal line of business, Rose needs to decide who her primary customer group is--tourists or locals. While she claims that wants both as her customers, her pricing is not suitable for both market segments. Given her emphasis on quality, the best market segment to target would be the hotels

and tourists. This end of the market is less price sensitive than the local market. In order to effectively penetrate this market, Rose will have to develop appropriate marketing skills.

NAME: Carlos Roche

DATE: May 23, 1987

BUSINESS: Joinery

LOCATION: Castries

1. Background

The handwritten sign on top of the steaming, hot tin roof of the 4' x 6' shack reads "Wood Shack". Inside is the beginning framework of a table and several pieces of mahogany wood. The floor is full of sawdust. To the right of the shack stands a helper (barechested) sawing a 2 x 4 and planing against the side of a house. Underneath the house is a supply of wood strewn about. To the left of the shack is the 1 bedroom house of Carlos Roche - owner and chief joiner of the "wood shack".
One day Roche would like to get large enough so that he isn't dependent on the major furniture retailers who buy his goods at a discount price. He dreams of getting working capital to buy more materials and building more stock. To do so he would need more working space and perhaps a store. For all this Roches would be willing to work a 14 hour day instead of a 10 - 12 hour day.

2. Business Strategy

At present Roche is dependent on the island's major furniture outlet store for buying at least 50% of his goods. He is proud of his goods as demonstrated by pictures he has shown us. Unfortunately, the retail stores seem to offer 20 - 30% less than he asks. This frustrates him and motivates him to try and break out of the store's monopoly, by developing direct contacts with his customers and other medium sized furnisher outlet stores.

3. Management Skills

Roche keeps no books other than the receipts he makes out for customers. He seems to have a good sense of the equipment he will need and the prices of all goods and inputs including his labour. Still his organization is somewhat haphazard and he does not plan in advance. The only planning involves getting an advance from one customer to pay for the materials he needs for a previous job order. Still he seems disciplined and able to spend the advance money wisely and responsibly.

4. Market Structure

Last year another joiner started up in the neighborhood, but this had no effect on his business. He mostly sells to the major

retailers and has no outside clientele from the neighbourhood. Roche does not seem to mind or be aware of what other competitors do. He is a member of the furniture makers association but is not aware of what they do or can do.

In terms of marketing, Roche has put together a portfolio and hands out business cards. Similar to other joiners, Roche is unable to promote his business much more until he get more working capital and working space.

Roche would like to get $2,000 - $2,500 per living room set but he at present only receives $1,200 - $1,500. For a $600 table gets a 30 - 35% advance and extends credit of $50 per month to his best customers. So far he has had delayed payments but no defaults, suggesting he knows his clientele well.

5. Critical Issues

Roche would like to get large enough and expand into the formal sector by owning a store. Before he can do this, however, he needs to get larger in the informal sector. This will require more financing to enlarge his work space and buy more materials. He will need to employ more people and develop enough savings so that he will be able to provide affordable purchase schemes for his customers. He has already developed some informal credit schemes (pay 30% in advance and then pay $50 per month). If he develops more outside customers he will need to develop a better bookkeeping scheme in order to limit the number of bad debts from customers he does not know personally. Another option would be to get large enough and to cultivate contacts with more of the medium sized furniture outlets on the island.

NAME: Victor Clarke

DATE: May 23, 1987

BUSINESS: Joinery

LOCATION: Castries

1. Background

Mr. Clarke is the success story of the NRDF. At first Clarke was a problem case who would not keep his books or pay his loans on time. Over time, however, his record keeping and business grew. Since coming to NRDF he has taken out 2 loans and gone from a smaller to a larger workplace. He is now looking for more space again. He is very affable and proud of his work. The present work space beneath his house is very large. He has a small side room to store cushions and around the perimeter of the 24 x 13 building are bits and parts of sofas and beds which are his primary line of business.

2. Business Strategy

Clarke is a shrewd businessman. He would like to build more of his main product lines and perhaps develop enough space to open a store. His present location is good for supplying contracts to the major furniture outlet stores on the island but not good for drawing outside customers. In order to do this he would need a place more centrally located and not at the end of the street where he presently is. His principal strengths are his knowledge of the market. Through the Furniture Manufacturers' Association he went to Martinique and saw firsthand the quality of wood they used and the labour they employed.

His goals are realistic given the market. He is ready to make the transition from the informal to the formal sector. As a medium-size joiner he can stockpile and buy in bulk. He also plans to buy a big planer which would allow him to provide services for other joiners in the area - for which there is a high demand and at present a limited supply of planers.

3. Management Skills

Clarke keeps books, more out of necessity for getting loans from NRDF than for helping him manage inventory and sales. He respects his helpers well and seems to be honest and very personable. He has a keep awareness for getting a good value for his materials.

He also knows where to get cheap labour. From his trips to Martinique he noticed that the girls there worked well and were

paid less than men. He consequently has employed 2 girls at $40 per week and 1 males at $60 per week. In addition, he seems to understand what the market needs and what the banks are looking for. Rather than feeling threatened by the other joiners with better locations on his street, he will try to get them to use his services. He understates his assets so that he does not appear bankable and have to pay higher interest rates.

4. Market Structure

Clarke mentioned that there are many other joiners on the street that take away potential neighbourhood customers. He doesn't complain about this and will even give then any new ideas. He will not, however, cooperate with them in buying materials in quantity. Even though they are trustworthy he finds them selfish. More accurately, because of his size it would not be advantageous for him to join forces with the smaller scale joiners. Instead he plans to go one step further down the line and become more vertically integrated by providing planing services to the other joiners in the area.

5. Sales

Clarke only sells sets and beds. He knows about profit margins, preferring to sell beds for this reason and avoiding tables which are more time consuming. On average he will sell 3 - 5 sets to Courts and about 4 beds per month. He also will sell one or two sets to outside customers every month.

He seems to almost have a factory style production process. He already has cardboard forms from which he is able to cut 2 - 3 pieces at a time. Unlike other smaller joiners he sticks to these non-custom made pieces, like beds and furniture sets that he can produce in a semi-factory line. He has some space to keep inventory of cushions and small tables.

6. Location

He is at the end of a small street set back from the road. He has to carry all his items to the main road. Otehr joiners farther down the road seem to get most of the neighbourhood clents. In short, his location for selling and attracting customers is not good. It is good for production and storing, because it is spacious and economical.

7. Critical Issues

Clarke is perched on the informal-formal ledge. He has successfully grown in the informal sector with the help of low interest rate loans and smart business decisions (low cost,

spacious quarters, low labour, high quality wood). He's ready and capable of branching out into other joiner-related services like planing. Perhaps later on he will be able to establish a store to serve the formal sector. To accomplish the above goals, Clarke will have to acquire the management and marketing skills needed to compete in the formal sector.

NAME: Jack Morris

DATE: May 23, 1987

BUSINESS: Tailoring

LOCATION: Marketplace in Castries

1. Background

Just past the hustle and bustle of the marketplace and the sleeping bodies of winos, sits the tailor shop of Jack Morris. The sign over the shop reads "Tropical Garments - We do custom and contracts". This formal name along with a prime location in the center of town suggest that Mr. Morris' business may be an incorporated or registered business. Inside the shop there are 8 sewing machines, further suggesting that Mr. Morris has a semi-factory production line business. Five minutes into the conversation it is also discovered that 80% of Morris' sales come from contracts with Government/utility companies. This fact coupled with the fact that Morris is in a government building suggests that Morris is not only well known but well connected.

2. Business Strategy

Morris claims that he secured his contracts through hard marketing and producing timely and quality goods. His apprenticeship with on of the most well-known tailors on the island also developed his skills as well as contracts. He went from a small shop on Grass Street and 5 machines to the market and 8 machines. His major short-term concerns are to secure working capital so that he can purchase more bulk materials. For the medium-term, he is considering a merger with another tailor who has 21 machines. He thinks he could become part of a garment factory and mass produce for the outside/export market.

3. Management Skills

He keeps receipts but does not seem to keep detailed accounting records. He was frustrated when he went to the NRDF and had to wait a period of time and keep books. Still he is looking into expanding his space and possibly his business through a merger. This might suggest that he does not enjoy the day-to-day hassle of "managing" his employees. He also complains about not being able to always provide his contracts on time. In short, Morris seems to prefer making clothes rather than managing his shop.

4. Sales

80% of his sales come from contracts with the following companies: the Water and Sewage Authority (WASA); LUCELEC (electrical services), City Council, WINERA. The contracts range in value from $4,000 to $21,000. The rest of his sales (perhaps $20,000) comes from individual customers and smaller contracts.

5. Prices

Morris claims that his prices are competitive although the $70 price for pants and shirts in the contract seem a bit high. Still he has a lot of customers coming in even though he is tardy with them at times. This poor service could affect his clientele in the future.

6. Competition

Doesn't appear to be a factor since the bulk of his sales come from contracts which depend on whom one knows.

7. Critical Issues

Morris has made the transition from the informal to the formal sector. He has taken 2 loans from Barclays Bank, has a large store and employs 8 people. In order to grow in this sector and start a "garment factory" the key constraint for him will be management skills. His partial record keeping and haphazard time schedule for customers will not be adequate, especially if he plans to go into a merger. Morris is a good tailor with a good product. Outside his contracts, however, it is unclear how good he is at marketing and managing his business.

In addition, he will need more reliable working capital. He will either have to develop this through his contracting arrangements (which will require more careful scheduling) or through more flexible arrangements with the banks.

NAME: Ryan Click

DATE: May 28, 1987

BUSINESS: Fireman/Block Maker

LOCATION: Pavee Hill, Castries

1. Background

Click works fulltime as a fireman employed by the St. Lucia Fire Service. This however affords him a fair amount of free time in which to engage in his hobby and second job of block making. From his house at the back of the Pavee Hill, he produces concrete blocks for house construction, using local sea sand, 1/2" crushed stones and imported cement. He obviously enjoys his part time work and finds it immensely rewarding both financially and psychologically. Fireman Click is married and has seven children.

2. Business Strategy

In response to questions from this survey, it was clear that the respondent enjoyed his status as a fireman and was in no way prepared to give it up to devote his energies full time to the block making business. Quite apart from the financial security provided by the salaried position, was an obvious pride in his uniform and enjoyment of being a fireman. From that view point therefore, the block making business would only be used as a means of earning a supplementary income which allowed him to save his salary in the Police Co-operative Credit Union, where he had built up a sizable savings account.

Apart from the block making business Click operates a number of overlapping businesses. Using his skills as a welder he purchases old vehicles which he modifies, fixes and then uses either in his block making business or for passenger transportation. He also manufactures burglar bars and furniture using wrought iron steel rods. At present he seems content to continue on his present path with no immediate plans for expansion.

3. Market Structure

Click's business location can be seen as a mixed blessing. Situated away from the main road, in a spot only accessible by traversing a muddy trail of approximately 200 yards , both raw materials (i.e. sand, cement, etc.) and the finished product must be transported manually to and from the main road. This is not only inconvenient and costly but it also diminishes the visibility of his product to the potential clientele.

On the other hand, because his business is situated at the crest of the Pavee Hill (one of the steepest residential areas around the city) his business enjoys a relative advantage of having a captive market amongst his fellow residents in the neighbourhood on the hill. Presently his production is completely demand oriented i.e. he produces in response to the requirements of the consumers in the area. Operating as he is, on a part time basis without any regular paid help, it is pointless for him to further advertise his business since he can barely keep up with demand at the present time. There no doubt exists a fair degree of scope for expansion.

The product is sold according to a nationally set price. His inputs of cement, sand and stone are available at a stable price. The other variable cost of transportation is fairly low since Click owns and operates his own pick-up truck. Due to the scope and nature of Click's operation, labour costs are kept to a minimum since Click mostly hires on a part time basis.

