

7 Case Studies: Enabling SMEs in the Philippines to Participate in the New Economy

Here are three examples of e-commerce and Internet applications in the Philippines that were developed for the benefit of small and medium enterprises in both urban and rural areas. The companies featured were interviewed from December 2002 to January 2003.

7.1 Case Study #1: SME.COM.PH



Project description:

PDB SME Solutions Inc. is the company behind SME.COM.PH, formed in June 2000 from the affiliation of Planters Development Bank (PDB), the Philippines' largest private development bank, International Finance Corporation (IFC), the investment arm of the World Bank, and eVicom, a leading technology firm in Silicon Valley.

IFC's investment in this company is the first of its kind in Asia. The organization believes that technology can play a significant role in improving the way SMEs conduct their business. IFC approached Planters Development Bank to collaborate on this project which is intended to be replicated in other countries once the business model is perfected.

SME.COM.PH is a membership program that provides small and medium enterprises (SMEs) with resources that promotes business opportunities, cost efficiency to operate its business, as well as easy access to information and other business solutions.

As an early result of its endeavor, the company bagged the Asian Banking Award for the E-Commerce Service in 2001.

Aim and objective:

1. To be recognized as the developmental partner of Philippine SMEs who are harnessing ICT to build global competitiveness, to strengthen diverse SME communities, and to create enduring difference in their business.
2. To help Filipino SMEs to use ICT as a tool to change and enrich the way they do business.

3. To deliver continuing education and public service activities designed to enhance business efficiency and effectiveness, improve technology awareness, improvement of the SME communities at large, as well as, enrich personal lives.

Cost and funding bodies:

SME.COM.PH's initial capital was US\$250,000. Jesus Tambunting is the company chairman of SME.COM.PH and Planters Development Bank. He is known as an active advocate and of major influence in SME development in the country. He is also the founder of the Philippine British Business Council.

The company believes in having an economic sustainable viability model venture. Rather than giving its service for free to members, it charges an annual fee for the use of its service.

In the year 2000, the SME.COM.PH package being offered to SMEs is at thirty to sixty thousand pesos (P30,000 to P60,000 or US\$600 to US\$1200). With price considered to be prohibitive, the company was only able to get 71 members by the end of 2001.

In order to increase its membership, the company restructured its pricing with the intent of making it affordable and concrete in its value proposition. In the year 2002, members are provided with a basic package that includes a 2 page website, a registered domain name, and corporate email address. Members' site is optimized for increased visibility and awareness when searched on the Internet. Members who availed of this service pay an annual fee of P8,000 (US\$150). The said package helped boost its membership from 71 to 290 members.

Taking into consideration the various lessons learned that the company has in dealing with clients, the company revised its package in 2003 with the objective of being able to get 800 members by the year-end. The company will have up to 18 sales personnel this year to work on its membership goals.

The 3 membership options as follows:

1. SMEBizStarter (P10000 per annum)
 - Basic Company Listing at <http://www.sme.com.ph>
 - 10-product showcase in SME.COM.PH e-Marketplace
 - E-mail forwarding capability for customer inquiries regarding showcased products
 - Free 3-month subscription to Entrepreneur Magazine for 1-year membership
 - SME.COM.PH Privilege Card
2. SMEBizBuilder (P30,000 membership and set-up fee on the first year; P15,000.00 on succeeding years)
 - One web page company listing at <http://www.sme.com.ph>
 - 5 web page company website
 - 15-product showcase in SME.COM.PH central catalogue
 - Own Domain Name
 - Own E-mail Address (maximum of 50 mailboxes)
 - E-mail forwarding capability for customer inquiries regarding showcased products
 - Free 6-month subscription to Entrepreneur Magazine for 1-year membership
 - SME.COM.PH Privilege Card
3. SMEBizOptimizer (P80,000.00 membership and set-up fee on the first year; P25,000.00 on succeeding years)
 - One web page company listing at <http://www.sme.com.ph>
 - 10 web page company website
 - Own catalogue system that can feature 100 products
 - 15-product showcase in SME.COM.PH central catalogue
 - Own Domain Name
 - Own E-mail Address
 - E-mail forwarding capability for customer inquiries regarding showcased products
 - On-line Payment System
 - Logistics (optional)
 - Free 12-month subscription to Entrepreneur Magazine for 1-year membership

Participants:

The website currently has 290 SME members as of year-end 2002. Approximately, 30% of its members are from the National Capital Region followed Southern Luzon –30%, Metro Bulacan – 20%, and Western Luzon- 30%.

