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AN EVALUATION OF THE INTERNATIONAL SMALL  
ENTERPRISE DEVELOPMENT CENTER

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Private and Voluntary Cooperation  
of the  
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## I. INTRODUCTION AND SUMMARY

### Approach, Scope, Methodology of this Evaluation

This evaluation assesses the International Small Enterprise Development Center (ISEDC) in terms of its stated objectives and activities as funded by the USAID Office of Private and Voluntary Cooperation (PVC) in 1979<sup>1</sup> and as these objectives and activities have evolved in the almost two years of ISEDC operation.

The evaluation focuses on the interrelated activities identified as central to ISEDC's pilot stage:

- . the testing of U.S. Private Voluntary Organizations (PVOs) as viable institutions in marketing cottage industry products of PVO-related producers in Less Developed Countries (LDCs);
- . the testing of specific marketing techniques (now called "channels" by ISEDC);

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1. These activities were identified in the proposal submitted by ISEDC and the New TransCentury Foundation to USAID PVC, "A Proposal for a Pilot Project Establishing a Service Center Within the TransCentury Management Development Services Program to Provide Marketing and Management Services and Technical Assistance in Marketing Management Services to Private and Voluntary Organizations Engaged in Small Enterprise Development Overseas," Washington, D.C., August 1979.

the testing of LDC products which are suitable for the U.S. institutions and channels involved.

The evaluation then ascertains whether these pilot-stage results indicate that ISEDC will be a feasible operation in its subsequent phases. This feasibility is assessed in terms of both the projected financial viability of the ISEDC operations per se and the expected benefits to LDCs. The benefits -- particularly gains in LDC income and employment -- must be assessed in relation to the costs, especially to the public funding.

Although the PVO marketing activities constitute the basis of ISEDC's first phase -- and therefore of this evaluation as well -- they are not the only elements of ISEDC's intended agenda. ISEDC intends that its U.S. PVO marketing activities will become part of a broader range of potential services to LDC producers, including matching of U.S. and LDC private entrepreneurs and support of Small Enterprise Marketing Centers in selected countries. Because the expected feasibility of these additional activities could not be addressed on the basis of this evaluation of what ISEDC has done so far, the costs and benefits of these further activities are not included in the feasibility assessments of this evaluation.

In considering ISEDC in terms of the objectives and strategy embodied in its pilot stage, this study does not engage in the various aspects of the debate on development strategies which might be suggested by the current and proposed ISEDC activities: the role of PVOs in the production and marketing of goods, the role of cottage industries, the use of sheltered markets, and the subsidizing of services to LDC producers.

The information for this evaluation was obtained through specially structured interviews by direct visit, phone, and mail, and through extensive review of documentation relating to ISEDC activities. A majority of the U.S. local institutions and LDC producer groups involved in the ISEDC pilot phase were interviewed (See Appendix A). RRNA staff also interviewed all members of ISEDC's Board of Directors. RRNA staff conducted extensive interviews with all ISEDC professional staff members and further interviews with a wide range of consultants and representatives of other institutions involved with ISEDC or working in other efforts to assist LDC producers. RRNA made its own independent review and analysis of the records of ISEDC market testing results and of projections for future marketing activities.

Many persons assisted in this evaluation effort. Particularly the ISEDC staff gave substantial time and effort to provide requested information. RRNA also consulted regularly with the staff of AID PVC in this work.

### Conclusions

#### The Basic Assessment

RRNA concludes that in the coming year ISEDC will successfully implement the modest service to LDC small producers -- arranging marketing of handcraft products through U.S. PVO outlets -- which it has defined as the starting point for a broader program of assistance. Combined with ISEDC's reduced budget, the market growth will provide likely benefits to LDC producers which are reasonably proportionate to the ISEDC cost of operations; it also provides for substantial self-support by ISEDC within two to three years.

Furthermore, success in one specific market activity in the coming year should provide sufficient institutional credibility to allow ISEDC to begin other intended aspects of its work: support for small enterprise marketing centers in a few LDCs and help in the arrangement of trade linkages between a broader group of LDC small enterprises and U.S. businesses. To be sure, the experience of ISEDC in the past two years and the backgrounds of its staff do not apply directly to these further endeavors. To take on such additional responsibilities ISEDC will have to mobilize more fully than before, the ISEDC Board of Directors and consultants who do have experience relevant to overseas marketing services and the building of commercial contacts. ISEDC's previous use of volunteer technical assistance available mainly in Central Ohio provides some basis for the expectation that it can secure substantial national-level assistance as well on a volunteer basis.

Assessment in Relation to  
AID PVC in Early 1981

Such a positive assessment would not have been warranted in early 1981 as ISEDC neared the end of its initial funding from AID PVC. At that time ISEDC faced several serious problems. It had not obtained the kind of national organizational commitment from the YMCA which it had expected at the time its proposal to USAID was first prepared. While it had obtained the participation or compliance of many local PVO groups and had completed the promised tests of a number of marketing channels, the sales attained were small proportionate to the effort and cost expended, even for a pilot phase. The costs of market development relative to these test sales indicated an uncertain future, both in terms of cost-effective service to PVOs and of increasing

self-sufficiency. A proposed budget of over \$1 million annually for the next operational phase accentuated this uncertainty.

Moreover, while ISEDC had met its targeted number of contacts with LDC producers, only a few of these represented a relationship in which the ISEDC contact was of substantial importance to the LDC group, either in terms of sales or of technical assistance. Although benefits other than the direct sales of LDC products were anticipated by ISEDC, they were expected far in the future and could not provide the justification for a positive feasibility assessment.

Generally, ISEDC seemed to have promised too much initially and to have continued with too many aspects of its work without any demonstrable, substantial success of significance for LDC development. RRNA concludes that AID PVC's decision not to continue funding ISEDC was reasonable at that time. Furthermore, AID PVC does not appear as a particularly appropriate funding source for the future, especially as ISEDC increases its own involvement in commercially oriented ventures, both on behalf of its own self-support and of its LDC producer contacts. Other federal funding and private support would not have the same limitation. A substantial private support of the ISEDC operations in the United States would also provide for a more explicit emphasis on development education as part of the ISEDC marketing involvement than was possible under the aegis of AID PVC.

#### Particular Judgments and Conclusions

Summarized below and discussed in detail in the subsequent chapters of this report are the salient judgments

underlying the basic conclusion that support is now warranted for ISEDC by organizations interested in LDC small enterprise development. Crucial to the broader conclusion are some particular judgments and conclusions about the recent developments reflected in the findings:

- . The commitment from the American Field Service (AFS) national office represents a distinct breakthrough. The participation of a number of paid AFS staff members in support of the marketing effort and the initial high level of response from local chapters indicate the possibility for cost-efficient replicability and growth of this marketing effort to attain significant sales levels.
- . The negotiations with OXFAM in England are being successfully concluded. This will provide ISEDC with access to OXFAM's experience in marketing and in operating at least one center (in India) for assistance to LDC producers. It will give ISEDC access to OXFAM's working capital and its ability to deliver substantial amounts of LDC products with short lead time, so that ISEDC will be able to respond in the last quarter of 1981 to its expanded marketing opportunities. ISEDC, in turn, will be able to offer OXFAM access to U.S. PVO markets that ISEDC has nurtured for almost two years and which OXFAM could not efficiently duplicate on its own. So the basis exists for a mutually beneficial continuing working arrangement. Furthermore, the two organizations share similar intentions for assistance to LDC producers, in which marketing through other than regular commercial channels is a basic element, but also viewed in the context of intentions that this effort be a step to more significant employment-creating development.
- . RRNA concludes that ISEDC can achieve a substantial portion of its "low" projected annual sales of \$200,000 in the year beginning this fall and reach a break-even point on its U.S. marketing activities by the beginning of its third year. Whereas RRNA marketing projections are still below the

ISEDC "low" targets, the ISEDC leadership and its contacts in AFS and OXFAM believe the ISEDC targets can be exceeded.

- . ISEDC has revised its earlier projections of expending resources at a rate which was disproportionately higher than foreseeable benefits. The new general administration and marketing budgets initially requiring about \$200,000 annually in outside funding contrast favorably with the annual budgets asking more than \$1 million, which ISEDC offered in early 1981. These earlier budgets adversely affected its credibility. ISEDC estimates that by the end of the fourth year of operation, marketing revenues will about cover the current level of general administrative expenses, which are mainly in support of the marketing services. RRNA's more conservative projection anticipates a funding requirement of approximately \$100,000 for general administration. The new budget does not include the initiation of such activities as the LDC Small Enterprise Marketing Centers, which will require separate funding. Further economies in general administration may be possible, as indicated in the RRNA recommendations.
- . ISEDC will quite naturally have the greatest potential impact on an LDC producer group such as the Chiangmai YMCA in Thailand, a cooperative with low sales which is looking mainly to ISEDC to arrange the initial substantial outlets for its products. In contrast, ISEDC will have a small direct impact on a large organization such as the Jute Works in Bangladesh which will be the main supplier of the home-party marketing effort with AFS. However, an organization such as the Jute Works should provide opportunities to demonstrate the possibility of assisting PVO-related producers to enter and compete in the commercial market.

#### Summary of Main Findings

During the three months of RRNA interviews with ISEDC staff, the members of the Board, and ISEDC consultants, the

U.S. PVOs which participated in the pilot test, the LDC cooperatives which supplied the products for the market test, and alternative and commercial marketing firms, findings were made on every aspect of the ISEDC marketing pilot project. The most important findings are summarized below:

- . The most critical finding is that ISEDC found no easy matching of the LDC and U.S. PVOs for the sale of LDC cottage industry products. Marketing arrangements with the U.S. PVO and the involvement of volunteers required a substantial amount of ISEDC staff time.
- . Of the PVOs tested during the pilot stage, the American Field Service chapters and the local churches bore the most favorable test results. The Goodwill organization and the local social organizations were the least successful.
- . The marketing channels and products tested in the pilot stage had mixed results. The most favorable test was the in-home party channel marketing products from the Jute Works. The least favorable test was the direct mailing advertising decorative brooms from the Chiangmai Cooperative in Thailand.
- . Although the tests were not controlled, RRNA does feel that the test environment reflected the real world. Thus, the findings from the tests are good indicators of the future success of the marketing channel-product line in the selling of cottage industry products through PVOs.
- . The LDC suppliers differ in the number of workers employed by the cooperative, the production capabilities, the level of product and market sophistication, and the potential ISEDC share of the market. The marketing role of ISEDC is largely defined by the specific characteristics of each of these LDC suppliers.
- . The actual sales results of the tests were very modest, approximately \$12,000. Given the pilot status of these sales events, only

the average revenue figure per successful event was used in the projections.

- . The Board has a strong interest in the ISEDC helping to arrange for commercial business between LDC small manufacturers and U.S. private firms.
- . The marketing channels cover their variable costs during the first through fourth operational years. These same channels will cover their allocated fixed costs by the third year of ISEDC operation.
- . The level of funding required by ISEDC to cover its general administrative salaries is directly tied to the amount of surplus (i.e., profit) generated by its marketing channels. ISEDC estimates that by the end of the fourth year, marketing revenues will almost cover general administrative expenses. RRNA's more conservative projection estimates a funding requirement of approximately \$100,000 by the end of the fourth year.

#### Recommendations

In response to the findings and conclusions of this study, RRNA has formulated the following recommendations for ISEDC:

- . The interest in beginning new efforts should not be allowed to distract ISEDC from the intensive and sustained effort which will be required to implement successfully the PVO-related marketing activities planned to become operational the last quarter of 1981. Board Directors and other supporters of ISEDC should assist the staff in providing for this focus, even if they themselves believe it has little long-range potential for a substantial contribution to LDC small enterprise development. ISEDC has spent almost two years in pilot testing and preparation for the opportunity to carry out the kind of program now planned with AFS. It cannot maintain its credibility and even minimal continuity unless it carries through successfully on

this function. Furthermore, in addition to making a modest contribution to LDC small producers, the marketing effort also offers ISEDC one avenue for partial self-support.

- . Nevertheless, it is time for ISEDC to develop a plan of how its effort in PVO-related marketing of handcraft products can develop into the large linking efforts of substantially greater impact on LDC employment and income, particularly in program years after 1981-82. This larger linking can begin in a number of possible ways. ISEDC has already defined:
  - ordering from LDC producers for market testing cottage industry products in contrast to the decorative and gift-item products which now predominate;
  - marketing products from current suppliers through retail stores, trade fairs, and other commercial channels;
  - linking U.S. manufacturers with LDC small producers who can produce manufactured products or inputs to order;
  - linking U.S. manufacturers and other private firms with LDC entrepreneurs.
- . With OXFAM, ISEDC should explore how the OXFAM sales approach of offering a mix of LDC crafts and more utilitarian British-made products might offer a mechanism for eventually extending the boundaries of ISEDC activity. Once the market for a given utilitarian product is established through ISEDC's channels, LDC small producers could be found or be encouraged to start production.
- . The planning for and subsequent implementation of linking other activities are tasks around which ISEDC can mobilize the Board of Directors. The Board itself can and should function as the "advisory committee" for the proposed tasks included under "Establishing the Entrepreneurial Linkage Function."

- . ISEDC must emphasize that various ISEDC activities will not be self-supporting in the foreseeable future. While the specific marketing activities will be self-supporting within the next three years, the proposed LDC Small Enterprise Development Centers will continue to need funding. Also, any development education program will need funds to support its activities. Administrative overhead rates for these activities should be calculated by ISEDC.
- . If ISEDC continues in a relationship with the New TransCentury Foundation, the specific contributions, the staff time and the cost incurred by the New TransCentury Foundation in proposal development, fundraising, planning, and financial control need to be defined more clearly than was the case in the previous years.
- . Both TransCentury and the ISEDC Board need to be involved with ISEDC in a fundraising plan for both public and private sector solicitations. U.S. private enterprise could be the source of a non-governmental share necessary for applications to the public sector.
- . ISEDC general administration may need to take on even further cost-curbing measures, not unlike those private sector businesses assume in times of extreme financial pressure: delay or even elimination of cost-of-living raises, temporary executive pay cuts, suspension of the accumulation of leave for top staff. These measures will not be foreign to ISEDC based on the experience of recent months. It does not appear advisable, however, to further cut the ISEDC travel budget, especially now in the operational period when the organization will be involved in a higher proportion of contacts outside of west-central Ohio.
- . In its planning for the LDC Small Enterprise Marketing Center, ISEDC should be responsive to the concern of a number of specialists in international marketing of handcraft products. These commentators emphasize that

alternative marketing organizations should help the LDC producers achieve the following: quality control, disciplined meeting of orders, and productions under competitive prices, all of which later involvement with the private sector will require. A basically "tough" cost-effective approach such as this, combined with the sensitivity and flexibility which ISEDC should be able to bring may help ISEDC to provide a somewhat different and needed service to LDC producers compared with other AMOs which may tend to overemphasize the accommodation to the beginning producers' situation.

## II. THE PURPOSE AND SCOPE OF WORK OF ISEDC

### The Initial Proposal

As first developed and presented to USAID in 1979, the basic purpose of ISEDC was to assist LDC small enterprise artisans through providing them with expanded marketing opportunities in the United States and other assistance related to aspects of marketing. The focus of interest in the LDCs was particularly those artisans encouraged by LDC Private Voluntary Organizations (PVOs).

The purpose is to create a non-exploitative marketing and management services network designed to increase PVOs' capacity to support small business and entrepreneurial development. The objectives and approach of ISEDC all involve the intent to encourage networks and linkages. The four stated objectives of the program were as follows:

1. To help PVOs build marketing channels for LDC small-scale producers;
2. To strengthen PVOs' capacity to provide assistance in marketing to these producers;
3. To help the PVOs build working relationships between business people in developed countries and these producers;

4. To help PVOs use relationships developed by their support of LDC marketing for development education.<sup>1</sup>

The approach related to these objectives is for ISEDC to encourage linkages among the various institutional participants. "In general it will not normally do direct marketing but will seek to strengthen and expand existing marketing networks. Thus its main function would be as a 'broker-promoter' of U.S. PVO services on behalf of LDC producers" (p. 18). Other activities anticipated in the original proposal were various aspects of marketing research, including product sampling, data collection, the arranging for warehousing and distribution services, various types of training of LDC producers, and preparation of materials for U.S. development education.