4. Management Skills

No records of financial dealings are kept by Click. However, working by "rule of thumb", Click seemed pretty well organized and satisfied with his production cost which he estimates at $80 per 100 blocks produced.

5. Cost Structure

Click produces 3 sizes of blocks, 8", 6" and 4" which are priced at $2.00, $1.50 and $1.30 respectively. His average production runs at 700 per week. Given an average price of $1.50, his total weekly earnings amounts to $1,050 (700 x $1.50). His cost of production based on the weekly output of 700 being as follows:

(a)	Cement	- 23 bags @ $12.50	-	$287.50
(b)	Sand	- 8 bags @ $8.00	-	32.00
(c)	Stones	- 2 yards @ $35.00	-	70.00
(d)	Labour	- nominal transportation		80.00
(e)	Transportation	- 2 trips $20.00		40.00
				$509.50

Net weekly earnings from the block-making venture is therefore ($1,050 - $509.50) $540.50 or $77.00 per 100 blocks.

For the most part, Click carries very little overhead. His operations, situated in an open yard utilize no building or house space and requires no electricity. In terms of equipment, Click's

investment costs were nominal as well. The few tools such as pails, wheelbarrows, spades and block making forms were either modified and crafted out of scrap material, in the case of the barrels, or are relatively inexpensive as in the case of spades and pails.

6. Finance

Starting with a capital of $400 from his personal savings, Click has done remarkably well through the judicious use of his skill and his free time. To date he has savings in excess of $5,000, he owns a house and land valued at $14,000, equipment valued at $1,000+, in addition to which he can place most of his $1,500 monthly salary as a fireman into his savings account if he wanted to. In short, Click's has had and will always have available working and investment capital.

7. Critical Issues:

Ryan Click, buttressed by his secure job as a salaried state employee, has little or no motivation to become better organized or more productive in what is essentially a "side line" activity. However, given his penchant for fixing old things, be they old vehicles or block making forms, coupled with the limitless scope for marketing his product, it would be relatively easy for him to expand his block making business by hiring one or two full time assistants and organizing a transportation system to deliver the blocks to a market outside his immediate neighbourhood.

Click, however, prefers to assume rather than delegate responsibility. Also, Click's primary concern is not to just increase his net worth. One gets the impression that Click, despite his sharp sense to see market opportunities, does what he does for the pleasure as much as the money. When asked why he plans to sell his house at the price he originally paid for it eight years earlier rather than at the appreciated market price Click commented: " I got spent alot of happy years in that house, now its time for someone else to enjoy it at a reasonable cost."

NAME: Harry Jack

DATE: May 24, 1987

BUSINESS: Wine Making

LOCATION: Castries

1. Background

Harry Jack is primarily a banana farmer who works a one acre plot situated in the hill above the Ravine Chabot housing area. Following the downturn in the banana export business, he decided to attempt to maximize the use of his fruit by using it as a raw material in the manufacture of some saleable product. His wine making business got its impetus from a number of books on the subject donated to him by his sister in the UK. Jack's modest 2 room wooden house is surrounded on the outside by bananas and other fruit trees. The inside of his residence is jam packed with 5 gallon pails, large jars filled with brewing wine and other assorted paraphernalia used in his wine making craft.
Through trial and error he brewed banana wine which he sold to the local distributive outlets (supermarkets) in recycled quart bottles. For 4 years he did this in conjunction with a young man who was his partner. However, 2 years ago, a local alcohol distributor, Tony Price, with a flair for marketing and an established distribution network for teamed up with Jack and his partner. Along with this threesome was added a local saleswoman. The four established a company designed to manufacture, bottle and distribute fruit wines.

2. Business Strategy

Before Tony Price came into the business, Harry Jack's plans were relatively small scale. Tony Price, however, prefers to think big and he has the marketing talents open new markets. Specifically, the marketing and production strategy of Price includes:

* Provision of a new climate/atmosphere controlled housing unit
* Extensive taste testing amongst the potential consumers
* Design printing and importation of an attractive label from Trinidad
* Standardization of bottles and product quality
* Distribution through his already established rum network islandwide

* Integration of the product into the local tourist trade, and ultimately

* Sale of the product, first to St. Lucian communities overseas and then to the wider regional and international market

3. Market Structure

The market is new and so competition is minimal with only one other establishment producing wines in the south of the island. According to Jack, however, this winemaker is at rudimentary stage of production. While Jack originally sold the wine for $8 a bottle, Price thinks that the wine needs to be more price competitive with conventional wines. As such he is targeting a price of $5-6/bottle which is less than all other wines on the market but still allows for healthy profit margins.

Given the novelty value of a local wine coupled with its competitive price, it should do well as long as the quality and taste can be matched to consumers' tastes.

Sales projections in this new market are very optimistic (2-3,000 bottles per month) but will not be realized until the company imports some quality labels. In the meantime, the inventory is building up while mechanisms for continual production, bottling and distribution are being finalized. The product has been certified as being of an acceptable standard by the Government-run Food Technology Laboratory.

4. Management Skills

The business has the right balance of skills both in terms of management and production. However, if operations go as planned, it may not be too long before the need for better production techniques and know-how becomes an issue. If that happens the present team may have to appoint a manager from outside.

5. Cost Structure

The inputs for actually producing the wine is relatively cheap in relation to the projected selling price ($1.50:$5 - $7) which guarantees a high profit margin per bottle. However, there are numerous other costs such as purchase of empty bottles, stoppers, labels, fulltime help in addition to the overhead cost of electricity, water and general operating expenses which are not yet fully computed.

6. Finance

To date, the project has been financed as follows:-

-	Tony Price	-	$15,000	- purchase of pails, bottles and other equipment, as well as storage space
-	NRDF	-	$10,000	- additional operating expenses, cartons, etc.
-	OAS	-	$2,500	- Provision of initial set of labels

[$17,765.00 is still needed for the purchase of the air-conditioned unit to house production]

7. Critical Issues

The business is at a critical transition stage between being considered an informal micro-enterprise and a formal winery. While Price will have little difficulty in bridging that gap it is difficult to envisage a continued dynamic role in the new set up for the originator of the project, Harry Jack. Still, it is important for Jack to stick with Price since his entrepreneurial skill and experience is indispensable for the continued success and future expansion of the venture.

In order to ensure consumer acceptability the winery will have to maintain high quality standards. These standards are not uniformly in place, and as such the quality of the wine is not consistently of high quality.

Finally, if the wine does sell well, it is not certain that Jack and winery will be able to match projected demand for the product.

NAME: Ivan Lewis

DATE: May 24th, 1987

BUSINESS: Bakery

LOCATION: Bocage, Castries

1. Background

Ivan Lewis is a young Seventh Day Adventist baker struggling to make ends meet and support his young unemployed wife and two young children. Despite his obvious skill as a mason and carpenter-- he has constructed himself a very basic though grossly inadequate and unsecured dwelling house/bakery combined-- Lewis is in debt and his business is not doing too well at the present time. For 10 years he worked with his father in the family bakery until he decided to start his own business with a loan from a church friend and materials on a credit/pay later basis from a local business house. Lewis' business is located at the side of the road on what can be considered very hazardous terrain, prone to landslides in the rainy season. It is in close proximity to the new local SDA church. On approaching the business there is no visible sign indicating to potential customers the location of a bread shop. In addition, the path leading to the bakery is overgrown with weeds and is slippery on rainy days. On top of it all he doesn't have any electricity at his house.

2. Business Strategy

Lewis does not own the land on which his business is located. He currently rents it from the owner who resides in the U.S.A. His goals are many and they include: outright purchase of the land (or at least secure a long-term lease); complete the construction of his house; make himself mobile so that he can sell his product outside of his immediate neighbourhood; get electricity at his house; and secure a $8,00 loan from NRDF to buy a new electric oven.

3. Market Structure

Because of the nature of his product and his lack of mobility (he recently acquired an old car) he must produce strictly in response to the consumer demand in his immediate neighbourhood. Lewis's primary competitors are the larger bakeries in town that make daily deliveries to the area in vans. Aside from Lewis's bakery, there are no other permanent bakers in the area. Presently there are no other bakers in the area. Lewis bakes twice daily, except on weekends when he does not work on Friday evening

through Saturday and bakes only once on Sunday evenings.

The price of the main raw material, flour as well as the finished product, bread is government controlled. There is usually some demand for freshly baked creole bread but it has to be available to the consumer almost immediately after it leaves the oven, and on a regular reliable basis.

Lewis purchases his flour and other basic inputs on a piece meal retail basis as opposed to most other successful bakeries who acquire their flour in bulk from the Government raw supply depot. The location of the bakery is inaccessible and is a definite deterrent to the future development/growth of the business.With no sales outlet other than in the bakery, there is need at least for a roadside outlet with a sign attached.

4. Management Skills

Lewis does all the mundane chores of book keeping and etc., However, his lack of land tenure combined with his lack of marketing seem to keep him from realizing greater success. For instance he cannot qualify for an NRDF loan because he does not own the land. Banks have turned down his request for a loan to purchase the land since they are not convinced he can meet the $500 monthly repayment. In fact,most of his profit is currently taken up with trying to complete his home and keep up the payments on loans from friends. He employs no help and relies heavily on his wife who helps with the books and other such management functions.

5. Cost Structure

The bakery is fueled by burning wood which is purchased from the surrounding countryside. On average $10 of wood is to used bake one day's worth of bread (600 loaves). Apart from the import for actually producing the bread, no other overhead cost is incurred saved the land rent which is $12.50. The cost structure including value of imports and total weekly sales breaks down as follows:

<u>Inputs</u>

Flour 1-1/2 bags at $64 per bag	-	$96 X 5 days	=	$480
Yeast and other additives	-	$3 X 5	=	15
Wood	-	10 X 5	=	50
Rental			=	12.50
Total Weekly Expenditure				$557.50

Output

500 Loaves @ $.25 X 5 days $750.00

From the above, Lewis's weekly earnings is in the vicinity of $193 - $200 weekly.

6. Financing

There are two outstanding loans to be paid, one is a loan, the amount of which was not disclosed, from a church friend and the other is a balance of $500 from a local business house for the purchase of building material. At the pay back rate of $200 monthly this should shortly be paid off. Lewis has been able to save money and recently purchased a used car for $1,500.

7. Critical Issues

The question of location of the business must be resolved as quickly as possible. No infra-structural improvement can be made since he does not own the land. His first priority therefore is to get $7,500 for the purchase of the property. Following this he can then complete his house, improve the working environment and build a shop (outlet) on top the house nearer the main road. The plant is running below capacity at present but he can optimize increase sales through better marketing (putting up a sign). Once he establishes his sales through the fixed premises, Luison can diversify and expand his distribution network to include people presently served by the mobile vans of the in town bakeries. Unlike the existing mobile vans, Lewis should be able to use his neighborhood contacts to expand his customer base. Aside from his location, the keys to success will be reliable supply and high quality.

NAME: Noel Mays

DATE: May 25, 1987

BUSINESS: Joiner

LOCATION: Black Mallet Gap, Castries

1. Background

The joinery shop occupies a dugout space beneath the owner's sister's house with barely enough space to stand upright, measuring approximately 6' x 12'. The shop is in a poor neighbourhood inhabited by rastafarians and is a long way from the main road. On entering the workshop 2 glistening new pieces of equipment, a lathe and bandsaw are in evidence, tools are laying about the ground in a disorganized manner and a sample of Mays's workmanship, an incomplete 3 piece wooden settee is also present. Mays who recently returned from Trinidad after 6 years as a carpenter there was able to acquire a loan of $9,000 from NRDF for the purchase of the equipment on the strength of government contracts which he had. These plans have not materialized and as a result his loan with NRDF is four months overdue ($300 monthly). Right now he is contemplating a merger with another joiner in the neighbourhood in an attempt to save his business. His other option is to give up joinery and hire himself out as a carpenter doing finishing work on construction sites.