Its current industry breakdown as follows:

Food & Agriculture = 21%

Industrial Products = 16%

Consumer Products = 22%

Services = 41%

SMEs interviewed for this case study cite several reasons why they subscribed to the service despite numerous free offerings whose service is similar to SME.COM.PH.

SMEs don't like bundled package where the service is being tied-up to an ISP subscription.

Found convenience in paying a one-time annual fee rather than fixed monthly payments.

Technology:

The main technology solution and catalog application being used by SME.COM.PH, when it started, was provided by eVicor as part of its investment in the corporation. Third-party alliances were established to provide outsourced service in certain areas of operations while critical areas were retained within the company. Open source technologies were fully utilized in order to further drive down the cost.

Services:

1. Provides trade-matching services for the SME member companies. Their business can be promoted online using the portal at <http://www.sme.com.ph> and also through marketing activities with established trade associations.
2. Provides practical and non-Internet based accounting, human resource, payroll, and customer relationship software that help SMEs automate their businesses.
3. Provides Internet solutions and services such as hosting, domain registration, e-commerce enablement (activation of catalog, online payment, logistics facility), and search engine optimization.

Impact and Achievement:

The company packages itself as a trade promotion and facilitation unit. At the end of the day, it is all about doing business. Technology and E-Commerce becomes incidental only. At present the following benefits are offered to members who signed up to its service:

1. Trade with fellow business members of the SME.COM.PH Community. You'll get an instant number of potential customers when your products, services, or programs are introduced to the existing, and ever-increasing, members of SME.COM.PH.
2. Online merchandising of products through SME.COM.PH. This high traffic website is visited by local and foreign buyers wishing to purchase products for personal or business use.
3. The company offers trade-matching service with other businesses in the Philippines or with partner associations in other countries. The needs of various trading partners are communicated to its members as business opportunities.

The company faced a lot of challenge in order to make its business model work with the intent of achieving economic sustainability. The business benefit was the one being emphasized when marketing this business. It also worked with trade associations as a means to reach out to more members.

The most important achievement that this company had so far is in proving that a noble e-commerce endeavor targeted towards SMEs need not be free. With the right combination of services, SMEs will find it worthwhile to invest.

For its subscribers, there were numerous success stories on how they were able to get business from unexpected geographic markets that made them rethink their market strategy to explore this potential brought to them.

Lessons Learned

This company is rich with lessons learned and we're very fortunate for we had the opportunity in interacting with its clients who gave balanced insights about the project.

Becoming business-oriented: The company made a major revamp in packaging SME.COM.PH into a business center, not just your typical e-commerce website where it intends to provide various business opportunities to its members through cross-promotion and sales referrals in its network.

Revision of business plans: SME.COM.PH was never afraid in reinventing itself to keep its service attuned with market needs while trying to be economically sustainable. As the business grows, the more the company realized the need to be customer centric and consider the inputs of its community, trade associations, clients seriously in improving its product/service.

Getting the right people: To make the business work, it needs more than just technology people. Getting the right combination of people who truly understands what matters most to SMEs is important to the sustainability of this project.

Not much diligence: The company admitted that one of its weaknesses in the past was the lack of due diligence in its endeavors that contributed to its technical and business challenges.

Meeting customer expectations: With so many subscribers to take care of, meeting its expectation is one big task. We interviewed 2 companies: My Left Hand, a graphic design firm, and Godiva, a manufacturer of locally made skin care products.

Godiva's experience is interesting for its first venture to go online is with SME.COM.PH. This site is generating US\$500 to US\$3000 online sales per month. With its frustrations in the past, the company almost didn't renew their annual subscription. However, after further dialogue and management commitment from SME.COM.PH, they decided to proceed in giving the company a chance. At the end of it all, companies interviewed shared that the birth pains they had with SME.COM.PH were all worth it.

Here are some of the expectations they shared that SME.COM.PH should be able to provide them:

1. Link to potential clients.
2. Categorizing member companies properly according to the types of services they offer.
3. Make SME.COM.PH portal interesting and attractive to potential site visitors to make prospective clients interested in its members too.
4. Better customer service by giving fast reaction time in handling its problems.
5. Offer customizable interface so that not all member websites will look alike.
6. Training to be provided to members adequately.
7. Give guidelines to prospective site visitors on step-by-step ordering procedures.

