RAISING THE BASE OF THE PYRAMID THROUGH ENTERPRISE

Innovative Case Studies of BoP Ventures and Initiatives
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There has been much progress in promoting Base of the Pyramid (BoP) business and a growing number of ventures and initiatives have come forward that reflect the different phases of the business value chain. In the past decade, work on inclusive business development has increased significantly and organizations working today on innovative models range from multinational corporations, co-operatives, small and medium-sized enterprises, governments, public institutions and international organizations, and even not-for-profit organizations that use business principles—or social business approaches—to achieve their mission.

However, even with this increase of practitioners and projects being implemented, there is still a shortage of case studies documenting BoP projects that have had a positive impact achieving financial results and enabling more inclusive and sustainable markets, while also empowering local communities. Thus, there is a need to identify and document successful cases in order to inspire the growing community of practitioners and make sure successful projects get replicated and maximize potential impact.

The BoP Global Network, as a platform of action formed by a vibrant community of academics and practitioners in more than 18 countries, engages in knowledge creation and dissemination about creating sustainable businesses at the base of the economic pyramid. A key component of the Network’s main objective is to promote knowledge transfer that inspires action and enhances impact. With this core mission in mind, we are pleased to present this report: “Raising the Base of the Pyramid Through Enterprise - Innovative Case Studies of BoP Ventures and Initiatives”.

The report describes a series of sixteen (16) case studies implemented by the BoP Global Network Learning Labs (also known as Innovation Centers) from around the world. The case studies have been organized around five specific areas of focus and action:

I - Enhancing Product Design
II - Value Chain Business Models
III - Employment Generation
IV - Improving Distribution Channels for the BoP
V - Generating Access to Basic Needs (Energy, Health, Housing, Insurance)

We look forward to your comments and hope this report helps to inspire and promote change towards achieving the more sustainable and inclusive society we all want. Together, it is possible. ESW and the BoP Global Network are committed to the success of our collective vision to make the world a better place for all.

Sincerely,

Stuart Hart
President, Enterprise for a Sustainable World
Founder, The BoP Global Network
Enhancing Product Design

Process of creating a new product or adapting a current product for customers in low-income communities. This process relies upon the efficient and effective generation and development of new ideas that lead to new products considering the needs and contributions of low-income communities in a co-creative and innovative way.

Kenya: Ubora wa Dawa
BoP Innovation Center
(The Netherlands)

Sri Lanka and India: Weconomy Start
Aalto Global Impact, Aalto University
(Finland)
UBORA WA DAWA.
TEST SYSTEM FOR QUALITY
OF MEDICINE

BOP INNOVATION CENTER,
THE NETHERLANDS.

OBJECTIVES

DSM, EPN and ICCO Cooperation, a Dutch - Kenyan consortium called Ubora wa Dawa (‘quality of medicine’ in Swahili) initiated the development of an innovative medical test kit to improve the quality of medicine for the African market. The proposition was a commercial test system to detect low levels of active pharmaceutical ingredients (APIs) in antibiotic and antimalarial medicines. The value proposition was a reliable, simple to use, fairly priced and using small-sized equipment. The target group would be local staff in the health sector: drugstores, pharmacies, and health centers. The intended impact was to reassure those in the test market that they are receiving effective medicine and to foster increased trust in the local health system.

DESCRIPTION

DSM (www.dsm.com) is a Dutch multinational company that produces antibiotics for a Business-to-Business (B2B) market. They also have a successful longstanding product, the Delvotest®. Famers use the Delvotest to check the antibiotic levels in milk, as the presence of antibiotics is detrimental to public health and the dairy business. Through a partnership with ICCO Cooperation, a Dutch international development agency (www.icco-international.com), and its Southern partner, the Ecumenical Pharmaceutical Network (www.epnetwork.org) or EPN, DSM identified the scope to develop a test system to check the API level in human medicines. This would be based on the adaptation of Delvotest technology.

The purpose for the test system is the high levels of substandard medicine in the market in developing countries. Although access to safe medicine is important to every human being, low-income groups are most vulnerable to the risks of consuming poor quality products. Additionally, the use of substandard drugs increases bacterial resistance to antibiotics, jeopardizing the pharmaceutical sector worldwide.

By the end of 2010, the civic-private partnership among DSM, ICCO, and EPN received support from the Bop Innovation Center and the Dutch Ministry of Foreign Affairs for further technical development, exploring the market potential and initiating the market launch in Kenya and a second African country. The challenge was to develop a new product, for a new market, through a new business model.

In early 2013, the consortium decided to phase out any further development of the test system. This was mainly due to a combination of two factors: the inability to produce a prototype in accordance with the value proposition and the conclusion that the current health and pharmaceutical ecosystem was not supportive of a purely market-based product.

LESSONS LEARNED

Adaptation of the new application of the Delvotest® technology took place in the Netherlands. The proof of principle was lab-tested in Kenya with local medical research and medical supply agencies to determine whether the proof of concept, which was developed under high-tech conditions, would stand the reality test in Kenya. Following two rounds of testing, test-volunteers found the UwD principle relatively simple. One lesson learned through the testing process was that the project could have benefitted from local expertise much earlier. Insights on average skill level and equipment use on the local level, which are essential for the design of the procedure to follow, can then be taken into account in the early stages of product development. The consor-
tium could not solve a dilemma, which appeared inherent to the principle: achieving simplicity would imply more equipment and less equipment would mean more complexity. This implied a suitcase rather than a small box and two days of training instead of a simple system. As such, the parameters of the value proposition could not be met.

