Informational Barriers to Market Access: Experimental Evidence from Liberian Firms*

Jonas Hjort
Columbia U. & BREAD & CEPR & NBER

Vinayak Iyer
Columbia U.

Golvine de Rochambeau
Sciences Po

June 2, 2020

PRELIMINARY AND INCOMPLETE: DO NOT CITE

Abstract

There is growing evidence that firms in poor countries stagnate because they cannot access large, quality-sensitive markets. We hypothesize that overlooked heterogeneity in marketing ability distorts such market access. To investigate, we gave a randomly chosen subset of Liberian firms vouchers for a seven day-long training program. The program teaches how to sell goods and services through formal contracts, in particular how to win tenders from corporations, governments, and other large buyers. Firms that participate bid on more tenders; win about three times as many tender and non-tender contracts; and win contracts of higher quality. These benefits are concentrated among firms with access to the Internet. We use a simple model to illustrate two potential explanations: additional contracts being publicized online, and Internet access facilitating search and communication with buyers. Both mechanisms appear to be important in Liberia. We show this by exploiting variation in the composition of demand. When online demand—the share of tenders publicized online—is low, trained firms with Internet access win more non-tender contracts, pointing towards the *search and communication* mechanism. When online demand is high, trained firms with Internet access win both more non-tender contracts and more tenders, suggesting that *online market access* also matters. The Internet thus appears to dampen traditional information frictions, but—perhaps surprisingly—not barriers that prevent information-constrained suppliers in low-income countries from selling to growth-conductive large buyers. This may make such barriers the limit to many firms' market in an online world.

*hjort@columbia.edu, vinayak.iyer@columbia.edu, golvine.derochambeau@sciencespo.fr
We thank Katarzyna Bilicka, Dave Donaldson, Amit Khandelwal, Andrea Prat, Eric Verhoogen, and seminar participants at Columbia, Cornell, Essex, the Graduate Institute of Geneva, the Indian Statistical Institute, Yale, Sciences Po, and Zurich for helpful comments; Junyi Que for stellar research assistance; the IGC for financial support; IPA and Q&A Liberia for great field-work; and Building Markets for data-sharing and great collaboration. The project was registered in the AEA RCT Registry, ID 0002264.