Finding the right technology partner: As the company did not have the technology expertise when it started the project, its primary lessons learned is finding the right technology and service providers at the start of the project. There were instances where partners failed to deliver its commitments whereby SME.COM.PH had to do a lot of firefighting in order to cover its technology partners' shortcomings. Godiva experienced missed orders while My Left Hand had email access problems at one point.

7.2 Case Study #2: EYP.ph



Project description:

E-YellowPages (EYP) is the largest online Yellow Pages in the Philippines.

EYP gets an average of nearly 2 million hits or 306,000 page views per month. More importantly, EYP registered businesses receives as many as 13,000 sales inquiries in the last semester on various products and services. One third of its traffic are from outside the Philippines.

Businesses can register at the website for free because EYP wants to make it easy for businesses and consumers to come together and start transactions. It sources its revenue from online advertisements.

Aim and objective:

1. Be the premiere and biggest yellow pages directory in the Philippines.
2. Offer products that will be consistent to the yellow pages concept but more affordable.
3. Promote the use of the Internet as a business tool.
4. Expand on the utilities associated with traditional directory services.

Cost and funding bodies:

Domingo Lopez and Directories Philippines Corporation (DPC) co-founded the website last August 2000. In its start-up days, ePLDT.com had 51% ownership stake in the company but was later re-acquired by DPC. As the company needs to be telco-neutral, being non-affiliated with any telco in terms of company ownership is important in achieving success.

Participants:

Some 23,000 businesses in Metro Manila alone are currently registered, for a total of nearly 60,000 business listings; key cities in the provinces are covered as well. EYP also includes nearly all the business subscribers of major telephone companies in Metro Manila.

Technology:

The company took technology considerations seriously for this website project. As it aspires to be the best of its kind on the Philippine Internet, technology investments include high-availability hardware and software from IBM and Oracle.

Services:

For companies that register at its EYP, it has full access to its Business that allows registered businesses to access and update their accounts. This includes:

- Update information on your Business Page
- Receive online sales inquiries and messages from prospective customers through the Email and Fax Messengers.
- Open and use its very own free email account.
- Change password.

The website also generates revenue through the following advertising means:

1. Banner ads – placed in key sections of EYP. (P4000 to P14000 or US\$80 to US\$380per month)
2. Premium lists – place companies on top of category searches. (P150000 or nearly US\$3000 per year)
3. Business showcase – have a mini-website within EYP. (P12000 per year)
4. Fax Messenger sponsorship – be seen in every fax sent through the EYP site. (P14000 per month)
5. Email Messenger sponsorship – be seen in every email sent through the EYP site. (P14000 per month)

At present, more than 1000 companies have availed of EYP’s advertising packages.

Impact and Achievement:

DPC, through EYP.PH certainly spurred awareness among businesses, of all sizes, on the value of making their contact information available on the Internet. For buyers and sellers alike, the website offers useful and up-to-date contact information that one won’t easily find using the traditional print yellow pages.

The directory service of EYP is also available through the mobile phone that empowers individuals to get the information they need, when they need it.

Sales inquiries generated through the website is already worth the effort of listing oneself in EYP. Furthermore, the company doesn’t just list any company in its directory. Documents such as business registration, Mayor’s permit, and the likes need to be submitted to prove one’s legal existence. This method of validation further increases consumer and buyer confidence in contacting companies listed in EYP.

Lessons Learned:

1. Put technology infrastructure according to the needs of the market. Don’t put too much assuming that the market would need it.
2. Making the brand known and common to SMEs, to generate immediate recall. EYP recognizes the need to establish its brand.
3. Take advantage of mobile phone technologies and promote its use extensively as well. Although SMS and MMS functionalities offers great service to consumers, its value is still not taken seriously by consumers.
4. Take advantage of mobile technologies such as location-based services that can be tied into EYP’s service to deliver value-added targeted marketing service.

7.3 Case Study #3: EXPERTrade.com.ph



Project description:

EXPERTrade is a portal for Filipino exporters and SMEs seeking to market their products to the global market. It was developed and is managed by Exportbank, a commercial bank co-founded by PhilExport, an association of Filipino exporters and SMEs. The site was launched last September 2002.

EXPERTrade was not conceived as a standalone project, but as one of 2 major component of Exportbank's Internet Channel Strategy, as approved by its Board of Directors in 2001. The other component is the bank's Internet Banking services that allow clients to inquire balances, statements, perform online fund transfers, and other transactions. Exportbank did not want to compete by simply following the strategy of other commercial banks, which was focused on Internet banking, and the consumer market. The bank wanted to position its services so that it would be consistent with its slogan and promise to provide 'Expert banking for the Global Filipino'.