2. Business Strategy

His present plan is to acquire some money with which he could purchase material to produce furniture which he hopes to sell to Courts. Given his apparent lack of skill and his financial situation that does not seem likely. In the meantime he is idling away his time and the equipment is lying there greatly under-utilized.

3. Market Structure

Having acquired the loan on the basis of a supposed contract which has not materialized, and without displaying any demonstrable skills as a joiner, it appears that Mays has equipment which is beyond his ability or skills with which to make a living in this highly competitive field. Our observation and comparison with other wood workers revealed that

- the varnish was rough and lumpy, instead of yielding a smooth polished surface

- despite the possession of a wood turning lathe (better than most others we saw) his wood cuts had sharp rectangular edges instead of a smooth rounded finish

- Mays himself did not exude any measure of confidence or optimism about his work

- after one year in business he could not indicate when he had done a major piece of furniture.

4. Management Skills

No books are being kept and therefore no record of his business transactions are available, despite stringent NRDF guidelines requiring them. Mays seems determined to continue trying to be a furniture manufacture when he should consider other options in an effort to meet his loan obligations. 100 business cards have been printed at the cost of $40 but they have not been distributed to potential buyers.

5. Cost Structure

The business is currently carrying a very high overhead cost with no returns. The monthly electricity bill is $50 (though that should lessen significantly given his long spell of inactivity). he he has loan obligations of $380 monthly. His inventory holdings are nil and he has no labour costs.

6. Finance

Apparently Mays had no start-up capital. He has no money of his own nor does he have access to any other sources for working or investment capital.

7. Critical Issues

In general terms all of Mays's business is one big crisis. More specifically the key issues that he may, although probably, won't be able to resolve are:

* Very low level of skills which cannot be remedied in the immediate future.

* Poor location, in the general Marchand area where at least 10 other competent joiners operate

* His being a relative new comer on the St. Lucian scene and not having any personal contacts or an established reputation

Perhaps the only way for him to salvage his business will be join forces some of the more established joiners in the area who do not have his modern equipment. In this way he will learn some skills, get exposure in the market and possibly be able to find a better location. Other than that he should hire himself out as a carpenter on construction sites and forget the joinery business for the time being.

NAME: Hilda Mahy

DATE: May 25th 1987

BUSINESS: Hairdresser

LOCATION: Marisule, Gros Islet

1. Background

The business is located in an apartment house whereMahy lives about a mile from the main Gros Islet highway. It is impossible to find the business, located down a steep incline near the beach, unless specific instructions or directions were given before hand.

Originally,Mahy first intended going into the business of importing hair products for resale to St. Lucians. Financing was difficult to obtain,however, despite acquiring sole distributing rights from the British production firm.Mahy could only receive credit if she could get a guaranted clientele willing to deposit 50% of the cost of their purchases before hand. This was not possible and so having received training in hairdressing in Britain, she decided to start her present business.

2. Business Strategy

McIntosh does an average of 20 customers monthly when business is good. Her immediate priority is to open a shop nearer to the highway with a higher visibility and easier access. In this way she plans to increase her clientele by 50%. Until then, she plans to maintain her core of regular customers through providing personable and expert services.

3. Market Structure

There is at least one other recognized/established hairdresser in the immediate vicinity of her proposed new location. It appears, however, that the market is large enough for the two.

At present, almost all ofMahy's customers are friends of the family,or friends of those friends. Given her poor location,her customers contact her by telephone and most of them come in on weekends or during special occasions. If she can locate her business closer to the highway, she should be able to expand her customer base beyond her own moderate expectations.

Besides pricing her services a little below the competition,Mahy's principal comparative advantage over the services she provides. Unlike her competitors, she provides other services such as meals, drinks and a relaxing atmosphere as

well as the sale of a limited amount of her hair care products. She values her labour at $10.00 an hour, much less than what she would get in England but competitive for St. Lucia.

4. Management Skills

The business is well managed and is based on the concept of paying for her housing bills i.e. rental, telephone and electricity. Mahy has a good business sense as is evidenced by (a) her decision to take a day trip to Martinique to purchase her hairdressing equipment and (b) the bulk purchase of hair care material for resale to her clients. Her books and financial records are well kept.

5 Cost Structure

Because her line of business depends on the telephone, equipment and fixed premisesMahy's overhead represents more than 75% of total expenses. This high overhead combined with a low and fluctuating revenue stream, make it difficult forMahy to maintain a positive cash flow. It is estimated that her net monthly income is around $31.

While this would be oppressively low for most microbusiness persons, it is not a big concern forMahy. Her husband is fully employed and her business expenses are actually household expenses since she runs the business out of the house. As such, at a minimum the business helps to cover housing and utility bills. In addition the time in the house leaves her with sufficient time to be a housewife and mother to her three young children.

6. Financing

The business started with equipment brought back from the UK and Mahy's personal savings. The additional equipment was financed with a loan of $4,000 from NRDF. Her total assets in equipment (apart from the $4,000) is the UK equipment - $1,600, hairdressing material ordered, i.e. inventory - $1,400 and other equipment - $1,000. Any additional financing needs should be covered by her family income.

7. Critical Issues

The Location is completely unsatisfactory if she intends running a serious profitable full time business. She therefore needs to acquire this new shop by the roadside for which she is prepared to pay a monthly rent of $300 - $400.

Despite her obvious skills, one issue may be a lack of drive. In general, Mahy leads a comfortable lifestyle off her husband's income. If and when she moves she will be incurring more risk (rent and utility bills that are not part of household expenses) and will have to be more aggressive in trying to attract customers.

NAME: Leon Harries

DATE: May 25,1987

BUSINESS: Sea Moss Vender

LOCATION: Castries

1 Background

Leon Harries is a typical ghetto band leader. He is independent and cherishes that more than anything else. With his self-employed status and apparent prosperity relative to his general surroundings and deprived neighbourhood, Harries can earn a decent living and still find time to hang-out (lime) with the scores of unemployed young men in the area who form part of his clientele. On arrival at Harries's house on a Monday afternoon at 3:30 p.m., he was playing dominoes with a group of friends whilst a stereo inside his home blasted out reggae and calypso tunes. There were no signs indicating the direction to his house and indeed none was needed since he is well known to all the likely customers who will patronize his business. The other aspect of his business ,catering to business offices in the city, is mobile. It cannot be said that Harries was uncooperative but he certainly was distrustful of 'outsiders' meddling in his business and as a result his responses were very guarded and not very revealing.

Harries started in this line of business after he was dismissed as a driver/deliveryman at a local wholesale outlet, CIMPEX. Based on the hard work he did then and the $600 monthly salary he received, he believes being fired was a blessing in disguise.

2. Business Strategy

Harries makes a good living off his sea moss business and he has little ambition to tinker with it. In general, Harries' strategy is to keep his business as simple and routine as possible. His ambitions are straightforward--make enough money to be able stock up on beer, buy some good music and have enough free time to play dominoes.

3. Market Structure

Harries buys local unprocessed seamoss from the fishermen on the Eastern and Southern coasts of the island which he prepares by using additives. He then bottles it in a quart or nip bottle. The quart bottles are sold for domestic consumption whilst the nips are sold to offices chilled for immediate consumption during the workers morning break between 9:00 - 10:30 a.m.

The business is simple indeed. He prepares his seamoss which is bottled the previous evening. This is then stored in a refrigerator. The following morning the bottles are packed in cellophane bags with some ice and Harries rides a bus from La Clery to the city centre. From there he does his rounds on foot distributing his product from office to office. By 12:00 noon his rounds are completed and he is back home, ready to play dominoes.

It is logical to assume that Harries's clientele buys some of his goods on a credit/monthly pay basis. In this way he is guaranteed a steady clientele and monthly income. His pricing policy is based on what the market can pay. A nip of seamoss for $2.50 seemed reasonable and perhaps was based off the price of a beer.In any case, the nip bottles have always sold out at that price, and that is good enough for Harries.

The raw material seamoss is purchased in bulk during the in season and stored for use when it is out of season. 150lbs is the anticipated amount required before for use during the months of August through to December.

4. Management Skills

No record of financial dealings are kept but Harries is obviously very shrewd and has integrated a several complementary lines of business including the sale of beer and soft drinks. The idea of purchasing a cart did not quite appeal to him and he seemed quite content to go on carrying his bag around the city streets. He would like to purchase a freezer at some future point. he had previously given some thought to the idea of purchasing plastic disposable cups but he dismissed it as being cost prohibitive.

5. Cost Structure

His overhead consists mainly of rental $25 monthly and electricity $50. His production costs, i.e. raw materials (seamoss), milk, sugar and spices averaged $668 monthly. His sales based on the production of 50+ bottles daily, at $2.50 amounted to approximately $3,000 monthly which left him with a net profit of $2,332, a more than decent income by St. Lucian standards.

6. Finance

Harries does not seem to have any other outside source of financing nor does he seem to require any. Any profits made are re-invested in the business on a daily basis.

7. Critical Issues

As long as the quality of his sea moss remains acceptable to the customers, he should have no problems in maintaining his current sales level. Because of the apparent stigma attached to pushing a cart, Harries might, if he chooses to expand, hire someone to help. For the present though he seems very happy and satisfied with his business.

NAME: James Jackman

DATE: May 25, 1987

BUSINESS: Typewriter Repairman

LOCATION: Regis Building, (Desir's Cnr.), Castries

1. Background

Jackman rents work space in the Regis building on Chaussee Rd. His potential customers must go through 2 gates and around the back of the building facing the Castries river in order to locate the business. Most of his work is done on his clients' premises.

Jackman returned to native St. Lucia 15 years ago after gaining a certificate and much useful experience as a typewriter technician after 13 years in the UK. Upon his return he worked for Bryden & Partners, the then leading office equipment supplier in the state, from 1974 - 1983. He left after a pay dispute, determined that he could do better for himself as a self-employed technician.

2. Business Strategy

His present clientele consists of a few secretarial schools, some government departments and other offices within the city. For some strange, undisclosed reason he seems reluctant to secure permanent government contracts. His strategy is mainly reactive in that he only responds to calls for his services when business machines have actually broken down as opposed to having regular contractual arrangements for maintenance work.

Jackman is at a major disadvantage in the business machines repairs business because of his lack of expertise in electronic typewriter maintenance. He plans to pursue a short course in that field as soon as an opportunity presents itself.

3. Market Structure

There are at least 3 other major competitors in the field for what is essentially a limited market. Jackman has been able to secure some share of that market largely from the government which accounts for 75% of his clientele with the remaining 25% comprising private individuals. He thinks that he is priced below the competition at $25 for manual and $35 - 40 for electric typewriters. The market is changing very quickly. Between 1983-1986 the proportion of manual to electric typewriter repairs was even, and since 1986 the proportion of manual typewriter repairs has increased to 60%. Jackman contends that more businesses use

electronic typewriters in place of electric typewriters, and consequently the percentage of electric repairs has decreased. This shift in the market has been reflected in a decrease in his service earnings.

4. Management Skills

He is aware and astute enough to realize that the future in this field is shifting toward electronic repairs. He shows good strategic thinking by seeking avenues for training in the maintenance of electronic machines. His decision to take a highlighted ad in the business machines section of the yellow pages (telephone directory) also indicates some sound business management techniques. He presently employs a young apprentice whom he claims has the aptitude for this kind of work unlike a previous one he had employed.

5. Cost Structure

His overhead cost comprise payments of $150 monthly for rent, plus an additional $5 to the landlord for electricity, and $79 for telephone. His labor costs are low as he only employs and apprentice at $100 per month. His total fixed costs are more than 50% of total costs.

If one includes the cost of transportation, ie. using his motor car to move from one location to the next, his stated average monthly income of $800 does not leave him with much of a profit.