The central activity during the two-year pilot phase of the project was identified as the "development of marketing channels needed to link small LDC producers with U.S. consumers" (p. 23). In the pilot phase, ISEDC intended to concentrate on linking the U.S. and LDC operations of organizations which functioned in both areas, particularly the YMCA and Goodwill Industries (p. 75). The bulk of ISEDC services was to be provided on the U.S. side of the building operations (p. 37). The products of these organizations were expected to be mainly of the cottage industry variety, particularly handcraft products, although this was not the explicit emphasis of the proposal. The expectations for

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1. This reference is from the New TransCentury Foundation proposal as cited in Chapter I of this evaluation report. Additional notes from this source will be marked in parenthesis with the appropriate page numbers specified.

this kind of marketing were great enough that ISEDC projected total sales of \$122,500, of which \$49,000 would be purchases from LDC producers (p. 106).

In general, the stated focus was described in the proposal within a substantially broader context of potential services, producers, products, U.S. organizations, and types of marketing activities. These were identified in every case in considerably comprehensive terms, including -- but not limited to -- the emphases which were proposed and actually developed in the first two years of ISEDC operations:

- . ISEDC services. In addition to the arrangement of marketing channels, other activities anticipated were various aspects of product sampling, data collection arrangements for warehousing and distribution, various types of training of LDC producers, and preparation of materials for use in U.S. development education.
- . The LDC Producers. The proposal identified PVO-sponsored projects or recommended small businesses and entrepreneurs in developing countries (p. 75).
- . The products. Although such products may initially be of the handcraft variety, emphasis will be placed on identification and development of internationally marketable, utilitarian products that reflect value-added processing of indigenous raw materials and high-volume labor utilization (p. 23-24).
- . The U.S. organizations. The organizations were to include "U.S. PVOs and established non-profit and profitmaking importers and distributors" (p. 23).
- . The marketing activities. Later defined as "channels," these activities were to include direct mail sales; third world shops; institutional direct sales, including home parties;

wholesale and retail operations, including large retail chains and specialty shops and participation in regional and national trade shows (p. 24-26).

### Institutional Expectations

ISEDC was proposed to AID as a part of the New Trans-Century Foundation Program, with the possibility held open for change in institutional arrangements after the first phase (p. 20).

For the marketing-related services which constitute the main feature of the first phase, ISEDC expected that the particular marketing services of warehousing, distribution, and promotion would be self-supporting once the service was established (p. 19). For the operational support of ISEDC as a whole, it was expected that with the assistance and initial resources from a number of PVOs, "the Center will eventually become entirely or almost entirely self-sufficient" (p. 20).

One aspect of the institutional development given considerable importance in the proposal was the formation of an Advisory Council, subcommittees and a special management advisory committee (p. 62).

### Subsequent Development of ISEDC Design and Activities

During the pilot phase, ISEDC focused on the development of YMCA and Goodwill marketing of LDC handcraft goods. Developments and changes in the project design and in

activities in comparison with originally stated intentions are as follows:

- . ISEDC services. Considerable effort was given to making contact with LDC producers, especially related to product testing. Direct technical assistance to LDC groups in marketing and management was not provided. Considerable effort recently has been given to the institutional contacts project design and proposal preparation for proposed ISEDCs-assisted Small Enterprise Centers in LDCs, particularly in Thailand. Low priority was given to the linking of U.S. and LDC entrepreneurs. Nor has there been an effort to prepare development education materials. Neither of these activities fell under the umbrella of AID PVC in its provision of the first funding for ISEDC.
- . The LDC producers. Substantial contacts have been limited to PVO-related projects; the Rural Development Coop in Nepal has government sponsorship.
- . The products. Only cottage industry products have been tested to date. Most of these were basically decorative; handcraft product development has been limited to the design and production of jute angel Christmas cards.
- . The U.S. organizations. Intensive contacts established with YMCAs and Goodwill outlets, as well as other PVOs, as described in Chapter III. No ongoing contacts have been established with private sector businesses, other than those represented by ISEDC Board members.
- . Marketing activities. Focus has been on testing a few channels especially consistent with PVO involvement and fundraising. Testing of retail chains, private specialty shops, and trade show participation have not been significant in the pilot stage.

One change in institutional expectations is a lowered projection for the contribution from the marketing activities to the ISEDC general program. Although ISEDC has

completed the legal work for incorporation as a separate entity, recent institutional activities reflect the expectation that ISEDC is likely to remain under the institutional umbrella of the New TransCentury Foundation, as is discussed in the following chapter.

### III. INSTITUTIONAL ASPECTS OF ISEDC DEVELOPMENT

The institutional development of ISEDC during its pilot phase was to involve the formation of an Advisory Council, subcommittees, and special management committee; to identify and negotiate with LDC product suppliers; and to establish of a U.S. institutional network with PVO groups. The linkages and networks which evolved from the ISEDC initiatives have been an important aspect of the pilot stage. The ISEDC institutional linkages are of two types: (1) the network of Board members and advisors, the New TransCentury Foundation, and AID PVC who have assisted in the management of ISEDC and (2) the U.S. PVOs and LDC suppliers who have participated in the actual ISEDC marketing activities. This chapter describes the networking process for both types of linkages: the individuals and organizations involved, the types of contacts and arrangements made, and the future of the institutional networks.

#### The Board of Trustees, New TransCentury Foundation, and AID PVC

#### The Board of Trustees and Other Advisors

The ISEDC Corporate Board of Trustees was organized formally with the incorporation of ISEDC as a 501 3 (c)

non-profit organization in March 1981. The Board of seven members held its first meeting the following month. The Board is expected to meet semi-annually, with the second meeting scheduled for September 1981. All Board members were interviewed in this evaluation.

The composition of the Board and the experiences of its members reflect the purposes of ISEDC and, in a sense, highlight some of the issues which the Board and ISEDC as a whole must consider and work through in the operational phase. Five of the Board members come from business and management oriented positions, although all of them have been active in non-profit organizations as well. Three, including Keith Meyer as ISEDC President, currently work for non-profit and PVO organizations. All but one of the Board members have extensive experience in LDCs. One has particular experience in marketing through U.S. non-profit organizations. None of the Board members has particular experience in the U.S. marketing of craft products.

While the Board members expressed high expectations for ISEDC, most Board members also expressed a further interest -- even an impatience -- that ISEDC move on to activities envisioned in its design other than the marketing of crafts through U.S. PVOs. There is a strong interest in having ISEDC begin its work with the proposed LDC Small Enterprise Centers. There is a strong interest in the Center's helping to arrange for commercial business between LDC small manufacturers and U.S. private firms. Board members provided examples of the kinds of contacts to which they and other Board members would have access in assisting ISEDC in this function.

In effect, the Board has just begun. Some members expressed a lack of substantial knowledge about ISEDC. The first Board meeting in the midst of the ISEDC funding crisis did not provide an opportunity to explore various aspects of ISEDC work and to raise issues of concern. In subsequent Board meetings the members will be raising the issues not only of ISEDC activities, but also of carefully developed and realistic budget projections, the institutional umbrella for ISEDC, the location of its offices, and the follow-up by staff on actions and contacts recommended by the Board. The Board will certainly welcome the preparation of the new budget projections, which will be presented in the September meeting, although some Board members will be looking forward to the development of more specific proposals reflecting the changes in focus that they will be recommending. The Board will be discussing the enlargement of Board membership and the securing of a more permanent Chairman. Dr. Joseph Stepanek, who currently serves as Chairman, has indicated that he expects to hold this position for only half a year.

#### Other Advisors

The various national advisory committees for ISEDC, which were initially anticipated, have never functioned. Some of the persons expected to be key members of such committees have been included instead in the Board of Trustees after ISEDC's non-profit incorporation. According to ISEDC, several Board members have now prepared lists of potential advisors. However, the role of advisors is not being emphasized at the moment. In any case, potential members of the Advisory Council will first be asked to assist in a specific task for ISEDC.

The New TransCentury  
Foundation Umbrella

The YMCA was initially expected to provide the institutional home for ISEDC, much as it also does for another developmentally oriented international program, the Center for International Management Studies.

When the YMCA U.S. national office sponsorship for ISEDC did not seem feasible for a number of reasons, the connection with the New TransCentury Foundation was suggested by USAID PVC.<sup>1</sup> TransCentury assisted substantially in the preparation of the proposal submitted to USAID. It was proposed that ISEDC function as a part of the New TransCentury Foundation, which already was a grantee of AID PVC for the MDS program. The proposal stated that this program and others of the TransCentury experience would provide important assistance to the ISEDC effort.

As grantee for the ISEDC program, the New TransCentury Foundation was responsible for all finance and accounting as well as for reporting to USAID. TransCentury received an overhead payment of 30 percent of salary and fringe and of 10.6 percent for general administration on all expenditures. In addition, TransCentury charged 39 days of its staff time directly to the project. In all, TransCentury received about one-fourth of the AID PVC grant to ISEDC. TransCentury did pay for some management consulting to ISEDC out of its own overhead funds at the consultant's rate of \$1,000 per day.

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1. Robert R. Nathan, Chairman of the Board of RRNA, is a member of the Board of Directors of the TransCentury Corporation. However, he is not associated in any way with the New TransCentury Foundation, the contractor of the ISEDC grant. He did not participate in this evaluation study.

When ISEDC accelerated its rate of expenditure in the last half of 1980 and then ran out of funds in early 1981 when AID PVC did not renew the grant, TransCentury advanced more than \$30,000 to ISEDC. When the subsequent \$50,000 "bridging" funding was received from AID PVC in May 1980, TransCentury reimbursed the TransCentury account for the previously advanced funds and made the remainder available to ISEDC. The decision of ISEDC in mid-1980 to accelerate the rate of expenditure of its AID grant does not appear to have been reviewed carefully by TransCentury.

By early 1981, ISEDC anticipated becoming independent of TransCentury and achieved its 501 3(c) incorporation. Such a development was anticipated in the original ISEDC proposal. ISEDC already had hired its own bookkeeping and accounting consultant in Ohio and anticipated sub-contracting for only relatively minor bookkeeping from TransCentury.

Since July 1981, there has been a turnabout in ISEDC's approach. For the 1981-82 season ISEDC expects to continue in some type of cooperative relationship with TransCentury. Discussions have been virtually concluded for a continuance for the present of ISEDC with New TransCentury with TransCentury to continue supplying at least its G&A function for government grants to ISEDC.

#### AID PVC

The AID Office of Private Voluntary Coordination accepted the TransCentury/ISEDC proposal and provided the first grant to the organization beginning in October 1979. The total grant was for \$368,499 over a two-year period. This grant provided virtually the total cash resources of ISEDC during its first year and a half of operation.

Near the end of the first year of operation in mid-1980, ISEDC and its AID Program Officer agreed to an acceleration of the rate of funding, basing this decision on the belief that ISEDC was meeting its objectives considerably sooner than originally anticipated. ISEDC and AID PVC are not fully in agreement on which organization initiated this decision. Under the accelerated spending the grant funds were used up in about 17 months, that is, by February 1981.

A number of factors converged in the decision of AID PVC not to provide subsequent funding for an operational stage -- or, as it was called, a demonstration phase -- for ISEDC. The Program Officer who had worked with ISEDC retired in December 1980. After a somewhat complex evaluation process in December 1980, two evaluation reports were received by AID PVC, one of which was highly critical of ISEDC. Basically, however, the decision seems to have been that of the AID PVC staff itself. While many factors converged in this decision, it appears that the main factor was that expressed at the time by AID PVC as follows, "Our decision is not really based on your formal compliance with our grant agreement.... In terms of a firm foundation on which to build, it is easier to see the potential and promise than it is to see specific and measurable performance of benefits to LDC producers and PVOs." AID PVC subsequently authorized \$50,000 of "bridging" funding for ISEDC in May 1981 and contracted for this evaluation by RRNA in June 1981.

#### ISEDC Staff

The ISEDC staff is composed of a core group including a president, a vice-president of operations, two marketing

managers, a program administrator a part-time bookkeeper, and a secretary. Mr. Keith Meyers, ISEDC President, served over 25 years in various responsibilities in YMCA organizations in the United States and in LDCs.

Throughout the pilot stage, a number of Wright State University students assisted in the test activities. Also, a professional marketing consultant and accountant, Dr. George Miaoulis and Mr. Robert Rinehart, regularly consulted with ISEDC.

In effect, the findings of this evaluation reflect the activity and performance of this small staff. ISEDC intends to continue with this current level of core staff.

#### Linkages with Other Alternative Marketing Organizations (AMOs)

During the pilot stage, ISEDC explored the possibility of working in conjunction with other alternative marketing organizations (AMOs). Of a number of AMOs contacted, OXFAM, a non-profit voluntary organization in England, has been the most enthusiastic about a joint venture with ISEDC. OXFAM funds social and economic development projects in the developing world. One part of OXFAM's activities is OXFAM Trading, a non-profit marketing organization, which promotes a wide range of products primarily from India, the Philippines, and Bangladesh.

As of an August report by an OXFAM officer, it appears that ISEDC and OXFAM will market crafts jointly; ISEDC will market OXFAM products in the United States. An agreement will be made final in September or October of this year.

ISEDC is planning to market OXFAM goods through in-home parties and direct catalogue mail. Estimates by ISEDC of U.S. sales of products supplied by Oxfam range from \$500,000 to \$1 million for the first year of operation. Proposals discussed assume that OXFAM Trading and ISEDC would share in any profits in proportion to their investment in the marketing operation.

The joint venture offers four main benefits to ISEDC. First, OXFAM will provide the working capital for the venture. ISEDC will handle the inventory control, processing and handling, postage within the United States, and the locating of retail outlets for OXFAM goods. Second, OXFAM already has overseas offices and representatives with the LDC suppliers. Because of these networks, OXFAM has the capability to revise or adapt its products to meet U.S. demand.

Third, OXFAM is quite interested in selling products through conventional retail trade in the United States. OXFAM is willing to improve and revise its product lines so that the products can compete successfully in the commercial market. ISEDC shares this goal with OXFAM, and its joint venture with OXFAM will make it easier for both organizations to achieve this goal. Fourth, under the OXFAM-ISEDC arrangement, the two organizations will operate at their highest level of efficiency. ISEDC, whose experience is in identifying and marketing to U.S. PVO outlets, will take primary responsibility for that function. OXFAM with extensive experience in LDC-PVO marketing relations, inventory control, and international marketing requirements will be responsible for these tasks. With each group's focusing on what it does best, the cost structure of the organization will change, and greater margins will be achieved.

Providing A Market Network for  
the LDC PVO Supplier

Identifying and negotiating arrangements with the PVO-supported Third World supplier were important tasks of the ISEDC pilot project. As part of the selection process, the LDC PVOs were evaluated on the size of operation, potential for local economic impact, and the level of interest and endorsement made by the LDC PVO. The underlying purpose of the selection process was to provide a link between U.S. PVO-related market outlets and the LDC-PVO units that could not otherwise receive national or international assistance in marketing because of their small size.

During the pilot project, 13 PVO-LDC handcraft projects were identified as possible suppliers (Table III-1). To assess the appropriateness of the various PVO-LDC suppliers, we must consider a number of factors: the number of workers in the production process, the amount of current product sales, the extent to which ISEDC tested the product -- as indicated by ISEDC sales of the product, the product quality, and the level of interest by the PVO-LDC. Based on information provided by ISEDC as well as LDC-PVO responses to mailed questionnaires (see Appendix B), the following discussion examines these suppliers contacted by ISEDC.