EXPERTrade.com.ph membership is free. Only one condition was stipulated, which was for the member to open a regular deposit account with Exportbank, if he/she wasn't a depositor yet.

Aim and objective:

1. To be a proactive catalyst in the Philippines, in promoting E-Commerce to its target community of exporters and SMEs.
2. To enable the bank to offer a competitive value-added service that will open doors to new clients, enhance existing relationships, and help develop customer loyalty.
3. To develop a critical mass of E-Commerce enabled SMEs and exporters that will be the foundation for the bank's long-term presence and participation in the emerging e-Economy.
4. To be a self-sustaining and profitable service facility.

Cost and funding bodies:

The company invested 2 million pesos in setting up the portal and its Internet banking services. To sustain its operations, the opening of account by members and maintaining their regular average daily balance will suffice.

Value-added bank services such as micro-finance will also be offered to its members as an additional service thereby translating to revenues as well.

Participants:

While the web construction was ongoing, the bank's Internet Channel Management or ICM team, initially composed of 4 people, pre-marketed EXPERTrade both internally (through product briefings and newsletter articles), especially to the marketing units, and externally, to SMEs. It participated in major trade fairs to invite SMEs to join Expertrade. They developed a process for quickly building a database of exhibitors, generating mail-merge invitation letters with registration forms, and distributing these booth by booth at the exhibit halls. To interact effectively with the clients, the ICM personnel had to be conversant not just with Expertrade, but with Exportbank as an institution supporting exporters and SMEs, and its banking products and services. Follow-up telephone calls were then made. This was supplemented by actual visits to clients. The Exportbank branch in Cebu also helped market Expertrade during trade exhibits held there.

In this manner, SME members from various parts of the Philippines were acquired. At present, the site has 120 members.

The company is targeting to get 200 more members this year.

Technology:

Open systems technologies with high acceptance in the e-commerce community, like the Linux operating system, were used for cost-effectiveness, reliability, and scalability. Higher-end servers, multi-processor servers (IBM and HP) were used to ensure reliability and fast performance. Adequate bandwidth was also availed for fast response times.

Services:

The website is designed to allow members in updating their website content and catalog, check queries from buyers, send quotations, and other selling or buying activities. In cases where its members don't have a PC or technical know-how, EXPERTrade takes care of everything from web design, hosting, initial set-up of product catalog (up to 25mb), scanning of pictures, and free email address.

In May 2003, the bank will be offering micro-financing services to SME on various ICT products and services.

Impact and Achievement:

As the website is the newest and youngest in this series of case studies, its impact and achievement is too early to measure.

1. Promoting E-Commerce Through Sponsorship and Stable Support.

A positive contribution Expertrade to the field of E-Commerce in general, is the demonstration of a model for promoting the adoption of E-commerce technology among SMEs that is cost-effective since it involves a sponsoring institution. Since the sponsoring institution is a bank, it also provides the organizational and financial stability that, as the bursting of the 'internet bubble' has shown, purely E-commerce organizations cannot provide.

2. The Viability Imperative.

The Expertrade business model is likewise viable to the sponsoring institution, in this case, Exportbank, since it is a tool to acquire new clients, cross-sell bank products and services, and retain, add value to existing relationships. The B2B service portal likewise provides Exportbank a competitive niche in the banking industry the builds on its perceived 'Export' orientation and its commitment to support the 'global Filipino'.

3. The Need for Intensive Marketing.

At the same time, the business model highlights the need for both expansive and intensive marketing. Even after removing major obstacles to technology adoption by SMEs (i.e. free service, full technical support, ease of use, etc.), the response of SMEs in terms of the number of registrants to the portal is less than expected. There is an apparent need to raise the level of awareness and desire among SMEs to establish their presence in the cyber market space. To address this, Exportbank's Internet management organization is strengthening its E-Services marketing capability, since it has realized that the effort requires focus that the other internal marketing units cannot provide, because of their other business priorities.

4. The Need for Self-Sufficiency.

The setting-up of an Internet channel management organization to support the development and marketing efforts, is consistent with theories on the need by organizations to develop an 'absorptive capacity' for new technology, as well as the imperative to develop 'dynamic capabilities' to compete in a fast-paced environment. It may be a paradox to state that in order to effectively outsource, there has to be a corresponding internal capability to absorb (the external technology) and manage it from within. Likewise, the breadth of skills and functions with the supporting organization (from technical to marketing skills, from mundane to complex functions) requires flexibility in terms of processes, team structure, and attitudes. In any case, the supporting organization, has to be willing to take responsibility on a 'straight through' basis (i.e. self-sufficient).