6. Finance

The initial cost of purchasing equipment valued at $1000 was acquired from his personal income. He has since been able to purchase a used car for $4,000 and to build a house values at $10,000. In any event his business does not require any heavy capitalization.

7. Crucial Issues

He quite rightly refused NRDF's offer of a loan. In order to keep abreast of technological changes in the market place, Jackman needs a short, intensive course in the maintenance of electronic typewriters.

In order to provide a steadier income stream, Jackman should also work on marketing his services to government agency on a contractual basis.

NAME: Guy Jamal

DATE: May 26, 1987

BUSINESS: Auto Body Repair

LOCATION: Bexon Highway (near Jamal's Garage)

1. Background

Guy Jamal is the younger brother of an established body repairman, Peter Jamal. Guy used to run a transit bus service on the route between Denery and Castries. Now he has followed in his brothers footsteps, after a spell of working and learning the trade at a garage in the city. 18 months ago he purchased some equipment with a loan from NRDF which is now fully paid off. His "garage" is a piece of land on the side of the road next to his sister's house. His own house is a little further up along a dirt track. When work is plentiful to keep him occupied he stays by his sister's house working on cars. During slack periods, which is 50% of the time, he walks over to his brother's business,a hundred yards away. on a piece work basis. Jamal has a wife and 5 young children.

2. Business Strategy

Jamal intends to build his own body repair shop on family land a short distance away from his present location. He believes that his skills and prime location on the main Castries to Vieux Fort highway will allow him to make the final leap to make an independent business successful. When he is in his own shop he works long hours, ranging from 10 - 11 hours daily.

3. Market Structure

Most of Jamal's customers can be described as friends and consequently his price fluctuates for jobs depending on the means and his relationship with the client. Since he began 18 months ago, 3 new auto body shops (apart from his brother's) have been established in the area resulting in a probable decline in his business in the region of 25 - 50%. Despite this competition, Jamal has done little to attract customers to him. He does not advertise and the only way to know that he has a "business" if one knew him personally or happened to see him working.

4. Management Skills

As a successful "graduate" of the NRDF credit and technical assistance scheme, Jamal keeps good records of his business activities. On the marketing and publicity side though he seems rather relaxed and complacent. He perhaps is in no rush to

promote his business since he is guaranteed of being able to do piece work for his brother.

5. Cost Structure

When he is working for himself he averages about $500 in revenues per week,out of which he spends $300 on materials + $12.50 for electricity ($50 a month). With the use of family land, and little overhead Jamal is guaranteed of maintaining a positive cash flow. In addition, his work at his brother's garage allows him to save over $1,000 a month.

6. Finance

He is now trying to raise $7,000 to build his new garage on family land which he has title to. With the recent sale of his Honda motor car for $4,500 plus his credit worthiness, the balance of $2,000 should not pose any great problem. Like many workers in a similar line of work, materials are either purchased by the customer or an advance is required for the purpose before work can proceed. In terms of capital investments he already has the necessary equipment.

7. Critical Issues

The central issue here is whether Jamal can leave the support structure of his immediate family and run a garage on his own. Most likely, given the location of the garage and the technical assistance he received from NRDF, he will probably be able to do fairly well. In the future, however, he will have to learn how to respond to new competition coming into his market area. For this, he will have to develop his marketing skills.

NAME: Juan Stanley & Clyde Skeete

DATE: May 26, 1987

BUSINESS: Tyre Repair & Auto Body Shop

LOCATION: Dennery

1. Background

The shop is visible from the highway along the Dennery bypass. The absence of a sign,however,minimizes one of the principal comparative advantages of the business--its location. Despite this oversight business is pretty good for Stanley and Skeete.

The business started in 1982 as a tyre repair shop with assistance from the then functioning youth support scheme organized by the Ministry of Community Development. This community development fund provided a parcel of crown lands to lease at a minimal annual rental plus a loan of $9,000 for the purchase of equipment. Two years ago the business diversified into auto body repair.

The work area consists of an enclosed storage area, a covered shed and a makeshift tarpaulin - covered shelter. The two co-owners are assisted by 3 young men, one who is a relative and the other 2 apprentices.

2. Business Strategy

It is intended that the business diversify more strongly into auto-body repair. The owners have developed a sound business strategy whereby the assistants handle most of the tyre repair business--the low profit margin, high volume and steady revenue maker for the garage--while the two owners devote their time to the more profitable but less reliable auto body repair work.

3. Market Structure

Since the business began in 1982, at least 3 new tyre repair shops have sprung up in the area cutting back on their business by some 50%. Their pricing policy seems to be set just below the competition although they have yet to experiment with dropping their price in an attempt to secure a greater share of the market. Most of their clientele either just drives in off the highway or, as in the case with the majority, are residents of Denney.

4. Management Skills

Stanley and Skeete have been fairly astute in identifying and trying to capitalize on a market opportunity. Although they are not specially trained to provide refined auto body work, their talents match the needs of their primary consumer group--farm vehicle owners who only need crude repairs done.

The two owners have also demonstrated good business sense in employing cheap apprentice labor to take care of the extremely price competitive tyre repair market.

On the otherhand, as stated at the outset, the two owners have very little sense for promoting their business. They are also without telephone because they allowed a friend to make overseas calls that were never paid for.

5. Cost Structure

The average cost for repairing one tyre is $4.00. On average 300 are repaired monthly, yielding (300 x 4) $1,200 which accounts for more than 50-60% of their total earnings. The total fixed labor costs expended for these revenues is between $50 -100 per month (the owners pay their apprentices pocket money and nothing else).

Another $650 is generated from auto body repairs. From this the following expenses must be met:

* Rental - $110 <u>annually</u> to Government
* Electricity - $75 monthly
* Telephone - $80 monthly

which totals $215, thereby realizing a profit of $1,635.

6. Finance

The business received all the needed start-up capital ($9,000) from the Ministry of Community Development. In the interim little or no operating capital has been necessary.

7. Critical Issues

As the tyre repair market becomes more competitive, Stanley and Skeete's market share will continue to shrink unless they begin to market their competitive prices more aggressively. In the future, it will be critical for them to publicize their business and attract new clients if they are to remain competitive.

Similarly, the growth of the auto body repair will require better marketing and investing in more permanent and water proof garage facilities. If the owners ever consider expanding into the household car market then they will require better skills and facilities. They will also have to advertise so that they capitalize on their prime location near the highway.

NAME: Betty Lion

DATE: May 26, 1987

BUSINESS: Pre-School

LOCATION: Dennery Village

1. Background

The single room wooden structure which is the Apostolic Faith Church building measures approximately 20' x 15', roughly the size of an average classroom designed for 25 - 30 children. In this same space is jam packed 1 black board, an alter which occupies up to 1/3 of the space, 2 teachers and 65 children of pre-school age. Lion, who used to be a teacher in the government service until she lost her job 6 years ago following her second pregnancy out of wedlock, is the school principal. The walls have no space for hanging teaching aids or other educational material and the unsealed galvanized roof is unbearable when the sun is shining. Conditions at the school must be worse when it rains, with noise overhead and the doors and windows all shut. She seems well contacted within the circles of the ruling party and she has been assured by the Prime Minister himself that upon completion she will be allowed to organize her classes at a multi-purpose centre that the government has proposed to build. She had applied to NRDF for a loan of $4,000 to purchase furniture. This has not materialized, however, because of the lack of a long term secure premises and a clear established management structure.

2. Business Strategy

Her basic approach is to wait for the completion of the multi-purpose centre which will house 100+ children, after which she will expand her staff and change her hours. Lion claims to have unsuccessfully looked for other building space. Aside from moving, Lion is unable to expand her present premises.

3. Market Structure

There is another more successful community organized pre-school in the area which is organized by the local mothers' group, but the market is large enough with present demand for admission far exceeding her capacity to accommodate them. She claims to have had 82 applications at the start of the current school year.

Lion bases the price of her services off of what the market leader--the mothers' group pre-school--charges. Whatever the mothers'group charges Lion charges $5-10 less. Five years ago, the other pre-school charged $15 and Lion charged $10. Today,

the respective prices are $30 and $20. The mother group's comparative advantage is the services provided--all day sessions with a meal included. Lion's only comparative advantage is her cheaper price.

4. Management Skills

Lion needs no publicity to attract new students to her school but the image of the institution might benefit from some public relations in the village. The present composition of her board, which seems very week and pliable might be both a good and a bad thing. If it were too strong it would dictate future action at the school but also provide much needed mobilization of community resources which is presently controlled by her competition. She does not enforce a system of advance payments, which in the past many parents have reneged on. With the help of peer pressure from the board members, however, today she receives a greater percentage of outstanding fees.

5. Cost Structure

The school started with less than $100 with which she purchased operating materials eg. chalk, toilet paper, etc. At present her overhead and fixed costs are nominal, consisting of $50 monthly for rent, and around $300 paid to her assistant. If she was able to collect all the fees due she would gross approximately $1,300 (65 children @ $20). Due to bad allowances, however, she probably gets around $1,000 at present. Her personal savings average $220 monthly.

6. Finance

The only significant financial requirement will arise when she has to move into the new multi-purpose building. If this materializes, Lion will need several thousand dollars to finance the purchase of furniture.

7. Critical Issues

The new board should be used for greater and more effective fund raising in order to build the furniture before the building is completed. Furthermore, Lion should try to lobby community support so that she can move into the community center after it is completed. At present, Lion is relying exclusively on the Prime Minister's election promise. This,however, does not represent a formal guarantee.

NAME: Cheryl Nicks

DATE: May 26, 1987

BUSINESS: Sewing & Boutique

LOCATION: Peynier Street, Castries

1. Background

Nicks does much of her sewing at her house in La Clery. Ever since she left her secretarial job at the Government-run girls' centre five years ago, she has been doing what loves most to do--sewing. She enjoys using her natural flair for design and sewing as well as the independence it affords her. She owns two sewing machines, one she uses at home and the other at her shop in the city. Three years ago she decided to establish her boutique in rented premises in the city. Since that move she has diversified her line of business by retailing school materials books, rulers, candies-- to the children at the nearby schools. She also sells cosmetics and inexpensive costume jewellery.

2. Business Strategy

The business is now fairly supply oriented as Nicks has moved away from her initial mode of operation of supplying on demand, and kept an inventory of clothing in her store. At one point she sold printed T-shirts but has since stopped because of competition.

Aside from enlarging her present product line and local market share, Nicks envisions , at some point, expanding her market scope to include regional markets. On the road towards achieving that, Nicks would first like to enlarge her shop and hire two to four new girls to help out in production. She plans to use this semi-factory production to produce for her main line of business--dresses for the lower and middle income consumers. In addition, she plans to operate a knitting machine which produces dresses for the upper end of the market.

3. Market Structure

Her clientele is made up friends and people who have heard of her reputation. Her prime location in the center of town, though, also attracts tourists. Her primary comparative advantage is her reputation for producing unique dresses. Unlike her competitors, Nicks never produces more than two similar dresses in any one color and style.

While her prices are stable, her sales are not. Most of her sales occur on festive weekends, particularly Christmas, New Year's and

Easter. She thinks that her prices are competitive and generally bases her pricing off of the time it takes her to make a dress. She values her labor at $15 - $20 per hour, the going market rate.

4. Management Skills

Nicks keeps good records of sales and purchases,and she has tried to even out her revenue stream by diversifying into other less seasonal product lines (school materials, candies). In general, however, she lacks any mechanism for publicizing her work although she realizes the importance of doing so.

5. Cost Structure

Her sales fluctuate between $10,00 during the good months (December) and $600 during the hard months (August). The business is opened 6 days a week and most of the sales occur between Friday afternoon and Saturdays.