The Jute Works -- Bangladesh

The Jute Works is a non-profit alternative marketing organization which serves some 40,000 women producers in Bangladesh. The Jute Works markets a variety of jute products, including hangers, hammocks, placemats, and bags. The annual sales of the Jute Works is \$1.3 million. Of this

Table III-1. ISEDC PVO Suppliers -- Project, Country of Origin and Types of Products

Origin of product line by project	Country origin	Types of products
The Jute Works	Bangladesh	Jute products, purses, hammocks, hand puppets, baskets
Chiangmai YMCA	Thailand	Bamboo and rattan baskets and boxes, brooms, umbrellas
Ban Sob Tuang Refugee Project	Thailand	Embroidery, wall hangings, quilts, belts, purses, placemats, baskets, coasters, shirts, applique
National Central Committee of Kenya (NCCK) and YMCA Crafts Training Center	Kenya	Baskets, bowls, carved wooden animals, and soapstone carvings
Goodwill Industries	Korea	Necklaces, bracelets, earrings
Yogyakarta YMCA	Indonesia	Handbags, placemats, briefcases, and wallets
Small Farmer Rural Development	Nepal	Baskets
Other		
. Cuyamuna	Colombia	Women's apparel, embroidery, pillow-cases, and wall hangings
. Pueblo to People	Guatemala	Woven hats, rocking chairs
. YMCA of Portugal	Portugal	Tile and cork
. Community Crafts Association	Philippines	Baskets, wall hangings, magazine racks of rattan and brisi
OXFAM	India Philippines Bangladesh	Baskets, batiks, plant hangers, other home decorative items, women's apparel (samples)

Source: Memo 12/12/80 - ISEDC.

revenue, 20 percent covers administration costs, and the remainder is distributed to the producers.

Product quality is a primary concern of the Jute Works. The handcrafts are checked for quality at the village level and at the central headquarters of the Jute Works in Dacca. Although the Jute Works is a highly successful AMO, it has had no growth in the last year. The Jute Works is extremely interested in adapting its jute products to innovative designs with international appeal. More particularly, the Jute Works wants access to an international designer to work with the producers in evolving a product more attuned to the international market. As of this date, the Jute Works does not receive any technical assistance.

The ISEDC involvement with the Jute Works has been through Tearcraft, an AMO based in the United Kingdom. Although the ISEDC purchases of the Jute Works' products were low, i.e., \$1,800 for the first six months of sales, it is expected that these sales will grow substantially. The in-home party channel sells the jute products almost exclusively. Thus, the growth of the in-home party channel and the Jute Works' products are intimately tied.

#### Chiangmai YMCA -- Thailand

The Chiangmai YMCA in northern Thailand is a community-based organization which supports rural development activities in 258 villages of a nine-province region. One of these activities is the production and marketing of handcraft goods. Approximately 200 people from 10 villages currently are involved in the craft production.

The craft production process centers around the village. One family is considered the "core" production group.

Members of this family are responsible for quality of products produced in the village and for communicating with the YMCA's central headquarters. To a large extent, the craft production is seasonal with villagers working only part-time during the agricultural season and full-time after the harvest.

The types of products produced by the Chiangmai YMCA include lacquerware, rattan and bamboo items, and jute work. Product quality is especially good as noted by a New York product consultant. During 1980, Chiangmai YMCA sold \$4,000 worth of goods. Eighty percent of this amount is distributed to the producers, which represents \$16 per production worker.

To this date, the Chiangmai YMCA has received volunteer assistance from four consultants in design, production, local and international marketing, and quality control. As part of an expansion effort, Chiangmai, with the assistance of ISEDC, is planning the development of a craft marketing center. The center would provide technical assistance in product quality control, skill training, and product design and would locate international markets and capital.

ISEDC has been most active in the development of the Chiangmai YMCA marketing activities, testing numerous products in the bazaar, retail shop, and direct mail channels. During the first six-month test period, ISECD purchased \$2,400 of Chiangmai products. ISECD plans to continue the marketing of these goods primarily through the bazaar channel.

Ban Sob Tuang Refugee Project --  
Thailand

Products from the Ban Sob Tuang Refugee Center were most important during the pilot phase of the ISEDC project. During the first six months of the pilot test, ISEDC purchased \$2,500 from the Ban Sob Tuang project.

Products included high quality weavings, batiks, appliques, embroidery, and baskets. ISEDC plans to continue purchasing products from the Ban Sob project. One point of interest which arose during the pilot phase concerns the openness of the LDC supplier in revising products to ISEDC suggestions. For instance, the Ban Sob project director would not revise certain products according to the ISEDC specifications because the project thought the use of outside specified designs was inappropriate for Thai producers.

National Christian Council and  
YMCA Crafts Training Centre --  
Kenya

The National Christian Council and YMCA Crafts Training Centre in Kenya market handcraft products of woven baskets, wood carvings, and toys. These two community organizations have established cooperatives throughout Kenya. The ISEDC has tested a number of the products at bazaars and its retail store and plans to continue the marketing of the products on a limited basis through bazaars.

Goodwill -- Korea

The Goodwill Industries of Korea is a non-profit organization which produces costume jewelry and handmade accessories. Handicapped producers work either in their homes or

in Goodwill workshops. Approximately 50 full-time and 30 part-time workers are employed by the project. The 1980 annual sales amount was \$60,000 with 50 percent of the sales revenue distributed to the actual producers.

The Goodwill Industry is receiving technical assistance from the Sam Yong Chanin Trading Company. Goodwill is expecting higher sales yet needs more capital for the exporting aspects of the business. ISEDC has tested a wide range of Goodwill products and purchased \$1,100 worth of Goodwill jewelry from the Korean outlet. However, it does not plan to continue the marketing of the product through U.S. Goodwill outlets.

#### YMCA Yogyakarta -- Indonesia

The YMCA Yogyakarta Branch of the Indonesian National Council of YMCAs supports the Pandan project, a handcraft production and marketing cooperative in a Pundung village east of Yogyakarta. The purpose of the project is to provide supplemental income to the village families. The majority of the 30 family producers are children and women.

The products made by the Pandan project include handbags, placemats, briefcases, and wallets. Seventy-five percent of the goods are sold in Indonesia, while 25 percent of the goods are exported. The revenue from the sale of goods is approximately U.S. \$5,000. The producers receive 85 percent of the revenue. As part of the product development, the YMCA staff of Yogyakarta and the assistance of the government's Department of Small Industries have provided help to the Pandan project.

The greatest concerns of the craft cooperative are to develop markets and to increase product consistency. ISEDC has tested a number of the products and is currently featuring these products through the bazaar channel.

Small Farmers' Rural  
Development -- Nepal

The Small Farmers' Rural Development project is a cooperative project under the auspices of the Agricultural Development Bank. Throughout Nepal, cooperatives have been established to provide a variety of services --dissemination of agricultural inputs, credit, and marketing of crafts. As with other ISEDC suppliers, the marketing activities are only one of many activities sponsored by the cooperative.

The workers in these cooperatives usually work part-time on crafts, and these craft sales supplement their agricultural-based income. The value of the craft export sales in 1980 was approximately \$110.00, all of which was purchased by ISEDC. The quality of the baskets, stools, and textiles is extremely good. The cooperative does receive assistance from the Department of Cooperatives and the Agricultural Development Bank in local marketing.

ISEDC first purchased samples from the Nepali cooperative and then placed an order for these goods. The cooperative has had considerable difficulty in filling the ISEDC order. The villages where the products are made are distant from Kathmandu, external transport, and support services. Currently, the cooperative is not exporting products due to the distance problems.

### Other

A number of the PVO suppliers were involved in the product testing in the ISEDC pilot: Cuyamura Cooperative in Colombia, Pueblo to People in Guatemala, YMCA of Portugal, and Community Crafts Association in the Philippines. ISEDC is continuing to purchase crafts from the Cuyamura project and the Community Craft Association in the Philippines. Although ISEDC remains interested in the products from Guatemala and Portugal, it is not planning to order goods from these places in the coming year.

### Conclusions Regarding LDC Contacts of ISEDC

To summarize the above findings, Table III-2 presents the most important characteristics regarding the PVO-LDC suppliers. The diversity among the suppliers is quite apparent. The number of workers, production capabilities, level of product and market sophistication, ISEDC's share of supplier's market, and the need for technical assistance vary tremendously among the different cooperatives. A number of conclusions can be drawn based on the findings:

- . The suppliers with the most limited production capabilities are the ones which will benefit most from the ISEDC sales. As in the case of the Chiangmai YMCA and the Small Farmers' Rural Development Program, the PVO suppliers with low sales have not entered the international market. ISEDC would play an important role in introducing these suppliers to the international market.
- . The suppliers which already have attained a high volume of sales internationally will be least affected by the ISEDC marketing project. However, the sophistication of their

Table III-2. Summary of Findings of ISEDC PVO Suppliers during Pilot Phase of Project<sup>a</sup>

PVO Supplier	Number of workers	1980 Export Sales	ISEDC Market	Requested Technical assistance
--dollars--				
The Jute Works, Bangladesh	40,000	\$1,251,104	minimal <sup>b</sup>	Project Development
Chiangmai YMCA, Thailand	200	4,000	significant	Capital, Product and Market Development
Ban Sob Tuang Refugee Project, Thailand	n.a.	n.a.	n.a.	
National Christian Council of Kenya (Jisaidie Crafts Industry)	n.a.	n.a.	n.a.	
YMCA Crafts Training Centre, Kenya <sup>c</sup>	n.a.	n.a.	n.a.	
Goodwill of Korea	80	120,000	minimal	Capital
Yogyakarta YMCA, <sup>d</sup> Indonesia	30	4,500	average	Market Development
Small Farmers Rural Development Program, Nepal	n.a.	110	significant	

a. The information was gathered through the RRNA questionnaires. Five of the suppliers completed and returned the questionnaires which explains the limited amount of information in the table.

b. "ISEDC market share" refers to the percentage of goods purchased by ISEDC to total volume of sales during the pilot phase. Adjustments have been made when need be for first year projections. "Significant market share" refers to more than 50 percent of the supplier's sales due to ISEDC purchases; "average market share" is 50 percent, and "minimal market share" is less than 50 percent.

c. Mr. Malcolm Benjamin, a UNDP craft specialist consulting with the Kenyan government, commented on craft development in Kenya, but not to specific survey questions.

d. The information on Yogyakarta YMCA is extremely limited. The number of workers refers to 30 families, not individual workers. The 1980 export sales is an approximate figure calculated using the 1979 range of sales per family production unit.

Source: RRNA calculations based on PVO LDC questionnaire responses.

production process allows for greater inventory growth; this in turn would eliminate the supply constraint on ISEDC.

- . Given the product and market sophistication of a number of suppliers, namely the Jute Works and OXFAM, it is probable that subsidized marketing structures are not a major need. And in fact, ISEDC must seriously study the ability of these sophisticated suppliers to enter the commercial market and offer its services in support of this direction. Conversely, ISEDC will probably have a much different role with low-volume suppliers just entering the international market.

#### Building the U.S. Institutional Network

One of the first steps in the ISEDC pilot was identifying and contacting the U.S. PVOs that would be interested in the marketing of ISEDC crafts. In the original concept YMCA and Goodwill Industries were identified as high-potential organizations. Other institutions contacted were churches, local American Field Service (AFS) chapters, art societies, and women's organizations. The contacts with these institutions took place at a regional and/or local level; however, the actual testing of the market channels and products was at the local level. Two institutional issues are essential to this evaluation: (1) the process in which the institutional networks were built, and (2) the appropriateness of the specific institution's networks as likely institutional candidates for the marketing of crafts from developing countries. The following discussion concentrates on the first issue -- the process of institutional networking; the next chapter analyzes the appropriateness of the institutions in marketing crafts.

ISEDG initiated contact with all of the above organizations. The networks that evolved from these contacts differ among the institutions; and for that reason, it is necessary to distinguish the networks by the specific institutions. Five institutional categories can be specified: YMCA, AFS, Goodwill, churches, and other. Also, distinctions must be made between initial contacts and arrangements, and the subsequent relationships that grow out of these initial contacts. For purposes of discussion, the initial contacts and arrangements are considered the first stage of the institutional building process, and the follow-up relationships represent the second stage of this process. The level at which each institution is involved -- national, regional, or local -- needs to be distinguished.

#### YMCA

The YMCA was deeply involved in the ISEDG pilot project. Given the many years of service of Mr. Keith Meyers in the YMCA, Mr. Meyers has many YMCA contacts which proved helpful in initiating the network. ISEDG contacted the national headquarters of the YMCA, the regional Great Lakes Office and local YMCA offices throughout Ohio, Indiana, Kentucky, and Minnesota. Also, one Board member, Mr. John Kessler, is a YMCA employee and assisted in the networking of the YMCA-ISEDG.

The regional and national networks have not yet served as a testing ground. The national YMCA was contacted by Mr. Meyers before and during the ISEDG pilot. Originally, the YMCA International was interested in incorporating parts of ISEDG activities into its general program work. It was argued that ISEDG should demonstrate the feasibility of its

fundraisers in local YMCA chapters. Currently, relations between the two organizations are being continued and explored. On a regional level, most of ISEDC crafts contacts have been geared toward informing members on the fundraising possibilities of ISEDC, rather than on testing particular marketing channels. ISEDC crafts were sold at the 1980 Regional Great Lakes Conference of YMCAs. Future activities are now being planned.

The first stage of the networking at the local YMCAs --that of the initial contacts and arrangements -- was done in conjunction with the identification of test sites for the various marketing channels. Following the initial contact, arrangements were made to test ISEDC products and marketing channels at 12 YMCAs.

Of the six local YMCAs interviewed, five of the YMCAs were directly contacted by ISEDC. Only one of the YMCAs actually inquired about the ISEDC activities based on a secondhand source. On contacting the local YMCAs, the ISEDC representative usually met with the local YMCA officials and followed-up with several phone calls to the YMCA. All of the YMCA officials interviewed knew of Mr. Keith Meyers and his YMCA background; several officials commented that his distinguished YMCA career gave considerable credibility to the ISEDC project.

The relationships that have evolved from the initial contact and arrangements vary considerably. Of the local organizations, three expect to continue their activities with ISEDC. The other three YMCAs are unsure if such activities will be continued. To a large extent, the continuing activity of each YMCA depends on the success of the ISEDC

pilot sales -- an issue that will be discussed in the following chapter.

Unlike the local YMCAs, the broader regional Great Lakes network is only in the first stage of test development; it is now planning and arranging for a marketing campaign in conjunction with the World Service fundraising activities. The building of the regional network is to take into account the findings of the earlier local YMCA tests. This regional network development demonstrates the bottom-up strategy of organizational development that the ISEDC has followed throughout the 18-month pilot project. This strategy has been employed in all of the institutions.

### Goodwill

In the original proposal, Goodwill Industries was identified as a key organizational outlet. It was envisioned that the secondhand clothing stores would be an easily tapped marketing outlet, similar to the OXFAM stores in England. Initial contacts were made at many Goodwill stores, four of which were interested in participating in the marketing test. Following these initial contacts, meetings were held between ISEDC and Goodwill officials.

The building of the Goodwill network took considerable effort by the ISEDC staff. To a large extent, the interest level of the Goodwill is low. One example is the direct mailing of the promotional packet to 13 Goodwills in the mideastern region; only one Goodwill responded with interest regarding the ISEDC project. This low level of interest was also observed in the personal interviews of two Goodwills. For a variety of reasons, both Goodwills are unsure and noncommittal about their continuing work with the ISEDC.

### American Field Service (AFS)

The American Field Service has been contacted by the ISEDC at a local, regional, and national level. AFS was not identified in the proposal as a possible institution. Mr. Chris Meyers, who had worked as an AFS advisor, spoke to several active AFS members -- one of whom was the regional representative of AFS -- regarding the activities of ISEDC. The immediate and favorable response of these local groups indicated the institutional possibilities of AFS.