5. The Need to Pay Attention to Process and Service Quality.

As a 24x7 operation that is globally accessible, and one that showcases the products and services of a community of SMEs, ensuring availability and reliability is important. It is not just, however, the Internet servers that have to be reliable. The supporting organization itself has to be as reliable in terms of its basic processes: how fast it responds to client inquiries, processes applications, how efficient and effective it promotes its services. In testing other sites' processes, Exportbank discovered this to be a weakness of competing sites. Thus, from the onset, the Internet support team streamlined and standardized its various processes, which included the development of a data bank of scripts and FAQs. A database of clients, both prospective and registered was also developed early on, to provide the organization customer relationship management (CRM) capability.

In summary, the key lesson learned is that technology is not the most important nor most difficult component in this type of project or business. Rather, it is marketing, training, and overall support services that matter most, and need more management attention and resources. It is only such shift in bias that will enable the realization of objectives and the attainment of viability and long-term sustainability.

Country-Specific Considerations.

The business model, and implementation and promotions approach of e-commerce sites like the ones listed here, is appropriate to country-specific conditions in the Philippines, such as:

1. Low SME awareness of, and access to, Internet and E-Commerce technology.
2. Non-affordability for developing Internet B2B capability for most SMEs.
3. Low SME exposure to global markets and non-affordability of gaining such exposure for most SMEs through the traditional means (joining international trade fairs).
4. Relative higher concentration of financial and technology resources in the banking sector for the support of such project.

Its corresponding brick and mortar institutions also provided both a stronger sensitivity to the problems and opportunities presented by the country-specific conditions stated above, and a stronger motive to support the project. In doing so, these companies has supported its respective mission, as well as business objectives, while serving as a catalyst for the adoption of Internet and E-Commerce technology by SMEs.

7.4 Comparative Analysis of SME E-Commerce Initiatives in the Philippines

Project	Members	Year started	Source of Funding	Services	Technology
b2bpricenow	1505	2000	Grants and private sector partners	1. Posting of products and viewing of products for sale by cooperatives 2. Inquiry of product prices and catalogue updating using SMS. 3. Training of farmers, cooperatives	Microsoft Internet Information Server, Windows 2000, SQL 2000, ASP. Infrastructure provided by Unisys.
SME.COM.PH	290	2000	Investments from Planters Development Bank and International Finance Corporation	Membership subscription that includes website creation for SMEs. Business matching	Open source technologies
EYP.PH	23,000	2000	Private investors that includes Directories Philippines Corporation	Free listing of companies Advertising products	High availability technologies and solution from IBM and Oracle.
EXPERTrade	120	2002	Fully-funded by Export Bank	Free website for SMEs engaged in exporting. Business promotion	Open source technologies IBM and HP servers and solutions.

7.5 Strength and Weakness Analysis of SME Initiatives in Implementation

Project	Strength	Weakness
b2bpricenow	<p>The only marketplace to offer free membership to agricultural cooperatives.</p> <p>Has strong partners including Land Bank of the Philippines - the biggest agricultural bank, Philippine Rural Reconstruction Movement - - non-government organization catering to cooperatives, among other supporters. All provide logistics and monetary support for the project.</p> <p>Has received grant support to augment cost of its operation.</p>	<p>There's no mechanism in place to monitor the benefits and impact of the marketplace on its livelihood contribution to its member cooperatives.</p> <p>Hardly any repeat postings from cooperatives after the 1st training due to lack of access to computer and Internet technologies.</p>
SME.COM.PH	<p>Investment support from International Finance Corporation that contributes greatly to the credibility of the project.</p> <p>Has a tightly integrated family of services that makes a website venture of an SME competitive such as business matching, search engine optimization, and cross promotion.</p>	<p>Its initiative is worth tracking for its model for charging SMEs for subscription is being doubted for long term survival. However, it remains to be proven.</p>
EYP.ph	<p>Having a stable company with the track record behind it, Directories Philippines Inc.</p> <p>Being able to register establishments in the website for free with validation of its legalities makes it a credible directory web site.</p>	<p>Its documentary requirements discourages companies to register and considers such process a hassle.</p>
EXPERTrade	<p>Encouraging SMEs to register in the website for free is an interesting offering for SME exporters.</p>	<p>However, with similar web sites offering such service (e.g. http://www.buyphilippines.ph), without the requirement of opening an account with a bank, its long-term effectiveness remains to be seen.</p>