Despite her prime location in town, Nicks' rent and other fixed costs represent only 25% of total costs. She pays only $140 for a full time assistant. This is nearly $100 below the average monthly labor rates for other microbusinesses.

6. Critical Issues

Nicks is at the transition point of crossing over from the informal to the formal sector.
Nicks would like to open a factory employing perhaps 4 girls. The key challange will be for her to expand her production potential and market base without sacrificing the comparative advantage that attracts her present customer base--the uniqueness of her dresses.

As the business gets larger, Nicks will also have to improve her management skills. She will have to try and achieve some economies of scale by bulk buying. This in turn will require cash management. If her fixed costs increase she will need to manage her "bonanza", high sales months in such a way that she can survive the lean months.

NAME: Eddie Thomas

DATE: May 27, 1987

BUSINESS: Couturier

LOCATION: New Dock Road, Vieux Fort

1. Background

The name Eddie Thomas is a couturier. He seems to be good at his job with the majority of his women customers satisfied that he can empathize with and therefore respond to their needs and tastes in dress. The business is doing very well and from our conversation with him, he seems to recognize that there are plenty of business opportunities to be exploited.

2. Business Strategy

Thomas has established a sound position in a variety of markets including: the local market for which he produces dresses from cloth brought to him by his regular clientele; the tourist market for which he produces a variety of dresses and distributes through his sister who is a beach vendor. He has made some attempts at producing for the export market in neighbouring Martinique. With his easy style and quick service, business is booming in the local market, and just beginning to show signs of high growth in the other markets. Thomas is rightly waiting to fully expand his share of the local/tourist market before he actually tries to export to the regional market.Until he employs more people and establishes a semi-factory production line, Thomas knows that he can't achieve the volume levels needed to supply both his traditional local market as well as any regional markets.

3. Market Structure

In the Vieux Fort area, Eddie Thomas is the market leader in terms of producing dresses. Until now he has captured mostly the local lower to middle income consumer groups in town. In the near future, he plans to try and capture some of the upper end of the market as well. Thomas will do this primarily through targeted and mass marketing.

Specifically, he plans to establish a fashion show at least once a year so that people can see his clothes modelled. Coupled with that he plans develop paid advertisements on national television.

If and when this marketing strategy begins to bear results, Thomas will expand production eg. hiring more staff, get an outlet in the heart of town as well as start a small sewing school which will not only provide additional finance but will

also provide additional cheap labour. Because he is adept at working all types of materials his range of goods and clientele are limitless and at Carnival time he stands out as one of the outstanding dress designers during the annual pageant.

4. Management Skills

No books are kept which could prove to be a major constraint if Thomas ever becomes more production oriented. At present, however, there is little incentive for him to be more cost effective or to budget. Based on his ideas of marketing and design, it is safe to assume that his management skills are well developed.

5. Cost Structure

Similar to other microbusinesses with incomes over $1500 per month, Thomas's business benefits from extremely low overhead and labor costs. All of Thomas's business is carried out of his mother's home, on which Thomas contributes a couple of hundred dollars to household expenses. In terms of labor, Thomas has his mother to answer the phone for him and his sister to sell his dresses on the beach. The only cost for this labor is the commission he pays his sister.

6. Finance

The business currently owns 4 sewing machines values valued at a total of about $7,800. Thomas has just received a loan from NRDF for additional equipment and supplies.

7. Critical Issues

Thomas has all the skills and marketing concepts to expand and diversify his lines of business. He must be careful, however, and not try to expand too quickly. Already, his marketing plans are geared towards a market that, if it responds quickly, Thomas will not be able supply to. As the sole producer of his dresses, there is no other labor lined up to meet demand from outside the Vieux Fort area. In addition, the experience of hiring labor will be a new one for Thomas and he will consequently require assistance in learning how to keep records of labor expenses and bulk purchases.

NAME: Albert Epson

DATE: May 27, 1987

BUSINESS: Autobody Repair

LOCATION: Mangue, Vieux Fort

1. Background

Epson works in the shop of a friend who allowed him to share his garage space after Epson experienced some difficulty at his previous location near the market in downtown Vieux Fort. His present workplace is situated in the area normally referred to as the Mangue, a squatters settlement which has been threatened with demolition by building officials on numerous occasions. The garage and 2 others like it are typical informal "roadside" garages being set up on any spare land that is available near the roadside. Though Epson is sharing this person's shop, he has his own crew and tools and is presently waiting for positive developments in relation to a plot of land which he intends to lease from the government.

2. Business Strategy

There is no formal lease/rent agreement with the owner of the garage but he no doubt benefits through shared labour, materials and tools. Epson's business orientation is very forward looking. He not only plans to establish a garage at his new site, which is located at the junction of the road leading to the Vieux Fort Industrial Estate and the Laborie Highway, but also a snack bar which will supply refreshments for the hundreds of factory workers who frequent the area. For both lines of business--autobody repair shop and snack bar--the location is ideal.

3. Market Structure

A garage situated at the proposed site will be well placed to cater to the needs of motorists from a wide catchment area including Vieux Fort, Laborie, rural Augiere, as well as the Black Bay housing area, which houses government officers stationed in the south. There are at present no other autobody repair shops in the area and so his competition will be minimal. It will be interesting to check on Epson's progress after his first year of operation to compare the performance of the snack bar and the auto shop. It might just turn out that the bar could be so successful as to encourage faster expansion then the main line of autobody repair work.

4. Management Skills

Epson comes across as being a very uncomplicated and reliable workman. Based on the payment performance of other loans he has secured from local commercial banks, he is very good at managing his finances. His decision to move out of Vieux Fort town into virgin territory attests to his bold thinking and good business sense.

5. Cost Structure

On a monthly basis this is what a statement of incomes and expenditure looks like:

Approximate income	-	$2,500 - 3,000 monthly
Expenditure		
Materials	-	600
Gas	-	400
Labour	-	300
		$1,300

At present, Epson's fixed costs are almost non-existent. He pays his workers on a piece-work basis and he pays a nominal rent to his friend. From his monthly net income, Epson is able to save about $300 a month which he plans to invest in his new location.

6. Finance

He presently owns $6,000 worth of tools and equipment which he purchased with a loan from a friend and a $4,000 loan from the local commercial bank. Since completing the repayment of this first loan he has sought and repaid 3 other loans from the bank to the tune of $17,000 for family house; $10,000 for business and $4,000 for his parents. He is currently negotiating additional funding for his new business venture.

7. Critical Issues

Prospects look promising. Epson is forward looking and given his track record in this new location, there should be no problem.

NAME: Bertie St. Marks & Wife

DATE: May 27, 1987

BUSINESS: Dry Goods Outlet

LOCATION: Pierrot, Rural Vieux Fort

1. Background

This young couple dabbles in a wide variety of economic activity and makes full use of the resources at their disposal including:time, family land, and technical skills. St. Marks can be described as "a real hustler". He is skilled in masonry which he does as a hired worker on building sites from 8 to 5 a.m.every weekday for $50. After work and on weekends he cultivates bananas on a plot of 2 acres family land in Pierrot. If there is no work for masons, he simply farms full time. The fruits he sells to the local Banana Growers Association for export to the UK.

Beside the above lines of business, St. Marks and his girlfriend also ran (they closed down for 5 month period, but will soon reopen)a grocery shop to cater to the needs of the farmers in their farm area. Five months ago they closed the store because there was no electricity in the area and they were spending too much money on using a generator to run a meat freezer. Learning from their mistakes they plan to reopen soon. Below is a review of the strategy they followed before and what they plan to do with the store the second time around.

2. Business Strategy

For the future St. Marks plans to use the generator only between the hours of 4 - 9 p.m.. Rather than retail frozen meats, St. Marks will limit the use of the generator for supplying lighting and a chilling drinks for sale next day. In this scenario no meats or foodstuff requiring refrigeration will be stocked. In essence, St. Marks's strategy is to become more cost effective and less concerned with selling high profit margin goods.

3. Market Structure

Grocery retail outlets are a low growth, low profit margin , mature market. Profits are highly dependent on increasing volume and the astute management of stock. Aside from having very high fixed costs from the use of the generator, St. Marks maintained a high turnover of goods. The location of the store combined with his ability to provide credit to customers allowed him to develop a reasonably high sales volume.

4. Management Skills

St. Marks seems to manage his time and other resources very well. He is very highly motivated to succeed and willing to try new ideas to attract customers. One of his best marketing efforts was buying a stereo and establishing weekend "Happy Hour" sessions during which he plays popular music in an effort to attract customers and boost his sales. The purchase of the stereo also permited St. Marks to be a paid disc jockey for private parties.

5. Finance

The business pays no rent, no mortgage, and little is spent on food because between the shop and the farm, the family gets all the food that it needs. Aside from $6,000 of personal savings used to start his business, St. Marks has secured the following:
-- $3,000 was borrowed from a commercial bank in order to purchase music equipment for DJ work.
-- A line of credit worth $4,000 has already been secured for purchasing goods for the shop.

Besides the above, St. Marks claims that he needs $6,50 more to finish renovations on his store. This amount, however, could probably be deferred until the store has established it customer base again.

6. Critical Issues

The central concern in this case is the supply of electricity for those businesses and communities located outside existing electrical lines. Aside from the cost of running the generator, St. Marks has managed to maintain low overhead costs and develop complementary lines of business (complementary in terms of the use of his time). This effective resource use combined with the store's prime location make for a profitable business venture.

NAME: Tony Craig (Ginger)

DATE: May 28, 1987

BUSINESS: Sea Moss Production

LOCATION: Vieux Fort

1. Background

Speaking with Craig it is sometimes difficult to decide when he is expressing his own ideas based on his own experiences as a seamoss producer or those of the ECNAMP team who are experimenting with the commercial cultivation of seamoss. Craig is involved in a wide range of activities and takes advantage of any training opportunity which comes his way. Apart from the seamoss he is also involved with a Taiwanese scheme to train local youth in bamboo craft. Along with these activities he still finds time for farming.

2. Business Strategy

At present the seamoss "farm" consists of 30 rafts but plans are to expand this to 300. Next priority on the list is the acquisition of transportation in the belief that mobility will increase productivity. A boat was recently acquired and it is now in need of an outboard motor. Given the newness of the business and immature market structure, it is difficult to tell whether the targets set are wholly unrealistic. Furthermore, without properly kept records, it is very difficult to make any conclusive judgement on performance thus far.

3. Market Structure

The dried seamoss is packaged into cellophane bags and sold in shops around the island. There is some competition from fishermen who harvest it from the sea as opposed to cultivating it. If it is properly advertized, given its supposed aphrodisiacal qualities, the demand for the product should be greater than the supply. Not only are there existing distribution channels for the product (see case on Leonard Henry the sea moss vender), but new mass distribution of the product through supermarkets could be developed as well.

4. Management Skills

Craig comes over as being overly optimistic, a dreamer who is all mixed up. No doubt the marketing possibilities for the product is great but it is doubtful that he has the present skills to supply an expanding market. Craig is a hard worker, but has very

little management skills or business sense.

5. Finance

There is no finance to speak of except the loan of $4,800 from NRDF for the start of the project. This arranged through ECNAMP, the environmental group and is almost completely paid off.

6. Critical Issues

The market looks good but must be carefully developed and organized. It is urgently necessary to determine the potential level of production in order to make realistic projections and plans. Assistance in management and marketing will be essential to cultivating and maintaining a growing market share in this new market.

NAME: Gerry Grow

DATE: May 28, 1987

BUSINESS: Woodcraft/Joiner

LOCATION: La Fargue, Choiseul

1. Background

Grow's knowledge of wood comes through his apprenticeship to the nationally acclaimed master sculptor Joe Eudovic who 15 years ago was instrumental in piloting a training scheme in the village of Choiseul with Government assistance. Despite this training, Grow recognized that living soley off of woodcrafts would be a difficult venture. Therefore, in an effort to combine his artistic skills with something more practical, Grow branched off five years ago and became a joiner. After studying many books on tools and designs, Grow became proficient at combining his woodcraft skills with joinery work.