The regional AFS representative for the Dayton Metropolitan area contacted each of the chapter presidents. Meanwhile, an ISEDC representative contacted these AFS chapters. From the response of the various chapters, two Dayton AFS chapters were selected as test sites. Both of those chapters expect to continue their activities in marketing ISEDC crafts.

With the strong local AFS support, ISEDC contacted the national headquarters. After a number of phone calls, a meeting was scheduled between ISEDC and the national AFS in New York. Following the meeting, the ISEDC pilot proposal was presented to the Vice President of U.S. Programs and Operations for approval. The entire endorsement process took approximately three months to complete. Since the approval, the national AFS sent a letter in mid-June 1981 to the AFS chapters in Cincinnati and Cleveland endorsing the ISEDC project. Forty percent of the chapters in these two areas responded to the mailing. The success of the mailing has encouraged the National AFS to continue the mailing to other areas.

### Churches

Throughout the United States, church groups have been involved in craft marketing through their mission work. In fact, alternative marketing organizations, such as SERRV, have been marketing handcrafts in churches for 31 years. The ISEDC networking of church relationships has been mostly positive. The churches have participated in three types of ISEDC marketing tests; and the ISEDC-church relationship that emerged was largely influenced by the success of the tests.

Of the seven churches that are part of the ISEDC network, three have had some previous acquaintance with either Mr. Chris Meyers or Mr. Keith Meyers. The churches that were contacted regarding the opening of a church retail outlet, however, were not acquainted with the Meyers family. Nine churches were contacted regarding the store; one church was interested enough to become an outlet. Of the two churches interviewed, both were most enthusiastic regarding the ISEDC. The personal sincerity and commitment of the Meyers were mentioned as the main reason for the churches' involvement in the ISEDC network. Also, the ISEDC international orientation complements the churches' mission work.

### Other

A gamut of social and art organizations also became involved in the ISEDC network. Two art societies and their retail shops were identified as possible outlets. Usually the initial telephone contact call and follow-up meeting were sufficient to lay the groundwork for the testing of the outlet/product.

Other groups (or individuals in the club) that were identified and included in the network were Dayton Philharmonic Society, Muscular Dystrophy of Xenia, Right-to-Life Society, and Golden Ages Senior Citizens Center. In many of these societies, the ISEDC contact was through some personal tie. Of the six individuals interviewed, four of the interviewees were personal friends of one ISEDC staff member.

The relationships that have grown out of the first stage of the networking are not strong, neither was a strong relationship sought by ISEDC which was mainly concerned with testing channels and products. Based on the interviews, two of the societies out of the six reported that they were certain to want to continue their activities with ISEDC.

#### Conclusions Regarding U.S. Institutional Contacts

The process of network building between the ISEDC and PVO institutions is continuous. During the pilot phase of the project, ISEDC primarily cultivated institutional relationships at the local level. The purpose of the local networking was to demonstrate to the regional and national organization the interest and viability of the local chapters in the ISEDC. Through personal interviews and telephone conversations with the various institutions involved, a number of observations can be made regarding this process:

- . The network building required significant follow-up contacts. A combination of phone calls, meetings, and letters appeared to be the most successful means of building the network.

- . At the local level, personal ties to ISEDC were extremely important. Within every institution, the ISEDC used its personal acquaintances to get its "foot into the door." An interesting response from an Austin man who had tried to promote ISEDC in that area was "the people who push these (ISEDC events) in the future will have to be members of community groups themselves and should be able to host the first few parties in their own group before trying to spread the word."<sup>1</sup>
  
- . Based on the interview findings, there are mixed results on the local PVOs continuing their relationship with ISEDC. Goodwill Industries and many of the social organizations are most uncertain regarding their continuing involvement. The YMCAs differ among themselves over the possibilities of future ISEDC activities. Only the churches and AFS chapters are consistently favorable regarding the ISEDC network. Moreover, these second-stage relationships are largely a function of the success of the marketing tests -- an issue to be discussed in the following chapter.

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1. This point agrees with studies on information dissemination in which the diffusion of ideas within the community needs to be promoted by a member of the community, not an outsider.

#### IV. THE MARKETING TESTS: FINDINGS AND CONCLUSIONS

The primary task of the pilot project was to test the viability of various PVO outlets, marketing channels, and product lines in marketing handcraft products. The findings from these tests would then confirm or negate the pilot's premise that PVO institutions are effective mechanisms for craft marketing. The tests took place in two phases: the pretests conducted by the Wright State University marketing students in the summer of 1980 and the actual tests carried out by the ISEDC staff from September 1980 until the present. ISEDC views testing as an ongoing process -- a continual evaluation of its products and marketing mechanisms. However, for this evaluation, only the tests made between June 1980 and June 1981 will be examined.

##### Background

The ISEDC marketing strategy and the accompanying marketing tests are largely defined by the very nature of the ISEDC project -- that of involving U.S. PVO institutions in the marketing of craft products. To evaluate fairly the ISEDC strategy, we must first acknowledge the constraint on ISEDC of working with PVO institutions. Furthermore, the purpose of the pilot project was to ascertain whether PVO

institutions were viable marketing mechanisms. The evaluation of the project does not place a value on whether the results were positive or negative; rather the results are examined in light of the consistency and control of the testing process. However, the projection of ISEDC future operation is based on the positive/negative results of the tests. The marketing strategy involved identifying and selecting appropriate market channels within each of these institutions and the handcraft products from developing countries as well as developing new products. After completing the identification and selection of outlets, ISEDC tested market channels and products.<sup>1</sup>

#### Outlets, Channels, and Product Lines

The institutional outlets tested in the pilot phase were identified in the previous chapter: YMCA, AFS, churches, Goodwill, and other social and art organizations. The market channels tested include in-home parties, bazaars, displays, direct mailings, and retail stores. The following distinctions can be made among these channels:

- . In-home parties are small meetings of friends or members of local organizations who meet in a home to purchase ISEDC crafts. The proceeds of the sale are given to a specified local PVO. In the pilot phase an ISEDC representative was responsible for presenting and selling the goods. In the subsequent phases, the hostess or other PVO representative will be responsible.
- . Bazaars are fundraising fairs given by the PVO. ISEDC goods are usually sold with other goods. The organization of the fair and the sale of the ISEDC crafts are the responsibility of the sponsoring PVO.

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1. It must be noted that the identification, selection, and testing were not static processes, but rather often the three steps were concurrent.

- . Displays are showcase presentations of ISEDC goods at the local PVO headquarters. Usually no outside products are presented or sold with the ISEDC display; ISEDC and/or the PVO is responsible for the organization and sales of the ISEDC craft.
- . Direct mailings are notices sent to members of the local organizations regarding a specific type of ISEDC product. These mailings announce the display of ISEDC products at the local headquarters of the organization.
- . Retail sales are the over-the-counter techniques used in the commercial sale of goods. The ISEDC goods are sold with the other merchandise. The organization and sales of the ISEDC goods are the responsibilities of the retail store.

The product lines tested in the pilot phase are usually identified with the development project and country of their origin. Twelve development projects in ten countries have sold their crafts through the ISEDC. Table III-1 listed the product lines of these various projects and the type of products included in each line.

The product lines are closely associated with the marketing channels. For example, Goodwill jewelry of Korea is marketed by ISEDC solely through the Goodwill retail outlets. The in-home parties sell almost exclusively products from the Jute Works in Bangladesh. The direct mailings market the brooms from the Chiangmai YMCA in Thailand. Also, the Christmas cards developed at the ISEDC use only the jute angel Christmas ornament of the Jute Works. The bazaar channel markets a wide range of products from all the projects.

Given that the marketing channels and product lines are closely tied, ISEDC has developed marketing product kits for

some of the channels: in-home parties, bazaars, and displays. These kits include instructions for the PVO sponsoring the event, as well as samples of products. As of August 1981, the kits were still being tested and revised.

### Tests Completed

Of the 50 tests of different institutions, channels, and products, 34 local PVO institutions were involved (Table IV-1). Local YMCAs have been the main test outlet for the display of Christmas cards, the direct mailings, and the bazaars. The churches have tested a mix of channels and products -- bazaars, in-home parties, and retail sales. In testing the retail outlet, one church established a small store within the church to sell the ISEDC goods on Sunday. Another church-operated store -- a SERRV shop -- sells ISEDC goods.

AFS and Goodwill participated in the market testing on a much more limited basis. AFS tested in-home parties; Goodwill retail stores tested jewelry made by Goodwills of Korea. The art societies tested the exhibit-display channel and retail sales of specific goods through their museum shops. The other women's social organizations tested the in-home parties. Appendix A details the institutional, marketing, and product linkages.

### Methodology

In the original proposal, ISEDC was responsible for the market testing of Goodwill Industries and local YMCAs; other local PVOs could be tested, time and revenues permitting. Once identifying, contacting, and selecting the local organizations, ISEDC could begin the testing.

Table IV-1. ISEDC Market Testing by Institutional Outlet,  
Marketing Channel, and Product Line

Market tests	YMCA	AFS	Churches	Goodwill	Other <sup>a</sup>
Number of local organizations tested <sup>b</sup>	12	3	6	4	10
-----Number of events tested-----					
<u>Bazaars</u>					
Complete product line	2		3		
Specific products	4		1		
<u>In-home parties</u>					
Complete product line		9			11
<u>Display</u>					
Jute Angel Christmas cards	12				
Selected items	2				3
<u>Direct mailing</u>					
Broom advertisement	2				
<u>Retail sales</u>					
Korean jewelry				4	
Complete product line			1		
Selected products			2		1

a. Other category includes art societies, social organizations, and women's clubs.

b. In the YMCA, AFS, and churches, more than one test was completed by the local organization. For that reason, the number of events do not total the number of institutions.

Source: RRNA calculation based on PVO interviews and ISEDC reports. YMCAs are reported by affiliates (not branches).

For each of the tests the following method was followed: (1) the strategy team selected the institutional-channel-product mix for each test; (2) a marketing manager implemented the test with the local PVO; (3) a marketing manager reported to the marketing vice president on the general effectiveness of the tests, based on group's interest and level of sales; and (4) the strategy team met to evaluate testing procedures and results. The strategy team is composed of the president, the vice president of operations, and the marketing consultants.

In January 1981, the marketing managers working with the strategy team evaluated and ranked the appropriateness of the institutional outlets. The criteria used in this evaluation ranged from a "humanistic orientation" to "interest in ISEDC level of fundraising events." The marketing managers who had been involved in the actual PVO tests completed the forms (see Appendix B). AFSS and women's service clubs (especially the American Association of University Women AAUW) scored extremely high in this evaluation.

Although the institutional evaluation must be commended, its methodological framework has one severe limitation: ISEDC collected sales information and other comments from the local PVOs participating in the ISEDC tests. However, a substantial proportion of these test participants feel that they were not included by ISEDC in the evaluative aspects of the test. ISEDC was certainly open to comments made by the PVOs; however, it did not generally initiate an evaluative follow-up with each PVO as a matter of course.

The integrated nature of the testing does not allow the evaluation to distinguish the cause of the test results easily. For example, in the testing of the Christmas card

product by the display channel in local YMCAs, it is difficult to discern if the test results are a function of the institution, channel, or product since no other institution tested the channel (e.g., display) and product (e.g., Christmas card) during this period.

One final comment must be made on the selection of PVO test sites. As discussed in the previous chapter, many of the PVO officials involved in the testing had some personal acquaintance with the ISEDC staff. By involving such acquaintances, the testing is not totally objective. And as one market manager stated, especially in the beginning tests, these enthusiastic acquaintances were most interested in positive test results.

Since these first tests, the amount of revenue generated by each event has fallen, most specifically for in-home parties. During the initial six pretests of the summer of 1980 the average revenue per party was \$187.17; the 15 regular tests which have followed show an average of \$94.43 per party. To some extent, ISEDC confronted a no-win testing situation. As noted in Chapter 3, local contacts are critical in getting "the foot into the door." Thus, there is a tradeoff between the objectivity required by each test site and the personal contact needed to get the PVO to participate in the test.

### Findings and Conclusions

The test findings and conclusions are based on three sources of information: (1) status memos and reports written by marketing managers; (2) interviews with ISEDC staff; and (3) interviews with PVOs that participated in the pilot

testing (see questionnaire in Appendix C). As a framework of analysis, these findings will be grouped when possible by the institutional outlet, market channels, and product lines and development. The conclusions drawn at the end of each of these sections reflect these findings. Generally, the ISEDC conclusions agree with those of RRNA; however, when the conclusions differ, specific reference will be made.

### Institutional Outlets

The findings from the interviews with PVOs offer results similar to ISEDC findings (see Table IV-2.). Based on the responses to the first question, only one-half of the participants are certain to continue their activities with ISEDC. The only negative response on this question came from a Goodwill outlet. The most positive responses were from the AFS chapters and the two churches. YMCAs had mixed responses on this question.

The second question, that of the PVO's event triggering another organization to have an ISEDC fundraiser, has a more even (7-4-6) distribution of answers than the first question. Once again, AFS and the churches had the most positive responses. The YMCAs were doubtful, yet unsure of the consequences of their ISEDC fundraisers. The two Goodwills interviewed responded negatively to this question. A number of local organizations were involved in the in-home party test solely to "spread the word." Influential women in the community were informed about ISEDC through these contact parties. Understandably, the responses from such tests were extremely positive.

The PVO responses to the third question, "is your organization a good outlet," were extremely varied. The AFS

chapters and art societies were most certain that their organizations were good outlets for ISEDC marketing. The YMCAs stated that the effectiveness of their organization in marketing ISEDC crafts depended on a variety of factors. Similarly, the Goodwills and women's social organizations were somewhat unsure of the appropriateness of their organization to marketing ISEDC crafts.

The last question of Table IV-2, that of the local response from a national/regional fundraising request, was posed to the PVOs to ascertain the degree of influence the national/regional organizations hold over the local PVOs. To understand the results of this question, we must note that many of the national/regional organizations -- Goodwills, art societies, social organizations -- do not endorse fundraising activities. Thus, these organizations all responded negatively to the question. Most YMCAs stated that they would probably not respond to a national/regional request. The churches and AFSSs replied that their organizations would respond to a fundraising request/endorsement from their national/regional organization.

A number of conclusions can be drawn from the above findings and comments made by the ISEDC and the PVOs. The local YMCA organizations do not appear to be an ideal institution to market crafts; however, a number of local YMCAs have proven to be most enthusiastic about ISEDC sales. The interest of local YMCAs varies considerably from affiliate to affiliate. Several of the interviewees commented on the appropriateness of ISEDC sales for YMCA World Service fundraising. RRNA concludes that ISEDC should screen the YMCA outlets by their annual World Service revenue from sales fundraising events, and target ISEDC sales to the YMCAs with the highest volume of such World Service fundraising.

Table IV-2. Interview Findings on Institutional Outlets as ISEDC Test Sites<sup>a</sup>

Questions asked to PVO institution	Yes	No	Not sure	Total
	---Number of responses of PVOs---			
1. Do you plan to continue using ISEDC?	8	1	8	17
2. Did your event lead to another organization using ISEDC?	7	4	6	17
3. Is your organization a good outlet?	5	2	8	15 <sup>b</sup>
4. If your National/Regional Organization endorsed ISEDC fundraiser, would you respond positively?	6	10	1	17

a. Seventeen local PVOs were interviewed regarding their activities with ISEDC. The PVO distribution of those interviewed compared to the total number of participants is the following:

<u>Local organization</u>	<u>Total number participating</u>	<u>Number interviewed</u>
YMCA	12	6
Goodwill	4	2
AFS	2	2
Churches	6	2
Other		
Art centers	2	2
Social/women's clubs	8	3
Total	<u>34</u>	<u>17</u>

b. For two organizations, this question was not applicable.

Source: RRNA calculation based on PVO interviews and ISEDC reports. YMCAs are reported by affiliates (not branches).

Goodwills that have been tested generally appear unsatisfactory for the marketing of ISEDC craft products. Goodwills' low level of interest in ISEDC and international issues, the autonomy of each local Goodwill from the national organization, and its limited use of fundraising activities are reasons for not continuing to market ISEDC crafts through Goodwills. Goodwills' prime objective is to generate as much income as possible from its sales; this revenue then feeds into the rehabilitation program. ISEDC jewelry did not successfully prove itself to be a competitive sales item.<sup>1</sup> Based on interviews with Goodwill officials, RRNA concludes that Goodwill retail stores are not an effective outlet; however, the women's auxiliary gift shops within many Goodwill stores may be a better mechanism for ISEDC sales.

AFSS and church-related organizations have the most favorable test results. Both local AFS chapters and church organizations are extremely interested in ISEDC and international development, have an influential national/regional organization, and are active in fundraising throughout the year. In the interviews with the churches, several interviewees mentioned the importance of "word of mouth" as the most effective medium to inform church groups of ISEDC fundraisers. Agreeing with ISEDC assessment of these two outlets, RRNA believes that AFSS and the churches have considerable potential as market outlets for ISEDC craft products. Based on interview comments, RRNA feels that the growth of AFS outlets will be faster than that of the churches.

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1. To explain why the Goodwills have not successfully sold the jewelry, one must examine the behavior of the Goodwill shopper. This consumer demands a high turnover of secondhand stock. Once the ISEDC jewelry had been displayed for two months, the shopper lost interest in the product.

The tests of the art and social organizations have conflicting results. Although such organizations -- especially the art societies and museums -- have considerable interest in the ISEDC crafts, most of these organizations do not have a national structure which influences their local organizations. Also, the level of fundraising done by these various organizations varies significantly. In its evaluation of institutional outlets, ISEDC gave high marks to a number of women's organizations, such as AAUW, Jaycee Women, and Soroptomists. RRNA would caution against such an optimistic outlook for these organizations. Replicability, a key issue for the success of ISEDC, does not seem to be highly likely with these organizations because they do not yet offer an influential national/regional structure ready to give substantial staff time to the sale of LDC products. ISEDC does report some examples of specific responses from these groups which it considers encouraging.

In summary, as ISEDC concludes, the institutions with a high level of interest in international affairs, an ongoing program of fundraising, and a strong national/regional organization have proven to be the most successful outlets of ISEDC crafts.

### Marketing Channels

The costs incurred and the revenues received in the market testing of each of the five channels measure their effectiveness. Another important consideration is the appropriateness of the channel to the specific PVO institutions. The following findings and subsequent conclusions highlight both the financial aspects of each channel and the closeness of institutional-channel fit.

The cost and revenue data of the testing do not accurately reflect ISEDC finances during full project operation. It is expected that the ISEDC start-up costs would be greater and that its revenues would be less during the pilot phase of the project. Although there are these limitations, the pilot data are the only available indicators of ISEDC costs and revenues. The data to be used in the evaluation represent the revenues and costs of the most financially successful ISEDC test events within each channel. Table IV-3 presents the staff time required (e.g., costs) and the sales received from the various channel tests. Since the two pilot tests of direct mail through the YMCA were unsuccessful,<sup>1</sup> the channel will not be analyzed.

As noted in Table IV-3, the gross sales are average revenue brought in by one test event. The Goodwill amount represents the monthly sales per location. Costs are measured as the staff time required per event -- namely, the fixed personnel cost per event.<sup>2</sup> The relationship between fixed costs and gross revenues is most important when considering the replicability of the channel for a large-scale operation.

The bazaars generate the most gross sales per event, approximately \$900.00. The in-home parties and display bring in approximately \$100.00;<sup>3</sup> and the Goodwill's monthly sales average \$65.00.

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1. The broom advertisement sent to YMCA members led to the sale of fewer than five brooms. Given the small sample (2) and the inconsequential sales, it was decided not to include the direct mail channel in the analysis.

2. The fixed costs of developing the products and the variable costs involved in producing the items are discussed in the next section on product development.

3. ISEDC feels that the display figure of \$111.11 may be particularly low, since the Christmas card display was late in being sent out to the YMCAs.

Table IV-3. Interview Findings on ISEDC Marketing Channels Tested

Findings on marketing channels	Marketing channels tested			
	Bazaar	In-home party	Display	Retail sales
Average gross sales value per event <sup>a</sup>	\$900.00	\$94.43	\$111.00	\$63.50
	-----Hours-----			
PVO volunteer time required per event <sup>b</sup>	241 <sup>c</sup>	8	minimal	minimal
PVO professional time required per event <sup>d</sup>	30	minimal	3	minimal
ISEDC staff time per event <sup>e</sup>	8	2.5	6.5	minimal

a. Average gross sales of the channels per event were based on status reports of June 5, 1981 and June 8, 1981. The bazaar and in-home quotations are based on the revenue generated from a single event; the display revenue reflects the sales from a display at a single location; the retail sales figure is that of Goodwill, and represents an average of the revenue per ISEDC monthly sale in the Cincinnati area as reported by the Sales Manager of the Cincinnati's Goodwill.

b. Using PVO interview data, the PVO volunteer time was calculated as an average amount of volunteer time necessary to implement the ISEDC sales event. Only the test events which represented the "typical" event were used in the calculation.

c. ISEDC believes the volunteer time required is about one-third of this figure.

d. The professional PVO time as reported in the interviews was calculated similarly to that of the volunteer time; it represents the average amount of professional PVO time necessary to implement the ISEDC sales event.

e. ISEDC staff time required to organize the ISEDC sales event through the four channels was reported by the ISEDC marketing managers. In the case of the bazaar and in-home party. This estimate does not include the time used in manning the event; rather it accounts for preparation and follow-up of the event.

Source: RRNA calculation based on PVO interviews and ISEDC reports. YMCAs are reported by affiliates (not branches).

These sales findings tend to reflect the amount of staff time involved in the organizing and promotion of each channel event. The bazaar event requires the most PVO volunteer time, PVO professional time, and ISEDC in-house staff time.<sup>1</sup> The in-home party uses a high amount of volunteer time compared to the ISEDC staff time. It must be noted that the volunteer time includes the manning of the in-home parties and bazaar. The display uses a minimum (less than 1 hour) of PVO volunteer time, but a significant amount of ISEDC staff time and PVO professional time. The retail sales, based on the Goodwill outlets, required only minimal amounts of staff time.

Based on these findings, it can be concluded that the level of sales and amount of staff time used are highly correlated. As further evidence of this correlation, the events which were not financially successful (i.e., bazaars at Kettering and Fairfield YMCAs) did not contribute significant amounts of volunteer or PVO professional time. The bazaar and in-home parties, both channels that require significant PVO volunteer time, have generated the high level of sales per event. Although the display channel has not demanded a high level of volunteer time, it does require a much higher amount of ISEDC staff time than the in-home party channel, a channel with comparable sales per event. The other marketing channels not using significant levels of volunteer time -- direct mail and retail sales -- have had extremely low sales.

The findings point to the importance of an active sales marketing campaign using significant amounts of PVO volunteer time. The in-home party channel was well received by

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1. ISEDC believes that this estimate is extremely high. ISEDC calculates it at approximately 1/3 of the RRNA estimate.

the sponsoring PVOs of AFSs and women's organizations. Also, the PVOs involved in the bazaar channel -- churches and YMCAs -- were most enthusiastic about the channel.

The more passive marketing channels -- namely the display, direct mail, and retail sales -- have had mixed responses from the participating PVOs. While the response from the display channel has been favorable in art museums, many YMCAs feel that a more active sales campaign than the display channel is needed. The retail, over-the-counter sale has not received an optimistic response from the Goodwills nor the church outlets.

Thus, an active sales campaign generates the greatest amount of revenue as well as receiving the greatest level of interest from the PVO community. Furthermore, the two most active sales channels -- bazaars and in-home parties -- are complementary events. RRNA observed that often PVOs will participate in a bazaar (or in-home party) and then proceed to its complement channel, the in-home party (or bazaar).

As one final note, the market channel tends to generate ISEDC sales events. The in-home party has proven to lead to greater numbers of ISEDC sales events. Similar to a chain letter, the in-home party channel keeps expanding. The bazaar channel, to a lesser extent, encourages other PVOs to try an ISEDC sales event. The more passive sales channels are inconsequential in promoting ISEDC sales.

#### Product Line and Development

The ISEDC product line and development are largely defined by the type of channel. As discussed earlier, the in-home party sells products from the Jute Works, the

display channel has primarily marketed Christmas cards, the bazaar sells an assortment of ISEDC items, and the retail outlets of Goodwill have sold jewelry from Korea. ISEDC has devoted considerable staff time and material costs to the development of product line kits for each of these channels.<sup>1</sup> The bazaar and in-home party kit includes samples of the products, instructions on "how-to-give" a specific event, plus ISEDC promotional materials. The Christmas card kit is much simpler with the prepackaged card and cardboard display case. The Goodwill jewelry is packaged in promotional boxes.<sup>2</sup>

In only the case of the Christmas card, the product development required both the development of the specific product (e.g., the design and production of the card) and the development of the kit (e.g., the packaged card with promotional materials). The development of the product kits has taken place at different stages of the pilot project. The Christmas card was first developed and tested in late 1980; the testing of the bazaar and in-home party kits is currently taking place.

The cost of developing the kits is of two kinds: the initial start-up investment costs of product development and the recurrent fixed costs involved in adjusting the kit and product lines to meet the audience and institutional demand. Based on projected ISEDC budget data and the above breakdown, personnel salaries make up the largest portion of start-up and recurrent fixed development costs. A more

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1. ISEDC also is developing training programs for PVOs who will use these kits.

2. Considerable time and energy were used in experimenting with the display technique of Goodwill jewelry. Three types of displays were tested with the promotional boxes being the most successful.

Careful analysis of the product development costs and its financial impact on the ISEDC project will be discussed in the upcoming chapter on projecting costs and revenues for the ISEDC project in its first year of operation.

The success of the product line is tied to its appropriateness to the specific PVO institution and the applied marketing channel. Aware of the need to fit the product kit to the PVO organization and particular marketing channel, ISEDC currently is developing a specific in-home party kit for AFS organizations and is considering a kite kit for YMCAs. The consequence of adapting the kit to a specific organization is the large recurrent costs involved in the constant upgrading. Continuous kit development to meet the demands of new PVOs as well as to revise the already developed kit would be a fixed cost for ISEDC.

Another consideration regarding the use of the kits is the need to feature a variety of products. Most of the PVOs interviewed expressed the desire to have a catalogue of items from which, in turn, they could select the products to be featured at the event. RRNA observed that the PVOs would become more involved in the event if they could select the items from a catalogue. ISEDC is now exploring ways in which to integrate the catalogue into the kit approach.

The larger issue to emerge from the catalogue consideration is the inventory requirements of promoting a wide variety of craft products. Often, the limited production capacities of many developing countries' handcraft projects make it difficult to maintain sizeable inventories.<sup>1</sup> The

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1. The SERRV marketing organization supplements the project's stock with commercial stock in order to fill the orders of customers.

kit approach allows for a limited number of products to be offered; and the real choice is between types of kits and marketing channels, and not between types of products.

However, ISEDC has not reconciled the kit approach with the selected marketing channel. As has been observed by ISEDC, the smaller the event, the greater the demand for a wide variety of products. Especially in the case of the in-home party, there is considerable demand for a variety of products. The market testing does not appear to have examined carefully the trade-off between number of product items and the particular marketing channel.<sup>1</sup> The initiation of a catalogue envisioned by ISEDC would allow it to provide at the same time a limited kit of actual samples and a wider range of choices through the catalogue.

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1. ISEDC comments: "The market testing did examine the trade-off between number of product items and the particular channel, several times. The product mix was considered by the Wright State University class, then by the marketing managers and the Vice President for Marketing for the jewelry outlets, the in-home party, the bazaar, and the retail store. Realizing that more items means a greater cost and fewer items means less sales, the approach was to formulate a good mix."

## V. PROJECTIONS OF ISEDC MARKETING COSTS AND REVENUES

### Introduction

In its first operational year, ISEDC will continue to use the PVOs, market channels, and product lines proven most successful in the pilot stage. Alongside these initial findings, ISEDC will develop new PVO contacts, market channels, and product lines to be tested during the 1981-82 year. Thus, the first year of ISEDC operation from the fall of 1981 to the fall of 1982 includes both a "demonstration" stage (e.g., expanding the already-tested project to a regional/national level) and a "testing" stage (e.g., pilot testing of new PVOs, channels, and product lines).

Only the demonstration projects will be examined in the projections of costs and revenues. RRNA assumes that the level of gross sales of the test events will be similar to last year's gross sales, approximately \$12,000. Also, the projections do not account for costs of the LDC marketing craft centers, such as the Chiangmai YMCA Marketing Center nor the indirect benefits of the ISEDC operation (e.g., identifying LDC suppliers for other AMOs). The main objective of the projections is to provide financial benchmarks for the ISEDC operation. After an examination of the revenues and costs of the first year, a four-year projection will be presented.

### First Year Operation

The projected ISEDC sales for its first full year of operation are based on revised estimates calculated by ISEDC in August 1981. The main sales channel to be used is the in-home party. This channel will feature a kit of products primarily from the Jute Works and a selection of Christmas cards. Bazaars will also be used as a marketing channel, however, to a much more limited extent.

The primary PVO outlets to be used in the first operational year are AFS chapters and YMCAs. The AFS chapters to be involved encompass the mideastern and eastern regions. AFS and ISEDC have estimated that approximately 200-400 chapters will become involved in the in-home party channel during the first operational year. The YMCAs affiliated with the Great Lakes YMCA Regional Office are targeted as participating PVOs. Also, it is expected that the AAUW of Ohio will serve as an outlet.

Within each of these marketing-product channels, there are specific development and operational costs. The development costs represent the staff time and materials needed to revise and/or adapt the product to a specific channel. The fixed marketing costs include staff time and warehouse expenses. The variable costs and the sales revenue are calculated based on the number of sales events in each channel. The general administrative costs are comprised of fixed management personnel costs, office equipment and supplies, travel and transportation, professional fees, and overhead.

### AFS In-Home Party Kit

The cost and revenues of the AFS in-home parties can be calculated based on the number of AFS chapters to be involved in the sales event, the number of parties held per chapter, and the average retail sales revenue per party. Table V-1 presents the necessary figures to calculate revenue.

The ISEDC high projection of revenue demands 400 chapters giving 10 parties each. The ISEDC low projection and the RRNA estimate are more conservative with 200 chapters holding five parties each. The ISEDC quote of average revenue per party is based on ISEDC sales during the last year's peak season in the fall. However, these sales were from the first three test sites. As mentioned earlier, the sales have declined since that initial period. For that reason, RRNA used the annual AFS average revenue per party in its projection.

The costs entailed in the in-home party kit are presented in Table V-2. The fixed costs remain the same for both high and low ISEDC projections. Although fixed costs would increase with significant sales expansion, this increase would not be expected for a number of years in the future.

The variable costs are directly tied to the sales revenue of each party. The RRNA revised variable cost is thus lower than the ISEDC estimate since the RRNA sales estimate is lower than ISEDC's. One exception is the cost of travel, which is tied to the number of events rather than to sales revenue.