Eventually, he and 2 other friends set up shop in the government established craft centre and although the others have moved on because of frustrations, he is still there today and is joined occasionally by other woodworker friends from time to time. The government building is spacious and well located. However the electricity has been cut off and the sophisticated government provided machinery is inoperative because of lack of spare parts. Despite these inconveniences, Grow has established an upscale niche in the joinery market--one that allows him to combine his artistic skills with those of the joiner.

2. Business Strategy

His first priority must clearly be to restore the electricity supply, for without it he cannot operate some of his essential basic tools, eg. sander and planer. Since all the government supplied equipment is broken down, he also needs to acquire some new heavy duty equipment of his own. This he might be able to do in collaboration with 2 of the other joiners who are sharing, not only the building but other materials as well. His present outlook is to consolidate his position in the St. Lucian market before attempting to move on the regional scene. If things go as planned, he intends to hire one/two apprentices/helpers.

3. Market Structure

Grow was one of the hits at the recently held NRDF Trade Fair for micro-businesses. However some of his work from the fair is still lying in his shop unsold. Admittedly his stuff is aimed at

the upper end of the market and the major local furniture distributor is unwilling to pay for artistry, design and workmanship. Those trade fair items which are sold were all on a credit basis with down payments being made to be followed by regular monthly payments. For this to work however, the producer needs a large capital outlay to purchase material and he must be able to sustain himself otherwise for long periods while he is awaiting the sale of his product. For most of his sales, Grow has to look for customers outside the immediate Choiseul area.

4. Management Skills

Books are kept but the information which they contain is of little use as a management tool. He is a very laid back and trusting youngman who has had some bad experiences. Recently,he borrowed money from a friend to test the market in Martinique. A week later and a $1,000 in debt, he ended up leaving a substantial amount of woodcrafts with an "acquaintance". He has no guarantees that the woodcraft will ever be sold, nor has he worked out a contract with his acquaintance-sales representative.

5. Cost Structure

His 1986 sales totalled around $5,000 with the 1987 projections being around $8,600. From this the following expenses must be met:

- Materials i.e. mahogany etc. 40%	-	$3,400
- Varnish	-	60
- Transportation	-	60
- Home expenses	-	200
		$4,260

This leaves $860 for investment and personal expenditure.

6. Finance

Last year a loan of $10,000 was secured from NRDF for equipment and materials. With a large stock of expensive furniture sitting waiting for a buyer, Grow may find himself strapped for cash before too long if his goods do not sell.

7. Critical Issues

Grow needs to establish a long term lease agreement and then perhaps initiate moves to entice Government to re-equip and

finance the centre for its original intent, which was to train youngsters. In addition, Grow will have to develop his management and marketing skills. Grow offers a unique product that is reasonably priced and functional. His experience at trade shows and in Martinique indicate that he is a passive seller who does not make concrete marketing arrangements beforehand. If Grow's business grows and he begins to provide credit, he will have to keep better books on balances owed and expected cash flow.

NAME: Ray Osmond

DATE: May 28, 1987

BUSINESS: Caretaker/Straw Handicraft

LOCATION: La Fargue, Choiseul

1. Background

Osmond is employed by the government as a caretaker/cleaner at the Public Convenience area in the La Fargue playing field. As a result, she is left with much idle time on her hands. It is therefore natural that she should put her handicraft skills to work utilizing an abundance of straw and cus-cus grass in the immediate area.

2. Business Strategy

This is non existent as she hardly thinks of what she is doing in terms of a business. She is merely doing what her mother did and taught her. Besides keeping her occupied while "caretaking", the handcraft augments her meagre salary and helps to feed her five children and often unemployed husband.

3. Market Structure

She makes a variety of craft items over a 2 month period and then sells them in Castries to a number of outlets including vendors at the Central Market. She does not always receive payment case on delivery and sometimes has to wait until the retailer sales of the item before she can be paid on her next trip. She occasionally produces an item for a consumer directly, eg. a pair of car seat covers.

4. Management Skills

Under the circumstances, Osmond is doing the best she can. Choiseul is a long way off from the major tourist markets of Castries, Soufriere and Vieux Fort and handicraft is so prevalent in the Choiseul area that it is not likely that anyone will want or be able to purchase her goods locally. The utilization of her skill, time and the abundance of local straw does attest to some business sense on her part.

5. Cost Structure

$10 - $20 is expended monthly on raw materials which yields a return of $200 as a caretaker and $150 ($300 every 2 months) in

strawcraft. She pays $10 for electricity and $200 for her house loan from the credit union.

6. Finance

She currently has one more year to complete the payment of her $6,000 loan. She plans to get another loan to put a ceiling inside her house.

7. Critical Issues

The only way that Osmond and other handcraft people will be able to sell more of their products,is if more demand is generated. Alone, Osmond would never be able to market her handcrafts. As such, handicraft workers need to be organized so that they can benefit from much needed technical assistance in terms of marketing, design, packaging (if necessary) and pricing.

NAME: Ira Joe & Hal Cave

DATE: May 28, 1997

BUSINESS: Soya Centre/Bakery

LOCATION: Soufriere

1. Background

The "Lucian Bakery and Soya Production" grew out of two rastafarians' belief in things natural,unity and cooperation. While the store still produces natural foods, the unity and cooperation between Cave and Joe is quickly deteriorating. This is in direct contrast to when they first started.

Hal Cave is a musician and earns a modest salary from his nightly hotel performance. Joe, his closest brethren for years, is a baker by training but has been on the bread line for a long time. During all this time the 2 brethren offered solace and sustenance both materially and psychologically to each other.
A few years ago, Plenty, a health food supplier out of Canada, entered their lives and promised a line of credit valued at $1,000 in soya products, plus a grant for an assortment of stainless steel utensils and training in the use and advantages of using soya as a food product. With this start they approached NRDF for a $10,000 with which they purchased a refrigerator, renovated a rented building (ideally located at a street junction opposite a school) and provided some operating capital. A partnership agreement was then drawn up by a local attorney giving Joe and Cave each a 50% share in the business.

Today that business arrangement is in peril. While Joe, the baker, takes the heat of baking during the wee hours of the morning, Cave normally plays in a band and works a few hours in the store during the day. According to Joe, Cave is siphoning money out of the store's coffers and blowing it on his musician friends. Realizing that Cave is getting too large a return (both legally and illegally) for too little input, Joe is rightfully angered and looking to change in the business arrangement.

2. Business Strategy

Given the above situation, the primary goal of Joe is to try and stabilize the management of the store. Until that is done, any attempts to expand the stores line of products will be emperiled.

3. Market Structure

Near the wharf in Soufriere there is another 'soya iration' which was established 2 years ago. It is not known, however, to what extent, if any, their competition is affecting the business under study. Perhaps the most adverse effect on sales is the advent of

the mango season. It is estimated that due to the cheapness and abundance of mangoes during this time of year, sales have declined by 30%.

Given the newness of the market and the lack of knowledge about soya,a key to success in the future be educating the towns people about the health attributes of soya products. At present only rastafarians and a few foreign tourists and locals patronize the shop.

4. Management Skills

Joe seems to take his business, and need to keep business books,very seriously. He claims to spend 2 hours daily doing his books. However the uneasy partnership which exists presently breeds distrust and bad business practices. For instance it is suspected that funds from the business are being syphoned off by whichever of the partners gets his hands on it.

5. Cost Structure

During the peak season sales are $200+ daily, petering off to $90 during the slow period. Average sales are about $140 - 150 daily at 25 working days a month. The total monthly income is $3,600. Most of total expenses goes into variable costs like materials. Speifically the expense incurred in earning $3,600:

*	Materials ($500 weekly x 4)	-	$2,000
*	NRDF loan repayment	-	276
*	Rental	-	150
*	Wood for oven	-	140
*	Labour (fortnightly wage x 2)	-	430
*	Electricity	-	20
*	Soya (2.5 bags @ $175)	-	430

The profit for the month of $734 looks rather small for such a business which sells lemonade and other iced drinks with very little input and limitless mark-up.

6. Finance

Apart from the line of credit from Plenty and the NRDF loan, a personal loan of $400 from a friend was used as start up capital. For the moment no additional investment or working capital is required.

7. Critical Issues

Before the business can expand all management control issues must be resolved between the two partners. Aside from that there are these outstanding issues:

- A longer term (greater than 1 year)lease arrangement must be completed. If the business becomes very successful then the two partners must be able to protect themselves against the owner drastically increasing the rent or terminating the lease.

- As stated earlier, the potential customers in the Soufriere area need to be educated to the use of soya beans

- If the cost profile is accurate then the production cost is much too high. Production cost must be better controlled.

NAME: I. Gumbs

DATE: May 28, 1987

BUSINESS: Rum Shop

LOCATION: Sourfriere

1. Background

She has been in business for twenty-one years. During that time very little in the rum shop has changed. The principal goods for sale are ten different liquors,six different kinds of juices, a variety of soft drinks, cookies, candies, pencils, shampoo and matches. There is only a stand-up outside urinal for men located at the back and outside the shop. There are two rooms--the smaller one is at the front of the shop and has 5 tables; the larger room is mostly vacant except for a few ooxes.

Mrs. Gumbs first started the shop with a $500 loan from her brother. For the greater part of the store's history, business was sufficient. Because of higher unemployment in Soufrier and increasing competition,however, business today is not good. Five months ago Mrs. Gumbs stopped paying a helper ($200/month). Today, she complains about poor health and having to take care of her two sons.

2. Business Strategy

It is the two sons that could one day resurrect the rum shop. One of them, a van driver, has hopes of turning it into a nightclub and perhaps developing some restaurant capabilities as well. The other, an architect, will help out in renovating the building by building proper toilets, breaking down a partition, and paving some of the back yard. Together they figure it will cost about $10,000 which they will get from their savings.

3. Management Skills

Mrs. Gumbs does not have the energy or desire to do anything with the business except serve her customers. Whenever needed she changes the prices of liquor shots so as to ensure that overall she still gets about $4 profit per bottle.

4. Market Structure

Over the last couple of decades, Mrs. Gumbs says that there many more rum shops in the area along with nightclubs. While business has decreased, she thinks it is because of the poor health of the local economy more than the presence of more rum shops. Most of

her customers are "regular" customers. Mrs. Gumbs thinks they come because of her servies although she refuses to let them play dominoes or play music. She prefers silence and believes that her customers prefer the same.

The location of the rum shop is well suited on one of the main roads leading out of the city. The only indication that there is a rum shop, however, is a small sign that says in small letters "I. Gumbs--Licensed to Sell Intoxicating Liquor". It is obvious that Mrs. Gumbs has not place much emphasis on trying to promote her shop.

5. Critial Issues

From the outset of the business, Mrs. Gumbs has adopted a strategy of getting by. While the market and economy have changed, Gumbs's shop has stood still in time. For the near future the only possibility of effecting change will be with the help of her sons. If they in fact develop a nightclub they will have to know how to promote the club and manage the costs of hiring DJ's and more labor. It appears that financing capital is not an issue, since they plan to use their savings to do any renovations.

NAME: Fame Jarvis & Mary Frank

DATE: MAY 28,1987

BUSINESS: Sale of an assortment of items--furniture, art craft, textiles and dry goods

LOCATION: Canaries

1. Background

The sign outside the shop seems to reveal some of the desperation of the businessmen who own it. While the shop is very small, the sign says that there is furniture, art craft, textiles and dry goods inside. In fact there is one of each of the above but that is about it. In one corner there are a few pants and nightgowns covered with dust. In the other corner is one pad of paper, three rolls of toilet paper, two boxes of matches,and five wooden spoons. In a small room in the back is a table and two chairs.