Table V-1. Revenue Calculation of  
AFS In-Home Party Kits

Revenue Calculation	ISEDC Projection		RRNA Projection
	Low	High	
1. Number of AFS Chapters <sup>a</sup>	200	400	200
2. Number of Parties per Chapter <sup>b</sup>	5	10	5
3. Average (\$) Gross Revenue per Party <sup>c</sup>	\$ 200	\$ 200	\$ 150
4. Total Gross Revenue per Chapter <sup>d</sup>	\$ 1,000	\$ 2,000	\$ 750
5. Gross Retail Sales Revenue <sup>e</sup>	\$200,000	\$800,000	\$150,000

a. Number of AFS chapters to participate in ISEDC sales during the first year is based on estimates made by AFS and ISEDC. For the 1981-82 sales season, ISEDC is committed to 200 AFS chapters in-home parties or approximately 8 percent of AFS 2,500 chapters. The higher projection, that of 400 chapters, is the more optimistic projection, with 16 percent of the AFS chapters becoming involved in ISEDC fundraisers.

b. Number of parties per chapter reflects the amount of monies each chapter needs to make on an ISEDC fundraiser. Each chapter earns approximately \$1,000 per year. Should the chapter want to earn one-half of these monies through an ISEDC fundraiser, the chapters must have 10 parties with the PVO receiving \$500 from \$2,000 worth of sales. Similarly, one-fourth of the needed funds (\$250) can be earned by 5 parties. RRNA calculated the number of parties by the average number of core members within each AFS chapter. Based on interview findings, approximately 5 key or "core" members are in an AFS chapter of 50 members.

c. ISEDC average gross sales revenue is calculated as the average of the first three test sites' sales which were held during the peak season. RRNA calculated the average of the nine AFS test sites' sales during the pilot stage, which averaged \$138.00 per party. This average was then adjusted by an 8 percent inflation index.

d. Total gross sales per chapter equals the number of parties times the average gross sales per party.

e. Gross retail sales revenue is calculated as the total gross sales per chapter times number of chapters.

Source: RRNA calculation based on ISEDC information and PVO interviews.

Table VI-2. Estimated Distribution of Market Share for  
ISEDC, Other AMOs, and the Private Sector  
(expressed as percentage of total sales)

Market Shares <sup>a</sup>	ISEDC Projection <sup>b</sup>	Other AMOs <sup>c</sup>	Private Sector <sup>d</sup>
FOB Share	22.7	30.0	16.7
International Transportation Share	12.5	12.0	8.3
Wholesale Share	39.8	28.0	25.0
Retail Share	25.0	30.0	50.0

a. The market shares include the FOB share, international transportation share, wholesales share, and retail share. The FOB share is the percentage of revenue needed to pay for product costs, LDC inland freight, and parking and loading of products in LDC. International transportation share represents the percentage of revenue to pay for freight costs to the U.S. warehouse, duties and insurance. The wholesale share is the percentage retained by the wholesaler, and covers the inventory, handling, and domestic shipping costs as well as profit margins of the wholesaler. The retail share is the percentage of total sales retained by the retail outlet.

b. ISEDC projected distribution of the market shares was calculated on its Year 2 projection, see Table V-9.

c. John R. Beardsley, Trading with the Third World and Promoting Awareness of Development Issues. Experience of Alternative Marketing Organizations in Europe and United States. Confidential First Draft, unweighted average for 6-7 selected craft products, Table 11. These figures are approximately consistent with averages for 13-14 AMOS reported in Table 10.

d. Public Sector. RRNA from various sources, including interviews with private sector wholesaler; interview with David O'Connor, whose for markup factors also are reflected in his report, "Field Report on Selected Organizations Concerned with Craft Production and Marketing in Nepal." Conducted by David O'Connor in January and February, 1980"; and "Generalized Price Structure" from UNCTAD/GATT International Trade Center, 1971, reported in Beardsley op. cit., Table 11.

All estimates of dollar cost assume final U.S. sales prices to be comparable for similar products no matter what the marketing source.

Source: RRNA calculations of data presented in publications referenced in the above notes.

Under the low ISEDC and RRNA projections, the in-home party channel operates at a loss during its first year of operation. However, should the high projection be achieved, the in-home party kit and channel would operate at a surplus.

#### Christmas Card Sales in Different Channels and PVOs

AFS chapters and YMCAs will sell Christmas cards through in-home parties and bazaars. The low ISEDC estimate that 200 AFS chapters and 50 YMCAs will be involved in the sales is used in the projection. Table V-3 presents the revenue calculation of Christmas card sales.

The estimate of the number of cards sold per outlet differs between the ISEDC and RRNA projections.<sup>1</sup> Based on interview findings, RRNA believes that at a minimum 25 boxes of four cards each will be purchased by the PVO outlet. Another means of selling cards is through commercial outlets. ISEDC predicts that approximately 4,000 cards will be sold by a private group interested in selling the cards in the commercial market. The cost structure of selling the cards commercially is significantly different; and for that reason, their cost and revenue will not be included in the projection.

The budget of Christmas cards sales the first operational year is presented in Table V-4. The highest cost

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1. Both RRNA and ISEDC projections may slightly overestimate sales from cards since these products will be sold in the bazaar and in-home party channels, thus competing with other goods sold in these channels.

Table V-3. Revenue Calculations of Christmas Card Sales at In-Home Parties and Bazaars

Revenue Calculation	ISEDC Projection	RRNA Projection
1. Number of AFS Chapters <sup>a</sup>	200	200
2. Number of YMCA <sup>b</sup>	50	50
3. Number of Cards Sold per PVO <sup>c</sup>	84	100
4. Total Number of ISEDC Cards <sup>d</sup>	21,000	25,000
5. Total PVO Sales Revenue from Cards <sup>e</sup>	\$21,000	\$25,000

a. As noted in Table V-1, the number of AFS chapters to be involved in ISEDC is based on the ISEDC-AFS August estimate.

b. Number of YMCAs to sell Christmas cards during the first operational year is based on the number of YMCAs in the Great Lakes region.

c. The number of cards to be sold in each PVO is estimated at 60 cards (15 boxes of 4 cards each) by ISEDC. RRNA disagrees with this estimate. Based on the interview data, RRNA expects at least 100 cards per PVO.

d. Total number of ISEDC cards sold is calculated as the number of PVOs times the number of cards sold in each PVO.

e. Total revenue from cards equals total number of cards sold times \$1.00.

Source: ISEDC estimates and PVO interview data.

Table V-4. Budget of Christmas Card Sales  
First Operational Year  
(in dollars)

Costs and Revenues	ISEDC Projection	Revised RRNA
<u>Fixed Costs</u>		
1) Development Costs		
. Consultants <sup>a</sup>	2,400	2,400
. Materials and Supplies <sup>b</sup>	100	100
2) Operating Costs		
. Personnel <sup>c</sup>	17,920	18,000
. Warehouse and Supplies <sup>d</sup>	<u>514</u>	<u>500</u>
3) Total Fixed Costs	20,934	21,000
<u>Variable Costs<sup>e</sup></u>		
1) Product Cost	1,192	1,400
2) Printing, Processing, envelope and boxes	3,255	3,900
3) Shipping and Distribution	1,027	1,200
4) Inventory Manager/Labor	<u>258</u>	<u>300</u>
5) Total Variable	5,732	6,800
<u>Total Costs</u>	26,666	27,800
<u>Revenues</u>		
1) Gross Retail Sales <sup>f</sup>	21,000	25,000
2) ISEDC Receipt <sup>g</sup>	15,750	18,800
Profit/Loss	(10,916)	(9,000)

a. Consultants costs include payment to the design consultant and communications consultant.

b. Materials and supplies include the graphic materials and printing of graphic designs.

c. Personnel costs equal 50 percent of the marketing manager's salary, 50 percent of the product administrator's salary, and a 28 percent of salary fringe benefit package.

d. Fixed warehouse and supplies are made up of overhead, inventory control, warehouse rental, and telephone monitoring costs. See note (c) of Table V-2 for allocation formula.

e. Product costs include both the cost of the gift within the card (i.e., angel, stocking) and the production cost of

Table V-4. (Continued)

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the card. The other variable costs include shipping, boxes, processing costs, printing, postage, instruction package, interest, insurance, transportation and shipping costs. RRNA variable costs are proportionate to ISEDC projections, and are based on total sales.

f. Gross retail sales revenue is calculated in Table V-3.

g. The ISEDC receipt represents 75 percent of gross sales.

Sources: ISEDC interviews and "Global Exchange Marketing Operation," ISEDC, August 1981.

item is personnel salaries. The variable costs equal approximately \$.27 per card with each card selling for \$1. Based on the budget calculations, the Christmas card operation would suffer a minimum loss during its first year of sales.

#### Multiproduct Sales in Bazaar Channel

During the first operational year, the bazaar channel will not be as heavily used as the in-home party. In fact, ISEDC envisions that the growth of bazaars, events which require large amounts of volunteer time, will be slower than the in-home party kit or Christmas card sales. The calculation of revenues is presented in Table V-5. As in the earlier calculations, level of revenue is based on the number of bazaars given by the PVOs. The ISEDC estimate of average revenue, approximately \$1,400, is considered high by RRNA. Based on PVO interviews of actual bazaar sales, RRNA estimates average bazaar revenue at around \$900 per event. The ISEDC receipt is 75 percent of total sales.

The average revenue from a bazaar sales event is quite high; however, the sales revenue (\$888) per hour of volunteer time (approximately 241 hours) is \$3.60.<sup>1</sup> This figure compares with the average in-home party sales per hour of volunteer time of \$17.50 (\$140 ÷ by 8 hours). While the bazaar channel must be commended for its high level of volunteer time, it is difficult to identify local PVOs willing to commit such a high level of volunteer time.

The projected first year's operational costs are reported in Table V-6. The development costs are minimal,

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1. As indicated previously, ISEDC calculates a volunteer input of about one-third this level for bazaars.

Table V-5. Revenue and Cost Calculations: Bazaar Sales of Multi-Product Line, First Operational Year

Revenue and Cost Calculations	ISEDC Projection	RRNA Projection
<u>Revenue</u>		
1. Average number of YMCAs <sup>a</sup>	50	50
2. AFS/AAUW Chapters <sup>b</sup>	20	20
3. Average Revenue per Bazaar <sup>c</sup>	\$ 1,386	\$900
4. Total Retail Sales Revenue <sup>d</sup>	\$97,020	\$63,000
5. ISEDC Receipt <sup>e</sup>	\$72,765	\$47,000

a. Average number of YMCAs to be involved in ISEDC during the first operational year is based on the number of YMCAs in the Great Lakes region.

b. ISEDC predicts that AFS and AAUW will give at least 20 bazaars in total.

c. The ISEDC prediction of gross revenues per bazaar is presented in "Global Exchange Marketing Operation," August 1981. RRNA believes that this figure is extremely high, thus uses an average of the low- and medium-sized bazaars as reported in "Bazaar Package Profit/Loss Table," ISEDC.

d. Total retail sales revenue equals the average revenue per bazaar times the number of bazaars.

e. ISEDC receipt is 75 percent of the total retail sales revenue.

Source: "Bazaar Package Profit/Loss Table," ISEDC, 1981 and "Global Exchange Marketing Operation," ISEDC, August 1981.

Table V-6. Budget of Multi-Product Bazaar  
Sales First Operational Year  
(in dollars)

Costs and Revenues	ISEDC Projection	Revised RRNA
<u>Fixed Costs</u>		
1) Development Costs <sup>a</sup>		
. Consultants	800	800
2) Operating Costs <sup>b</sup>		
. Personnel	17,920	17,900
. Warehouse and Supplies	<u>6,425</u>	<u>6,400</u>
3) Total Fixed	25,145	25,100
<u>Variable Costs<sup>c</sup></u>		
1) Product Cost	21,820	14,200
2) Shipping	9,114	5,900
3) Distribution	2,520	1,600
4) Inventory Manager/Labor	3,834	2,200
5) Trips and Materials	<u>4,502</u>	<u>4,500</u>
6) Total Variable	<u>41,790</u>	<u>28,400</u>
<u>Total Costs</u>	66,935	53,500
<u>Revenues</u>		
1) Gross Retail Sales <sup>d</sup>	97,020	63,000
2) ISEDC Receipt <sup>e</sup>	72,765	47,000
<u>Profit/Loss</u>	5,830	(6,500)

a. Fixed development costs are minimal and include 4 days at \$200 a day of design consultant's time.

b. Fixed operating costs include the personnel time of 50 percent of a marketing manager, 25 percent of a product administrator, and a 28 percent of salary fringe benefit package. Office and supply costs cover the warehouse rental, inventory computer time, and supplies.

c. Product costs, shipping of goods to ISEDC centers, distribution of goods including postage, boxing, handling,

Table V-6. (Continued)

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trips and promotional materials were calculated by ISEDC in "Global Marketing Exchange Operations," ISEDC, August 1981. RRNA variable costs are proportionate to ISEDC estimates and are based on total sales.

d. Gross retail sales are calculated in Table V-5.

e. ISEDC receipt equals 75 percent of gross retail sales.

Source: ISEDC interviews, "Bazaar Package Profit/Loss Table," ISEDC, "Global Exchange Marketing Operation," ISEDC, August 1981.

including time for a design consultant to revise promotional materials. The viability of the bazaar channel clearly depends on the amount of revenues generated by each event. The RRNA projection has the channel operating at a loss, while the ISEDC estimate calculates an \$11,533 surplus.

#### Marketing Costs and Revenues for First Operational Year

The consolidated budget for the first year's marketing costs and revenues is presented in Table V-7. This table summarizes information presented in Tables 2, 4, and 6. Only under the high ISEDC projection is the first year's marketing operation running at a surplus. The ISEDC low projection and the RRNA estimate show a net loss for the operation. However, the ISEDC revenues do cover the variable costs of the marketing operation, a critical aspect of any business operation.

#### Four-Year Projection of Revenues and Costs of ISEDC Operation

As in the earlier analysis, the four-year projections are limited to costs and revenues for already-tested ISEDC marketing strategies. The financial flows from ISEDC sales to commercial outlets, the development of new marketing channels-product lines, and the establishment of marketing centers in the developing country are not included in the four-year projection.

Critical to the projection is the assumption regarding the growth rate of ISEDC sales. Experience of Alternative Marketing Organizations (AMOs) suggests that it is reasonable to expect that ISEDC will enjoy considerable growth

Table V-7. Summary of Total Marketing Costs and Revenues: First Operational Year

(in dollars)

Costs and revenues	ISEDC projection		RRNA projection
	Low	High	
<u>Fixed costs<sup>a</sup></u>			
1) In-home parties	51,561	51,561	51,600
2) Christmas cards	20,934	20,934	21,000
3) Bazaars	<u>25,145</u>	<u>25,145</u>	<u>25,100</u>
4) Total fixed costs	97,640	97,640	97,700
<u>Variable costs<sup>b</sup></u>			
1) In-home parties	112,915	365,200	89,200
2) Christmas cards	5,732	5,732	6,800
3) Bazaars	<u>41,790</u>	<u>41,790</u>	<u>28,400</u>
4) Total variable	160,437	412,722	124,400
<u>ISEDC revenue<sup>c</sup></u>			
1) In-home parties	150,000	600,000	112,500
2) Christmas cards	15,750	15,750	18,800
3) Bazaars	<u>72,765</u>	<u>72,765</u>	<u>47,000</u>
4) Total revenues	238,515	688,515	178,300
Total net income <sup>d</sup>	(19,562)	178,153	(43,800)

a. Fixed costs of in-home party kits, Christmas cards, and bazaars were calculated in V-2, -4, and -5.

b. Variable costs of in-home party kits, Christmas cards, and bazaars were calculated in V-2, -4, and -5.

c. ISEDC revenue is equal to the ISEDC receipt as calculated in V-2, -4, and -5.

d. Total net income is calculated by netting the total fixed and variable costs from the total ISEDC revenue.

Source: Tables V-2, -4, and -5 based on information of the "Global Exchange Marketing Operation," ISEDC, August 1981.

during its first years of operation.<sup>1</sup> Several AMOs have increased sales from 300-500 percent in real value during their first few years of operations; older AMOs have much lower rates of growth. The projections for ISEDC include an increase in sales by the first year's amount each year thereafter for three years. Under this method, the AFS chapters would increase to 400 the second year, to 600 the third year, etc. Table V-8 presents the growth of PVO outlets during this four-year time period.

Three observations must be made regarding the PVO outlet projections. First, the underlying premise of the projections is that ISEDC growth is organic. Under this assumption, PVO outlets will steadily increase their participation in ISEDC. The voluntary time needed for one ISEDC fundraiser and the importance of demonstrating to the PVO community the success of ISEDC are two reasons that ISEDC-PVO networking will be a deliberate process.

Second, the projections are only indicators of growth. Neither ISEDC nor RRNA can be certain of the growth potential of ISEDC outlets. Should the number of outlets increase in Year 2 by more than the projected amount, for example, triple instead of double, the Year 3 projections of revenues and costs would be more appropriate.

Third, the four-year projection does not take into account the finite number of PVO outlets. Growth with one PVO institution, such as AFS, is limited by the total number of

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1. John R. Beardsley, Trading With the Third World and Promoting Awareness of Development Issues: Experiences of Alternative Marketing Organizations in Europe and the United States, (Draft), New TransCentury Foundation, May 1981, Table 4, p. 42.

Table V-8. Projected Number of PVOs Involved  
in ISEDC Sales Years 1 to 4 of Operation

PVO Involved	Year			
	1	2	3	4
AFS chapters <sup>a</sup>	200	400	600	800
YMCAs <sup>b</sup>	50	100	150	200

a. Additional AFS chapters to be involved in ISEDC equal 200 a year.

b. At a minimum, YMCAs involved in the ISEDC sales will grow at 50 per year.

Source: RRNA calculation, based on information from already-existing PVOs (i.e., SERRV).

AFS chapters, namely 2,200 chapters.<sup>1</sup> Although it is not necessary to adjust the four-year projections by the PVO outlet supply, sometime in the future this constraint may be important.

### Projection of ISEDC Estimates

The four-year projection of ISEDC estimates is based on the number of sales events in each channel (see Table V-9). The fixed costs for the four-year period remain constant. Although it may be expected that additional computer time or marketing managers would be required with higher levels of sales, given the growth rate, the fixed costs would be approximately at the same level.

Variable costs increase proportionately with the number of sales events. For example, in-home party events increase by 200 each year; variable costs increase by \$112,915. It should be noted that there will be economies of scale with variable costs decreasing in proportion to sales events. However, for purposes of this exercise, the projection does not adjust for these economies of scale nor for fixed cost increases.

Based on the projections of ISEDC estimates, the ISEDC marketing operation runs at a surplus (i.e., positive net income) from Year 2 to 4. Although the three channels do not cover their fixed costs during the first year of operation, two of the channels, in-home parties and bazaars, cover fixed costs by the second year. By the end of the fourth year, the three marketing channels are generating a surplus of over \$200,000.

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1. ISEDC reports 2,500 active AFS chapters and 2,700 total.

Table V-9. ISEDC Projected Marketing Costs and Revenues of ISEDC Operation, Years 1 to 4  
(in dollars)

Costs and revenues	Year of operation			
	1	2	3	4
<u>Fixed costs<sup>a</sup></u>				
1) In-home parties	51,561	51,561	51,561	51,561
2) Christmas cards	20,934	20,934	20,934	20,934
3) Bazaars	25,145	25,145	25,145	25,145
4) Total fixed costs	<u>97,640</u>	<u>97,640</u>	<u>97,640</u>	<u>97,640</u>
<u>Variable costs<sup>b</sup></u>				
1) In-home parties	112,915	225,830	338,745	451,660
2) Christmas cards	5,732	11,464	17,196	22,928
3) Bazaars	41,790	83,580	125,870	167,160
4) Total variable costs	160,437	320,874	481,311	641,748
<u>ISEDC revenues<sup>c</sup></u>				
1) In-home parties	150,000	300,000	450,000	600,000
2) Christmas cards	15,750	31,500	47,250	63,000
3) Bazaars	72,765	145,530	218,295	291,060
4) Total ISEDC revenues	238,515	477,030	715,545	954,060
<u>Total net income<sup>d</sup></u>				
1) In-home parties	(14,476)	22,609	59,694	96,779
2) Christmas cards	(10,916)	(898)	9,120	19,138
3) Bazaars	5,830	36,805	67,780	98,755
4) Total net income	<u>(19,562)</u>	<u>58,516</u>	<u>136,594</u>	<u>214,672</u>

a. Information from Tables V-2, -4, and -6. Fixed costs remain constant for 4 year period.

b. Variable costs. Calculated in Tables V-2, -4, and -6 were used as the base rates, and increases from years 2 to 4 are proportional to increases in number of sales events.

c. ISEDC revenues were calculated as the number of sales events times the average revenue per event. The average revenue per event is the ISEDC estimate.

d. Total net income is calculated as the total ISEDC revenue generated from marketing sales net total fixed and variable costs for each channel.

Source: Tables V-2, -4, -6, and -8. ISEDC calculations based on ISEDC revised estimates.

### Projection of RRNA Estimates

Similarly, the RRNA estimates can be projected for a four-year period (see Table V-10). Fixed costs are constant. Variable costs reflect the number of sales events for each channel. As in the earlier projection, the four-year costs do not account for economies of scale nor fixed cost increases.

The RRNA projected costs and revenues are more conservative than those of the ISEDC estimates. Although the growth of the number of sales events is the same for both projections, RRNA estimates of average revenue per event are lower than ISEDC estimates; this difference explains the lower RRNA revenue figures.

The total net income from the marketing operations is negative in the first year of operation, but positive for each year thereafter. Christmas cards and bazaars cover these fixed costs during the second year. All three channels cover fixed and variable costs in the third year of operation. The fourth-year surplus is approximately \$100,000.

### Projection of General Administrative Expenses, Net Income, and Funding Required

Until this point in our analysis, only marketing costs and revenues have been identified. General administrative costs will accompany the marketing operation. However, these costs will not be allocated exclusively to marketing operation; rather they cover all types of ISEDC activities, such as additional PVO networking, LDC marketing centers, and domestic wholesale operations.

Table V-10. RRNA Projection of Marketing Costs  
and Revenues of ISEDC Operation, Years 1 to 4  
(in dollars)

Costs and revenues	Year of operation			
	1	2	3	4
<u>Fixed costs<sup>a</sup></u>				
1) In-home parties	51,600	51,600	51,600	51,600
2) Christmas cards	21,000	21,000	21,000	21,000
3) Bazaars	25,100	25,100	25,100	25,100
4) Total fixed costs	<u>97,700</u>	<u>97,700</u>	<u>97,700</u>	<u>97,700</u>
<u>Variable costs<sup>b</sup></u>				
1) In-home parties	89,200	178,400	267,600	356,800
2) Christmas cards	7,900	15,800	23,700	31,600
3) Bazaars	<u>25,000</u>	<u>50,000</u>	<u>75,000</u>	<u>100,000</u>
4) Total variable costs	122,100	244,200	366,300	488,400
<u>ISEDC revenues<sup>c</sup></u>				
1) In-home parties	112,500	225,000	337,500	450,000
2) Christmas cards	21,800	43,600	65,400	87,200
3) Bazaars	<u>39,100</u>	<u>78,200</u>	<u>117,300</u>	<u>156,400</u>
4) Total ISEDC revenues	173,400	346,800	520,200	693,600
<u>Total net income<sup>d</sup></u>				
1) In-home parties	(28,300)	(5,000)	18,300	41,600
2) Christmas cards	(7,100)	6,800	20,700	34,600
3) Bazaars	<u>(11,000)</u>	<u>3,100</u>	<u>17,200</u>	<u>31,300</u>
4) Total net income	<u>(46,400)</u>	<u>4,900</u>	<u>56,200</u>	<u>107,500</u>

a. Information from Tables V-2, -4, and -6. Fixed costs remain constant for 4 year period.

b. Variable costs. Calculated in Tables V-2, -4, and -6 were used as the base rates, and increases from years 2 to 4 are proportional to increases in number of sales events.

c. ISEDC revenues were calculated as the number of sales events times the average revenue per event. The average revenue per event is the RRNA estimate.

d. Total net income is calculated as the total ISEDC revenue generated from marketing sales net total fixed and variable costs for each channel.

Source: Tables V-2, -4, -6, and -8. RRNA calculations based on RRNA revised estimates.

The salaries under general administration include those of the president, vice-president for operations, and accounting and clerical staff. The salaries during the first operational year are 10 percent above those of the pilot test, an adjustment for inflation. Professional fees account for payments for legal and accounting management. Other administrative expenses are international and domestic travel, office rental, equipment, and supplies. Also, a general 10.6 percent overhead rate is applied to all administrative expenses.

The general administrative costs projected for the four-year period are constant, except for salary expenditures. A marketing director's salary is added to Years 2 to 4 of the projection. Once the marketing channels are operating at a surplus, these monies can financially support the general administrative costs. Table V-11 presents the projected net income of the marketing channels.

Both the ISEDC and RRNA estimates project a positive net income for Years 2 to 4. This surplus can cover ISEDC general administrative costs, thus reducing the funding requirements of ISEDC. The conservative RRNA projections show funding requirements in the fourth year of around \$100,000. ISEDC projections are more optimistic with funding requirements at approximately \$4,000.

#### Conclusions on Projected Marketing Operations

By concentrating on its most promising collaborating institution and its most efficient marketing channel -- AFS and in-home parties -- ISEDC should be able to run its marketing function at a profit by its second operational

Table V-11. Projection of General Administration Expenditures of ISEDC, Total Net Income, and Funding Required, Years 1 to 4 (in dollars)

Costs and revenues	Year of operation			
	1	2	3	4
<u>General administration</u>				
1) Salaries and fringe <sup>a</sup>				
. Professional	70,400	102,500	102,500	102,500
. Support	17,600	17,600	17,600	17,600
. 28% fringe	24,640	33,628	33,628	33,628
2) Professional fees <sup>b</sup>	8,000	8,000	8,000	8,000
3) Travel and transportation <sup>c</sup>	7,000	7,000	7,000	7,000
4) Other direct <sup>d</sup>	29,400	29,400	29,400	29,400
5) 10.6 percent overhead <sup>e</sup>	16,646	21,002	21,002	21,002
6) Total general	173,686	219,130	219,130	219,130
<u>ISEDC projection</u>				
1) Total net marketing income <sup>f</sup>	(19,562)	58,516	136,594	214,672
2) Funding required <sup>g</sup>	193,248	160,614	82,536	4,458
<u>RRNA projection</u>				
1) Total net marketing income <sup>f</sup>	(46,400)	4,900	56,200	107,500
2) Funding required <sup>g</sup>	220,100	214,200	162,900	111,600

a. Salary payments include the following positions: president, vice-president for operations, clerical staff, and bookkeeper. The high projected cost includes the salary of a marketing director.

b. Professional fees cover payments, legal and accounting consultants and marketing, communications, and other consultancies as required.

c. Travel and transportation include costs for both domestic and international travel and transportation.

d. Other direct costs include rent, utilities, supplies, equipment/rentals, telephone and telex, printing, postage, meeting and training, subscriptions, and insurance.

Table V-11. (Continued)

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- e. 10.6 percent overhead is the general overhead rate of New TransCentury Foundation.
- f. ISEDC and RRNA projections of total net marketing income for 4 years of ISEDC operation was calculated in Tables V-9 and -10.
- g. Funding required to cover costs of general administration and marketing expenditures is calculated by netting the general administrative expenditures from total net marketing income.
- Source: Tables V-9 and -10.

year (see Table V-11). Both the ISEDC projection and the more conservative RRNA projection provide similar results. However, the break-even point (e.g., total net income) does not include allocation of ISEDC general administrative and organizational expenditures to the marketing operation.

To reach the projected levels of \$240,000 to \$300,000 in retail sales volume from ISEDC-promoted products the first operational year and \$1 million or more of retail value by the fourth year will require substantial assignment of general administrative staff in support of the marketing effort. Outside funding required to cover the total administrative and marketing budgets would decrease each year under the ISEDC and RRNA projections. However, if ISEDC-projected levels of sales are to be attained, the need for outside funding of the general administrative and marketing functions is critical for its first five years of operation.

## VI. ASSESSMENT OF ISEDC FEASIBILITY AND VIABILITY

ISEDC feasibility is assessed both in terms of relative LDC benefits and its own institutional viability. Both the concepts and the projections involved in this assessment are discussed in this chapter.

ISEDC's feasibility has been greatly enhanced by its substantial reduction in planned expenses for the start of its operational phase and by its intent to focus on the most efficient of the institutions and marketing channels identified in its pilot phase.

RRNA projects that the level of cash benefits to LDC producers, represented by the value of purchases attributable to ISEDC's work, should reach over \$0.2 million annually within four years, at which time they would exceed any needed outside support of the ISEDC marketing operations. This would provide for approximately 600 full-time jobs and many more part-time jobs, given the pattern of labor input in cottage industry. Of further significance is the projected ability of the ISEDC marketing of LDC crafts to break even financially and subsequently to generate a surplus which can help cover ISEDC's general administrative costs.

### Benefits to LDC Participants

The key item in the assessment of the feasibility of the ISEDC is to determine whether the gain in income and employment of the LDC participants is greater than the expenditure for the ISEDC program in the United States, particularly than public expenditure and other subsidies for the program. A second question of interest is the efficiency of the marketing operation in terms of the proportion of the sales price paid by U.S. consumers which is returned to LDC producers. Clearly, for a program that has just completed a pilot stage, the assessment must focus on the future indicated by the pilot results, not on the pilot phase returns per se.

#### Definition of Benefits

For purpose of this study, the measure of benefits to LDCs can be taken as the payments to LDCs by ISEDC for the cottage industry goods. These payments include not only the product cost, but also the costs of collection and transportation within the country as well. Clearly, all these returns do not accrue to small craft producers. These producers have to pay for materials, and their finished products are marked up to cover collection and transportation. Nevertheless, most of the other costs besides the net returns to craftsmen represent benefits and employment to other LDC persons as well. Costs of inputs, collection, and even of transportation may well accrue to low-income persons.

Furthermore, for purposes of economic assessment, it can be assumed that almost all the returns for these goods represent benefits which would not otherwise have been

received. In economic terms, the opportunity cost for the labor and materials would be negligible because the resources would not likely have been used to produce something else of value. The labor opportunity cost is low in situations of high unemployment, but especially for cottage industry which is likely to employ family members during times of slack employment outside the home or members who would not otherwise be in the labor force at all. The local materials used in handcraft industries are not likely to be in short supply for other manufacturing purposes. Therefore, these labor and material costs are not netted out in the estimation of value to the LDCs.

One other economic adjustment is based on the difference in the real value of various costs to ISEDC and the LDC benefits related to the different time periods in which these costs and benefits occur. Current costs incurred are "costlier" than costs in the future, and current benefits are worth more than future benefits. Discounting the stream of benefits in future years to adjust for this value of time reduces the relative benefits produced by ISEDC since more of its subsidy costs are in the earlier years, whereas the benefits grow relatively larger in subsequent years.

There could be other benefits to LDC producers from the work of ISEDC beyond the sales handled directly by ISEDC, including the following:

- . Sales arranged through the help of ISEDC which would not otherwise have been concluded;
- . Reduction in production and transportation costs as a result of technical assistance received from ISEDC;

- . The value of reduced risk as a result of ISEDC assistance;
- . The value of future growth of production which is made possible by ISEDC's present assistance in marketing of products.

Some such benefits should be expected to be attributable to ISEDC, because it proposes that its main contribution will be in linking LDC producers and U.S. market-related organizations. ISEDC's direct involvement as a wholesaler and distributor is ultimately to be less important. As described below, not all the staff time included in costs is devoted to ISEDC's current wholesaling functions.

Nevertheless, these types of benefits beyond the value of product sales are not very firm in the case of current ISEDC operations. Most of the dynamic and future benefits to LDC producers are more likely to be attributable to the proposed small enterprise centers. Since the costs of these centers are not included in the ISEDC cost projection, the related benefits cannot appropriately be included in this analysis as well.