In a town that is largely dependent on overseas remitances from relatives in England, the two owners of the above shop are in their own words "trying everything". They started off in Choiseul,a neighboring town known for its handicrafts,with a $2,000 loan from the NRDF. At that time they were well known for their artistic woodcrafts and catered to the tourist market. After a few years the only area in which they could find cheap rent was in their hometown of Canaries. Unfortunately, not many tourists stop in Canaries. As a result they have branched off in to supplying locals--most of whom have little money--with essential dry goods and practical household goods like a table, spoons and chairs.

2. Business Strategy

Clearly, Mssr. Jarvis and Frank are trying to being everything to everyone, and in the process, providing a limited selection of items to a few people. Survival and trying to get by have detoured them from their principal trade--making artistic woodcraft.

3. Management Skills

Neither Jarvis nor Frank keeps any records of business transactions. Neither do they seem to properly plan. For example, last year they signed a contract with a household goods outlet to produce spoons. Unfortunately, they didn't have the proper materials or help to produce the amount called for in the contract.

4. Market Structure

In the town of Canaries there are no other handicrafts stores. Most of the woodcraftsmen are either in Choiseul or Castries.

Still, there exists the possibility of selling their handicrafts and other items. The store is located off the main highway that connects Castries with Soufrier , a favorite tourist attraction. Through better promotion and contacts with van drivers, Mssr Jarvis and Frank could possibly have the van drivers stop at their store.

Another possibility would be to cater to the schoolchildren that are located across the street from the shop. Instead of selling dry goods, they might be able to sell soft drinks, candies and snack food.

5. Finance

With almost no income off of which they can save, Jarvis and Frank would require additional financing to buy working materials sufficient enough to really develop either a full handicraft store and/or a refreshment stand. In addition they will need money to initially pay for the installment of electricity, which they at present lack.

6. Critical Issues

In general the business is too spread out and not well targeted. In order to fully develop their handicraft business, which is often full of fluctuating sales, Messrs. Jarvis and Frank need to develop a steady flow of income as well. Their attempt at selling dry goods is a step in that direction but it does not cater to their primary comparative advantage--the store's location near a school. If they could establish a positive cash flow from selling to the schoolchildren, then at some point some of this cash could be invested into working capital for their handicraft business.

NAME: Vance French

DATE: May 29, 1987

BUSINESS: Photographer

LOCATION: Castries

1. Background

Since Vance French received his first loan from the NRDF four years ago he has been riding high. Within the first few minutes of talking with him he mentions the fact that he is booked to cover 40 weddings between now and November. Last year he did about 117 which is more than 30% of the weddings conducted on the island. Armed with a new camera bag, new cameras,sharp looking clothes, and lots of ideas, French looks forward to the future with great enthusiasm and optimism.

2. Business Strategy

French tends to be a risk-seeker with goals to cultivate other niches in the photography market. At present, French primarily serves the hotel wedding market (tourists come to St. Lucia for their wedding and honeymoon), the insurance companies (providing pictures of accidents) and the national football federation (taking pictures at games). Apart from the insurance work, all of the above work is limited mostly to the weekends. In order to bettter optimize his weekday schedule better, French hopes to start doing more portrait work and macro work (detailed photographs of insects, flowers, landscapes). He plans to take advantage of his contacts with the hotels and sell his macro work to tourists .

Besides expanding his business operations, French also plans to reduce his production and distribution costs. This will include bulk buying his film from the U.S. and buying a station wagon to deliver his photographs. At present, he is dependent on local retailers and public transportation. While it would be possible for French to vertically integrate his business, he does not wish to risk doing that until he has first horizontally covered all the markets he wishes to compete.

3. Management Skills

Even though French doesn't keep any detailed books, he has a great sense of valuing his labor and providing timely service. For the past few years he has paid a developer $600/month to develop his photos because of what he says is the absolute need to provide same day service to his customers. He is also

developing a precise idea of how much his labor and time is worth. This has and will help him to do hourly work and portait work.

4. Market Structure

For the most part the market for photographers is oligopolistic. French claims that there are three "premier" photographers on the island including himself. Each one occupies a different niche. French caters mostly to the hotel market, while the other two focus on landscaping and newspaper coverage. The high operating costs,relatively high technology of the business and skills involved in photography have served as effective barriers to entry into the market.

Despite his well secured market, French does not rest on his laurels. He has developed a porfolio and business cards which he uses to promote his services to hotels. In addition he is going to place an ad in the yellow pages.

In terms of pricing, French values his labor at about $150/hour. or about $300-$350 per two hour wedding ceremony. French did not mention what his competition charges since the other guys whom he considers to be in his category are paid by piece work.

5. Finance

French began his business with a $8,500 loan from NRDF. From a low of $1000 in savings he has now accumulated about $7,500. Still, he plans to either borrow again or sell some old equipment to finance the purchase of a macro enlarger and lights for portrait work.

6. Cost Structure

Apart from the interest on his loan ($254/month) and the interest he pays on a purchase scheme he received from a major furniture outlet, French' only fixed costs are for electricity and a telephone. These costs represent less than 33% of total expenses. Other expenses for materials and processing are variable and average around $800/month. French pays no wages to his mother nor his girlfriend both of whom work for him answering the telephone and delivering pictures.

7. Critical Issues

Through his skills and a relatively closed market,French has prospered from his photography business. Over the last four years he has purchased a VCR, a stereo, two televisions and more equipment.

For the future French will slowly diversify into other niches of the market. His contacts with hotels should allow him to develop demand with tourists for his macro work. Also he seems to think that the market for portraits is relatively undeveloped and ready to penetrate. If all goes well, he will then set his sights on promoting his work around the region. The challenge for French will be for him not to expand too rapidly and to develop his management skills as he gets larger. If he ever opens a store or decides to develop his own film he will have to be able to keep track of his fixed and labor costs more carefully.

NAME: Vidal Pope

DATE: May 29, 1987

BUSINESS: Van Driver

LOCATION: Castries

1. Background

Just off the street in the shade of a tree sits Vidal Pope. Appropriately he has done what the name on his nine-seater van tells passengers to do everyday--"Get Inside". While he sits, a little boy washes his van. In another half hour, Pope will be back on the road collecting the $1 fee. This fee has remained fixed even though the costs of maintenance and new tires has, according to Pope, "skyrocketed". Judging from the tears in the van's seats it is clear that Pope has limited his expenses to only the most essential repairs. Along with these budget constraints Pope also complains that the competition on the road has affected his income.

Six years ago when Pope first started with a pickup, Pope made almost three times as much as he earned as a driver for a hotel. Three laters he was able to buy a new van. Two years ago he got his first contract to drive schoolchildren to school everyday. Today, Pope is without a contract and wondering how he will ever be able to finance the purchase of a larger van.

2. Business Strategy

For many van drivers the key to getting bigger and better in the private transportation business is to secure a contract with a school and/or efficiently manage and plan one's capital investment requirements.

For Vidal Pope both these intermediary steps have either eluded him or been overlooked. In a business where the size of one's van is the single most determining factor of revenues, Pope did not sufficiently plan for the day when he would have to trade in his 9-seater for a 12-seater.

3. Market Structure

Over the last six years, Pope claims that the number of vans on the road has increased significantly. While the number of passengers has also increased, Pope's seating capacity hasn't allowed him to achieve better economies of scale. In all liklihood, Pope lost his one contract to a driver that had a

larger and more cost effective van.

Aside from the name that he puts on his van, Pope can do little to market his service and improve sales and income. His only choices are to either work longer hours,increase his seating capacity, or receive a contract. The first option is limited by the fact that Pope is a Seventh Day Adventist and doesn't work Friday nights or Saturdays, the two most popular days for travel. As already stated the second option depends on whether Pope can finance the purchase of a new van. The final option depends on the second option and possibly the extent to which Pope has contacts within the school systems.

4. Critical Issues

In the near future Pope will have to sell his van and buy a larger van. The financing and depreciation schedule will have to be analyzed by Pope to ensure that he will be able to finance another vehicle in a few years time.

NAME: Fran Clan

DATE: May 29, 1987

BUSINESS: Creole Restaurant

LOCATION: Main Road Leading into Gros Islet

1. Background

For twelve years, Fran Clan worked at a prominent hotel on the island, cooking both local creole dishes as well as continental dishes. During the last few years of her tenure at the hotel, she dreamed of having her own restaurant. By 1978 she finally began to fulfill that dream. Through her family which owned a fair amount of land in Gros Islet she secured a $45,000 loan to build a restaurant and a house on family land ideally located on the main road leading into Gros Islet, small fishing village near the island capital.With that money and the $5,000 redundancy pay she received from the hotel she began feeding her own customers in 1979. Today she is less than a year away from paying off the loan ($1,600/month mortgage payment) and full of ideas for the future.

2. Business Strategy

Soon after Mrs. Clan started the restaurant she plowed her profits into leasing video games. After that she took out another loan to renovate the restaurant and try to develop a night club. Even though that venture never fully materialized, she plans to keep trying to expand and diversify her businesses. In the near future she hopes to promote the nightclub concept again and also build a guest house on adjoining property.Armed with a good business and family assets, Mrs. Clan recognizes the value of taking out short term loans and developing the real estate around her. Even if her future businesses do not succeed, she seems to recognize that the real estate will appreciate and provide a good return for her.

3. Management Skills

Mrs. Clan claims that she doesn't keep any detailed books or keep careful record of her profits. When pressed, however, she had a good idea of how much her video machines grossed and how much gas she used in a month for cooking. In terms of managing her three helpers she seems to maintain an informal schedule.

4. Market Structure

In the immediate area, there are no other restaurants that compete directly with Mrs. Clan. She claims that her sales are fairly constant except on Friday nights when a weekly "street festival" detract from her business.

In terms of pricing, Mrs. Clan has a medium-priced menu that ranges from $8 to $18. She seems to recognize to attract regular customers while also trying to lure tourists with more upscale dishes (steaks, lobsters). Most likely though, the bulk of her business comes from people in the area. The decor in the restaurant is not very modern, and her sign outside t the restaurant has a big hole in it. In addition, Mrs. Clan used to pass out brochures in the hotels and advertise in the local newspaper. It is uncertain how effective these marketing efforts were. For her money, however, Mrs. Clan would prefer to rely on the no-cost "word-of-mouth" marketing.

5. Cost Structure

Because of her high mortgage payments Mrs. Clan's overhead accounts for about 34% of total costs. Her monthly labor costs are about average at $230/worker/month. In terms of capacity utilization the restaurant is able to seat about 30 customers, although Mrs. Clan claims that she gets about 10-12 lunch customers everyday. Given these numbers, it is possible that Mrs. Clan is overstaffed and could reduce her costs by instituting a rotating labor schedule whereby she has 2 helpers for lunch and three for the busier dinner shift.

In general, it doesn't appear that tight cost control is a big consideration of Mrs. Clan. The restaurant business seems to cover her mortgage payments while the video machine business provides her money to invest in other activities.

6. Critical issues

For the most part, Mrs. Clan is not a typical microbusiness. Unlike most of the other microbusinesspersons, she has pleny of resources and family support. The family land combined with her sense of developing this land make her a shrewd businesswoman. Her main problems will be in managing her new businesses and hired labor.

NAME: Augustin John

DATE: May 29, 1987

BUSINESS: Auto Body Repair/Tyre Repair

LOCATION: Near Gros Islet on the Main Highway Between Gros Islet and Castries

1. Background

At the main junction for the turnoff to Gros Islet there are two roads lined with tires painted white. Nestled in between this protective barrier are two 12x6x6 metal containers, 10 remodeled cars, about 100 tires and a couple of tin-roof shacks full of tools and , last but perhaps most important, a refrigerator full of soft drinks and beers. At various strategic locations, there are several signs that say "John's Tire Service".

For all his customers, Arnold John is always willing to provide them with a refreshment. In another couple of years he will probably be selling those drinks along with other foods.
If all goes well he will also be selling t-shirts with "John's Tire Service" written on them. Already the owner walks around with one of these t-shirts, but that is strictly for promotion. From the way he talks and acts, those t-shirts along with a medley of other business ventures will all be part of his plan to develop what he considers one of the best locations on the island.

2. Business Strategy

Since he started two years ago, Mr. John has tried to integrate four lines of business--tire repair,auto body work, mechanic and used car salesman. The primary line of business, and Mr. John's consistent "cash cow" moneymaker has been the tire repair business. In order to continue to maintain this status in the face of increasing competition, Mr. John hopes to become an agent for Carely Tires, a large tire wholesaler. This business along with Mr. John's penchant for buying old cars, fixing them up and selling them at a healthy markup should allow Mr. John to maintain a positive cash flow.

Besides using to the fullest potential his skills, Mr. John also plans to profit from the location of his business. After building a more established building structure, he plans to build a small store and amusement park for parents and little children. While parents are waiting for their tires, he will sell food and refreshments. He figures that for the children he will hand out balloons establish a 25 cent price tag on all candies and rides. If that goes well, then he will also build some shower units where people can wash off after spending the day at the beach.

In short, Mr. John sees his business opportunities as limitless.

3. Management Skills

Thanks to NRDF assistance and a diligent girlfriend, Mr. John maintains detailed bookkeeping records. As he sees it these books represent that he is running a "serious business".

But despite these financial records, Mr. John does not seem to fully use them for cash management or maintaining a proper inventory of spare parts. Whenever he is short of money, Mr. John resorts to bartering a fixed-up machine for some other parts he needs, or selling a used car. He claims that he does this often on short notice. He also plans to continue developing his business from these funds. As he sees it he wants to "learn the hard way" without overextending himself with too many loans or expensive new machines. This conservative attitude also includes avoiding incurring high fixed labor costs. All five of John's helpers are paid on a piece-work basis.

Besides possessing good innate business skills, Mr. John is also politically astute. At present he is leasing his lands from the government. He is fairly confident, however, that he will soon own the lands. He is negotiating to exchange some land he owned in Laborie and that the government wants to buy from him, for the crown lands in Gros Islet. John knows that the government needs his land in Laborie, but he will only trade it for he considers a better business investment.

4. Market Structure

The only competition near John's garage, is a Shell gas station next door. While this station competes directly for any potential clients' with engine problems, it does not affect John's main line of businesses--tire and car resales. Over the last couple of years, however, John has noticed an increasing number of tire repair shops opening up.While these shops have not yet impacted on John's business, he is planning to protect his presence in the market by becoming a sales agent for Carely Tyres.

In terms of marketing and pricing Mr. John has done little to promote his business. An old partner of his ran up some very high phone bills and until they are paid off, John is unable to advertise in the yellow pages and use the telephone. Once he is able to consolidate his businesses into a nice garage and build a shop, Mr. John plans to actively promote his businesses through promotions and providing more services to his customers (refreshments, food,etc.).

5. Finance

Apart from using the savings accumulated from sellin fixed up cars,most of Mr. John's capital financing has come from two NRDF loans of $13,500 and $3,000. Every three months he also able to charge to his credit line with a major wholesaler the parts and materials he uses.

6. Cost Structure

Apart from his loan payments of $370/month and an average electricity bill of $125/month, Mr. John has few fixed costs. Because he is still leasing Crown lands he only pays $200 a year for the use of the land.

80% of Mr. John's total costs then are variable and consist of primarily material, gas and piece-work wages. This cost structure allows Mr. John to maintain his "semi-barter"--fix-up and resale--type of business operation.

7. Critical Issues

In general, Mr. John knows exactly all of the comparative advantages he has in terms of location and integration of businesses. Despite being a "wheeler-dealer" type of businessman, he deep down somewhat conservative and aware of not living beyond his means.

Apart from finalizing the transfer of the Crown lands to his name,the primary risk Mr. John may encounter is in trying to develop all his business plans all at once. He will first have to establish a reputation in a couple of his principal lines of business (cars and tires), before he starts to expand into retail store and his amusement park ventures. As these businesses get larger and he begins to take on more fixed costs, Mr. John may have to develop better cash management skills. The foundation (his girlfriend) of this, however, is in place and should be possible to implement without any problems.

NAME: Neal Jemmott

DATE: June 1, 1987

BUSINESS: Auto Body Repair and Tire Service

LOCATION: Praslin

1. Background

Just down the street from his older brother's spanking new and profitable grocery store, sits Neal Jemmott on the side of the road in the protective shade of a tree, listening to music on his walkman. About 25 yards back from the road is Jemmott's tin-roofed tattered shack with tires around it. Eight years ago, when he first started, Jemmott had 5 assistants and he worked full-time fixing tires. Now, Jemmott has 1 assistant and one apprentice. The business premises have not changed in eight years. Despite this downturn in business, Jemmott's Seventh Day Advantist background makes him optimistic. Family pressure and support also serve to bolster his outlook. One gets the feeling, that whether he likes it or not, Neal Jemmott will somehow have to try and follow in the footsteps of his other entrepreneurial siblings. It is questionable, however, to what extent he will be successful.

2. Business Strategy

Neal Jemmott likes to take some intitiative, but has a hard time in fully developing his goals. Before he started his business he went to night school to develop his skills in auto body repair. Since that time he has done little else to develop his business. Similarly, he once bought a fishing boat in the hopes of hiring someone to fish for him. He never found anyone and eventually resold the boat.

Given this past history, one wonders what will happen when Neal Jemmott talks about establishing a large garage on a three-acre plot of Crown lands. For the past three years, Jemmott has been holding back on developing his present premises because of his hopes to start anew on the Crown lands. He dreams about farming bananas and running his garage business on those lands. Despite the long wait, Jemmott appears content to keep on waiting.

3. Market Structure

While he is waiting, however, the competition around him is slowly gaining on him. When Jemmott started eight years ago he had what he felt was 50% of the tire business in the area. Now he has half that. Two other competitors have what Jemmott

considers nicer business premises.

Jemmott also feels that part of his decreasing market share is due to his pricing. While he is uncertain what his competitors charge, he is pretty sure that he "overcharges". Still, he has not tried to adjust his prices.

In terms of marketing, Jemmott resists putting up any sign on the road until he has what he considers a "proper business". Perhaps due to the fact that his brother has a large grocery store next door, Jemmott doesn't want to disgrace the family name by advertising his tin-roofed shack. His business is on family land and he refuses to do anything under the Jemmott name until he gets his own land. This refusal, however, could also be in part explained by Jemmott's reluctance to follow through in general. When asked if he even considered printing business cards, Jemmott said he "tried but gave up on the idea". He didn't feel it would be worthwhile.

4. Management Skills

Jemmott has also tried to keep books but admits that he does not keep any receipts. He doesn't consider this to be a problem however. Once he develops his proper garage he is certain that things will run smoothly..

5. Finance

Through savings and family support Jemmott has managed to buy about $7,000 in equipment. If and when he gets the Crown lands, Jemmott will probably use his family funds to buy them.

6. Cost Structure

Despite not paying rent (he uses family lands), Jemmott has a relatively high overhead to cover. He pays his one full-time assistant about $600/month which accounts for close to 50% of his total expenses. Presumably, Jemmott employs a full-time assistant so that he can work in the banana fields during the mornings and evenings. His tire/auto body repair business is operating at about 50% capacity and as a result provides Jemmott only about one-third of his monthly income. The remaining comes from banana farming (about $480/month).

7. Critical Issues

Unlike Augustin John, Neal Jemmott seems to lack the drive and desire to fully develop his business. Even though he has family land and financial support, Jemmott seems content to do both banana farming and his tire business at half speed.

One of the biggest problems facing Jemmott is his tendency to avoid making incremental changes to develop his business. Jemmott tends to like it all or nothing. In the meantime making a sign or adjusting his prices or reselling tires, rather than merely fixing them, are viewed by Jemmott as insignificant. Until he gets his own three acres and a "proper business", Jemmott is willing to see his profits and market share decrease.

NAME: Ron Jewel

DATE: June 1, 1987

BUSINESS: Baker

LOCATION: Dennry Village

1. Background

High up on the hillside overlooking the village of Denery is the house and bakery of Ron Jewel. Both structures are well built and the bakery has an ample supply of wood to fuel the huge oven that Jewel built twelve years ago when he left his home on Antigua. Tucked in the corner of the house is a small store that provides dry goods,refreshments and candies to neighboring houses. 50 feet away is a telephone pole that the Jewel family paid $500 to have installed. The neighbors also use that line although they never shared in the cost of installing it.

In general, Jewel has a comfortable lifestyle. He bakes while his wife and an assistant manage the store and sell the bread along with other baked goods (cakes, deserts) to school children down at the bottom of the hill. Despite the difficulty that any customers have in reaching the bakery, the Jewel's like the security of having their business near their home.

2. Business Strategy

Jewel plans to maintain his hillside bakery as a main point of operations, and serve the rest of the village through mobile distributors like his wife. To further develop this system, Jewel will try and buy a van. This system has worked well in the past, and Jewel doesn't want to change it. He views trying to rent a store on the main street, or establishing contacts with supermarkets as "too difficult". Even though Jewel is only using his oven at 50-65% capacity he is also unprepared to risk increasing production until there is a noticeable increase in demand. While not directly mentioning it, Jewel probably plans to use his van to sell bread to outerlying areas. If that succeeds, then Jewel will be able to increase production without running into any capacity problems.

Besides baking bread, Jewel plans to continue having his wife cater to school children. The sale of desserts, candies, drinks and cakes is both a logical and profitable spin-off of the bakery.

3. Management Skills

Jewel does not keep any books,although he has a good idea of what his expenses and revenues are. His wife is in charge of managing cash from the businesses, and she does so in a peculiar but effective manner. Every day she divides the cash receipts into bills and coins. The bills usually average about $25 which she uses for restocking materials and inventory. The coins normally amount to $80-100 which sets aside in a savings account. While a bit unconventional the above system seems to assure the Jewel's of a reliable cash flow.

4. Market Structure

Jewel says that there are five to six other bakers in the area. Each one it seems has his/her established neighborhood market area. Unlike his competitors, however, Jewel goes to his customers rather than the customers coming to him. Through his wife's constant street vending, the people in the community know where they can get fresh bread. Aside from regular customers that buy the bread every morning, the Jewel target their goods at thel hundreds of school children that in the government schools at the bottom of the hill. For the most part this is a captive market, and one in which the Jewel's have few competitors.

5. Finance

Because of the large savings Mr. Jewel accumulated while in Antigua, the Jewel's have had no problems in securing loans from commercial banks. They used both savings and a small loan of $3,000 to start the bakery. In addition they have taken out three other loans to buy two freezers and build their house.

6. Cost Structure

The bulk of Jewel's expenses come from the purchase of materials. Without any rent and only 1 laborer ($200/month), Jewel has a low overhead. His major problem is in fully utilizing his oven capacity. On an average day he cooks only once and uses between 50-66% of the oven.

7. Sales and Income

Since he started average revenue from the baking has been about $120/day (480/loaves per day). This amounts to about a daily net profit of less than $15/day. As profitable is the catering business of his wife which nets about $15/day.

8. Critical Issues

The principal issue that Jewel's will face in the future will be to expand his mobile distribution network. He has plenty of excess capacity and assets to expand and invest when he sees an opportunity. The poor location up on the hill should not prove to be too limiting, as long as people will continue to buy from his wife in the street or a van. In general, there appears to be a large potential demand for bread outside of Denery which Jewel should be able to exploit once he buys a van.