Another measure of benefits, given the objectives of AID and ISEDC, is the employment creation implicit in a given level of LDC economic activity generated. Employment generated in terms of "full-time jobs" can be approximated by dividing the value of economic activity generated by some annual earning figure. The yearly national income per capita used by ISEDC in its reporting serves as an adequate estimator of annual earnings for individuals among rural low-income working-age population.<sup>1</sup> The full-time job

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1. ISEDC, Program Report May, 1, 1979 - November 30, 1980, p. 39. While the rural low-income population is not likely to receive more than one-fourth of the average income share in most LDCs, only about 25 percent of the population

equivalent would underestimate the number of different persons and families affected by ISEDC. Most cottage industry producers are not expected to give full-time to their handcraft work. Thus, a number of people's work might correspond to one full-time job equivalent.

### Definition of Costs

For this AID-supported evaluation of ISEDC, the appropriate costs are the expenditures which must be subsidized by public or private funds. These expenditures could be readily transferable to other programs in support of LDC development. Thus, the cash requirements of ISEDC for its general administration and its marketing function, net of any surplus (profit) generated by the marketing involvement, is the appropriate cost against which benefits should be measured. The value of the substantial volunteer time and staff time of other institutions involved with ISEDC is not considered a cost in terms of the purposes of AID and ISEDC because such time would not otherwise likely have been spent in support of LDC development. The omission of these costs is, in effect, a recognition that ISEDC's efforts are likely to result in the generation and mobilization of new volunteer interests and resources for development efforts.

Costs incurred by ISEDC in the pilot phase are not counted in this feasibility assessment. Such resources which have already been irrevocably committed cannot affect the outcome of feasibility analysis intended to offer future policy guidance.

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will be in the labor force, so that the average earning of an individual labor force member for a given population group will be about four times the per capita income for that group. Thus, coincidentally, the per capita income serves as an estimate of annual income for rural workers.

### Quantified LDC Benefits

The returns to LDCs indicated by the projected product costs of the ISEDC-sponsored marketing effort are estimated to be about \$50,000 in the first year of the operational phase in the RRNA projection and about \$70,000 in the ISEDC "low" production (Table VI-1). These LDC returns are then projected to quadruple in the fourth operational year. These LDC benefits are projected to equal the ISEDC-required outside funding by the beginning of the fourth operational year in the RRNA projection and early in the third year in the ISEDC projection.

When these current and future benefits and costs are viewed in terms of current discounted values (assuming a 6 percent annual discount rate) the cumulative benefits would exceed the cumulative costs at the end of the fifth year of operations in the RRNA projects and in the beginning of the fourth year in the ISEDC projections.<sup>1</sup>

After these break-even points are reached, further growth leads to much higher proportionate benefits. At this point, the increased sales of LDC goods increase the benefits, also increase the marketing returns, and reduce the need for outside funding.

The efficiency with which these returns to LDCs are produced can be represented in part by the ratio of such returns to retail sales in the United States. ISEDC projections provide for an approximately 23 percent return on

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1. The discount rate can be seen as the interest rate to the government with the effects of inflation netted out. The results are not sensitive to changes of a few percentage points in this discount rate.

Table VI-I Projected Benefits to LDCs and Costs of ISEDC Operations,  
 First to Fourth Year of Operational Phase  
 (In Dollars)

	Year of ISEDC Low Projections				Year of RRNA Projection			
	1	2	3	4	1	2	3	4
Total Retail Sales	318,000	636,000	954,100	1,272,100	231,200	462,400	693,600	924,800
Returns to LDCs	72,401	144,802	227,203	289,604	52,500	105,000	157,500	210,000
ISEDC Required Outside Funding	193,248	160,614	82,536	4,458	220,100	214,200	162,900	111,600
Ratio LDC Returns to Subsidy	0.37	0.90	2.75	64.96	0.24	0.49	0.97	1.89
Cumulative Benefit/Cost Ratio at 6 Percent Discount Rate	0.37	0.61	0.99	1.55	0.24	0.34	0.51	0.71 <sup>a</sup>

a. This ratio would be .93 in a projected fifth year.  
 Source: Tables V-2, -4, -6, -9, -10, and -11.

sales to LDCs, including in-country collection and transportation costs within the LDC share. This proportion is about midway between the 30 percent return estimated for a group of typical products marketed by AMOs and the approximately 17 percent return estimated for private sector marketing of similar crafts (Table VI-2). However, the proportion of returns to LDC differs substantially for different types of products. Furthermore, ISEDC plans to provide a somewhat wider range of services than appears to be the case for most AMOs. Nevertheless, the projected share of returns indicates that ISEDC foresees a higher cost operation in comparison with PVO-supported AMOs.

The projected costs of the ISEDC operations to provide for such benefits have been presented in Chapter V and are discussed in terms of ISEDC institutional viability in the following section.

For developing countries with a typical per capita income of about \$350 annually in the range of Thailand, (African countries would be lower, Latin American and Caribbean countries higher) sales through ISEDC-initiated marketing could be estimated by the fourth year to produce the equivalent of about 600 additional full-time jobs per year in LDCs, given RRNA projections. ISEDC projections would yield about 1,000 jobs. As indicated above, a higher number of part-time jobs would actually be involved for cottage industry production.

### ISEDC Viability and Self-Support

#### Costs

ISEDC feasibility assessed both in terms of LDC benefits and its own institutional viability has been greatly

Table VI-2. Distribution of Market Share for ISEDC,  
Other AMOs, and the Private Sector

(expressed as percentage of total sales)

Market Shares <sup>a</sup>	ISEDC Projection <sup>b</sup>	Other AMOs <sup>c</sup>	Private Sector <sup>d</sup>
FOB Share	22.7	30.0	16.7
International Transportation Share	12.5	12.0	8.3
Wholesale Share	39.8	28.0	25.0
Retail Share	25.0	30.0	50.0

a. The market shares include the FOB share, international transportation share, wholesales share, and retail share. The FOB share is the percentage of revenue needed to pay for product costs, LDC inland freight, and parking and loading of products in LDC. International transportation share represents the percentage of revenue to pay for freight costs to the U.S. warehouse, duties and insurance. The wholesale share is the percentage retained by the wholesaler, and covers the inventory, handling, and domestic shipping costs as well as profit margins of the wholesaler. The retail share is the percentage of total sales retained by the retail outlet.

b. ISEDC projected distribution of the market shares was calculated on its Year 2 projection, see Table V-9.

c. John R. Beardsley, Trading with the Third World and Promoting Awareness of Development Issues. Experience of Alternative Marketing Organizations in Europe and United States. Confidential First Draft, unweighted average for 6-7 selected craft products, Table 11. These figures are approximately consistent with averages for 13-14 AMOS reported in Table 10.

d. Public Sector. RRNA from various sources, including interviews with private sector wholesaler; interview with David O'Connor, whose for markup factors also are reflected in his report, "Field Report on Selected Organizations Concerned with Craft Production and Marketing in Nepal." Conducted by David O'Connor in January and February, 1980"; and "Generalized Price Structure" from UNCTAD/GATT International Trade Center, 1971, reported in Beardsley op. cit., Table 11.

All estimates of dollar cost assume final U.S. sales prices to be comparable for similar products no matter what the marketing source.

Source: RRNA calculations of data presented in publications referenced in the above notes.

enhanced by the preparation of its new, more austere budget in early August 1981. ISEDC is budgeted to require \$193,000 for the first program year of its operational phase to cover its general administration and marketing functions (see Table V-11). The RRNA projection would require somewhat more outside funding at \$220,000 for the year.

The new budget represents both a conceptual and a substantive improvement over earlier ISEDC plans which looked for about \$1.2 million in outside funding for the first year of its operational phase and even larger amounts in subsequent years.<sup>1</sup> The earlier budgets included partial resources for a number of new program directions, such as the LDC Small Enterprise Centers, but did not include all the costs of these new undertakings. Conceptually, it is beneficial to have the current budget focus on the general administrative requirement and on the operational phase of the development of the U.S. PVO marketing, which was pilot tested. This does not mean that ISEDC cannot take on additional functions. Some effort in building linkages between LDC producers and U.S. markets that are not PVO-related can be undertaken by the staff allowed for in the new general administrative budget. (However, extensive new efforts cannot be accommodated within the new low-cost budget. It will take a strenuous, concentrated effort of the current marketing staff with extensive support from the general administrative staff to achieve even the "low" target of sales.) New efforts will require either that new, outside resources be specified or that current activities be reduced. Thus, a

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1. ISEDC, "Draft Proposal for Three Years Development Phase of the International Small Enterprise Development Center," January 2, 1981; and the "Business Plan" presented to the Board of Directors in April 1981.

consideration of the marginal costs of individual efforts is required, and an assessment of relative benefits and costs for the new undertaking is more readily encouraged.

ISEDC's Contributions to its  
General Administrative Costs

The previous administrative budgets would have required a massive growth in sales in order for ISEDC to be judged feasible in terms of benefits to LDCs, viable in terms of its marketing arrangements, and able to move toward institutional self-support within a reasonable time.

The new budget not only requires a rigorous cost control but also focuses ISEDC on that part of its marketing that has proven to be most cost-effective in the pilot stage. This enables ISEDC to anticipate a break-even point in the marketing operations already in the second year of the operational phase, according to both the RRNA and the ISEDC projections. Furthermore, the projected general administrative budget of ISEDC can now be expected within the foreseeable future to be supported in a significant degree by the surpluses from the marketing operation. The projected general administrative budget in the range of \$200,000 for the next years is within the range of the projected level of surpluses from about \$100,000 (RRNA) to \$200,000 (ISEDC).<sup>1</sup>

Certainly, the general administrative costs, which now mainly serve the marketing function in various ways, are likely to increase as ISEDC initiates new functions, such as service to LDC marketing centers. But the projected budget

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1. Table V-11.

constraints and choice of activities provide for a positive assessment of the financial role of the marketing operation within the total organization and also the ability to carry some "fair share" of the administrative costs. It will be useful for ISEDC to analyze other planned activities in a similar way.



National Christian Council - Kenya\*  
 Farmer's Rural Development - Nepal\*  
 YMCA Crafts Training Centre - Kenya  
 Yogyakarta YMCA - Indonesia\*  
 Cuyamuna - Colombia  
 YMCA of Portugal - Portugal  
 Pueblo to People - Guatemala  
 Community Crafts Association - Philippines  
 Mr. Malcolm Benjamin, UN Advisor - Kenya

\*Response to mailed questionnaire

U.S. PVOs Involved in Pilot Test

National Level

Ms. Kathy Brann                      American Field Service

Regional Level

Mrs. Dawn Falleur                      American Field Service  
 Mr. Gene Cornwell                      YMCA

Local Level

Mr. Jim Williams	Xenia YMCA
Mrs. Joan Kuhn	Faith Community Church
Rev. Jerry Dickey	Armstrong Chapel Church
Mr. Mark Gueltig	Fairfield YMCA
Mr. Paul Atkinson	Kettering YMCA
Mrs. Anne Keane	Xenia Area Living Arts Council
Mrs. Susie Rodabaugh	Dayton Philharmonic Ladies Association
Mrs. Barbara Cimmino	Dayton Area Toastmistress Chapter
Mrs. Pat Catron	Springfield Art Center
Mr. Brad Englund	YMCA of Minneapolis
Mr. Steve Bolten	YMCA of Cincinnati
Ms. Gloria Morgan	Col. White AFS Chapter
Mrs. Helen Glass	Goodwill of Cincinnati
Mr. Kermit Kopland	Goodwill of Dayton
Mr. Jim White	YMCA of Tecumseh
Mrs. Neda Biggs	Base Audit Wives Club
Mrs. Ann Hurley	St. Brigid Catholic Church

APPENDIX B: QUESTIONNAIRE FOR LDC PVO SUPPLIERS WHO  
PARTICIPATED IN ISEDC PILOT TEST

INFORMATION FOR THE EVALUATION OF THE INTERNATIONAL  
SMALL ENTERPRISE DEVELOPMENT CENTER

(ISEDC)

We would appreciate your response to the following questions.

1. Name of your organization and any national or international affiliation: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

2. Is the cottage industry and handcraft program which you assist organized as a separate organization, such as a coop of producers or as an association of local groups? Please explain.  
Who is the Director and where is this person from?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. What products are produced?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Please tell about the cottage industry and handicraft producers in your project. How many are there? Do they work mainly parttime or fulltime? Do they do this work mainly for cultural and recreational reasons or mainly to earn a living? About how many of these producers have some other job besides craft work? Do they produce these crafts at home or in workshops?

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5. What is the approximate value of annual sales of a typical cottage industry producer in this program?  
Currency: \_\_\_\_\_ = US\$ \_\_\_\_\_ )

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6. What was the value of sales from your program in your country and outside your country in 1980? How much of these sales were paid to producers?  
(Currency: \_\_\_\_\_ = US\$ \_\_\_\_\_ )

Sold in Country \_\_\_\_\_  
Exported \_\_\_\_\_  
Total \_\_\_\_\_  
Amount paid to  
producers \_\_\_\_\_

7. Total number of staff persons working in the program (including hired staff and full-time volunteers).

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8. Is the program receiving technical assistance?  
In what areas: design, production, local marketing,  
international marketing? From whom or what agency?  
Please explain what help you receive from technical  
assistants from your country and from your government?

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9. What are the main hopes and plans of your program? What  
kind of development and growth do you expect to have?

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10. What are the main problems or obstacles to achieving  
these hopes and plans ?

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11. Please tell briefly about your contacts with Mr.Keith Meyer and the International Small Enterprise Development Center (ISED). Have you given ISED products to be tested? Are you satisfied with the response you received from ISED? What are your expectations, if any, of what ISED can do for your program in the future?

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12. Other information and opinions.

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Name of person providing this information

\_\_\_\_\_ Date \_\_\_\_\_

Position \_\_\_\_\_

APPENDIX C: QUESTIONNAIRE FOR U.S. PVO GROUPS WHO  
PARTICIPATED IN ISEDC PILOT TEST

ISEDC EVALUATION

US PVO Questionnaire

Institutional Situation

1. Name of Organization
2. Type of Organization
3. Name of ISEDC Contact  
Phone:
4. Staff: Number of Professional  
Number of Support Staff
5. Number of Members  
Total Active Members (who take part in some way on a  
monthly basis)
6. Type of Activities (if possible, indicate budget for  
item):
  - . probe whether any activities involve sales of  
goods (craft, other)
  - . probe whether any activities involve development  
education (helping members understand developing  
country problems and possibilities)

7. Annual budget amount:  
Sales/marketing development education
8. What are the types of fund-raising activities of your organization? What is the average amount of revenue brought in by such activities?
9. What is the markup of products for sales by your organization?

Relations with ISEDC

10. Contacts with ISEDC:
  - . first contact -- describe, date, whose invitation
  - . type of follow-up contacts -- visits, phone calls, correspondence
11. Who made decision to participate in ISEDC pilot project?
12. a. Would your organization have become involved in the type of marketing activities without the assistance of ISEDC?

- b. Do you plan to continue?
  - c. Would you continue these activities without ISEDC assistance?
- 13.
- a. What specific help in marketing did you receive from ISEDC? Rate this assistance on a scale of excellent, good, okay, poor, failure.
  - b. What was most helpful in the ISEDC assistance?
  - c. What improvements could be made in ISEDC assistance to your organization?
14. Explain marketing process
- Marketing Channel:
- a. Who decides on the type of products, marketing strategy; other decisions regarding the sale of the products?
  - b. Type and number of products carried
  - c. Sales value of product

- d. Promotional cost
  - e. Amount of professional time used (amount in weeks time)
  - f. Amount of volunteer time used (amount in weeks time)
  - g. Amount of ISEDC staff time (amount in weeks time)
  - h. Inventory left after sale
15. Did your activity lead to another group using ISEDC as a means of fund raising?
16. What information/directives do you receive from your regional/national organization? Would your organization respond from a general request of your national organization to try an ISEDC fund-raiser?
17. Do you believe that your organization is a good outlet? Why?
18. What were high points and problems in the ISEDC marketing approach and products carried?
- Marketing approach -
- Products supplied -
- Other comments