From the beginning, the consortium was aware that the UwD test system as an initial screening device should be part of any national quality system on medicines. Incentives to actually check medicines and a proper referral system are required. In the context of developing countries, such systems, including a recall system (pharmacovigilance by state agencies), are relatively weak. It was anticipated that an innovative product like the UwD test system could offer an incentive for committed actors in the health sector, and as such contribute to the development of a national quality system. In the course of market investigations and understanding other devices and systems, it was learned that all related products are subsidized by donors and that if a subsidized test system were made available, its utilization would require incentive efforts. For a commercial product to stand a chance in the market, even more societal commitment would be required, which the consortium was not in a position to influence.

**Upscale and Replication**

For replication of the UwD initiative, it is important to consider that adaptation of an existing technology requires attention for adaptability of the technical specifics, as well as the procedure of application (the user requirements).

In addition, it is important to pay adequate attention to the ecosystem and identify stakeholders who need to be taken on board for matters that are outside the sphere of influence of the project, but part of the sphere of interest. Even if this is outside the scope of the project, it is important to know who can be allies on these other aspects. As the consortium decided to phase out the initiative, there are no considerations for upscaling.

**Results Achieved**

Due to the phasing out of the innovation project, the results achieved are less related to the value proposition as such, and more process- and context-related. As a result of this project, DSM gained deeper insight into the African pharmaceutical market, which had previously been a rather unknown area for them. EPN gained better insight into the levels of concern of the various actors in the pharmaceutical sector — from medicine producer to distributor to medicine provider — and value chain supporters (e.g., civil society agencies) and influencers, especially government agencies. These key insights have proven extremely valuable and will enable DSM to devise other activities for the co-development of mechanisms to improve the impact medicine has in the quality of life of communities.
OBJECTIVES

- Weconomy Start is a global innovation program for Finnish companies and low-income communities.
- It aims to facilitate interaction and co-creation, which results in new business models, products and services that create value for low-income communities as well as Finnish companies.
- It is an NGO-led initiative: it is designed and coordinated by World Vision Finland, in collaboration with Aalto University, Finpro (Finnish business consultancy), World Vision India and World Vision Sri Lanka.

Weconomy Start promises to:

- Build bridges and facilitate rights-based collaboration between Finnish companies, low-income communities and other relevant stakeholders.
- Offer a practical path for Finnish companies to develop sustainable business at the BoP.
- Foster sustainable solutions to economic, ecological and social problems identified by low-income communities.
- Each cycle of the innovation program lasts for one year.
- Companies participating in 2013 are Biolan (composting service & dry toilets), Scanhomes (low-cost housing), KSAO (education and sustainable energy technologies) and Palmroth Consulting (sustainably hand-made products with community stories).
- The second cycle of the program in 2014 will see new participants: new Finnish companies and new Indian and Sri Lankan communities.
- The plan is to expand to other BoP markets in 2015.

DESCRIPTION

In 2013, the program has offered Finnish companies two field trips, eight workshops in Finland, optional company-specific business consulting, and suggestions for independent work.

Fieldtrips: The first one-week trip gives companies a glimpse of the operating environment and communities’ needs, aspirations and capabilities. The second, four-week trip focuses on co-creation of inclusive business models, products and services. Trips include:

- Co-creative meetings and workshops between companies and communities
- Meetings with Indian and Sri Lankan experts and authorities
- Identifying viable business concepts and models

Workshops: Eight workshops and seminars cover such themes as:

- Participating communities’ needs, aspirations and capabilities
- Opportunities and challenges in BoP ecosystems
- Practical exercises of co-creation and business model development
- Identifying viable business concepts and refining them into business plans
As an example, Biolan is collaborating with farmers, hotels, and other stakeholders in Kalpitiya, Sri Lanka, to create inclusive business related to composting and organic farming.

- The need: Kalpitiyan people recognize an urgent need to reduce the use of chemical fertilizers, which have severely contaminated the ground water on this narrow peninsula. Food waste composting could provide much-needed free organic compost.
- Co-creating product modifications: Biolan’s compost bins are being piloted at one Kalpitiyan hotel and by a group of Kalpitiyan farmers in order to record modifications called for by the local climate, culture or price level.
- Co-creating a business model: Several business models appear possible. Compost bins could be marketed to hotels, and low-income people could be trained to produce bedding material. Alternatively, compost bins could be marketed to farmers’ associations, so farmers could boost their organic production.
- Co-creating an inclusive business ecosystem: Biolan could work with a wider group of local stakeholders to foster organic farming. Local hotels, farmers and NGOs could collaborate to build up the awareness, supply and demand of organic food.

LESSONS LEARNED
Already during its initial (pilot) one-year cycle, the program has made the process of entering BoP markets faster for the participating companies. Company feedback is favorable: the program has fostered companies’ understanding of BoP contexts, opened doors for companies to cooperate with low-income communities and also other Indian and Lankan stakeholders.

When collaboration between companies and local communities is facilitated by a development NGO, it is at times challenging to ensure that local communities understand the win-win proposition underlying this program.

UPSCALE AND REPLICATION
Designing an innovation program of this kind is a fundamentally co-creative exercise: combining the strengths of an NGO, a business consultancy, and academia is time-consuming and challenging but also rewarding.

Considerable effort is needed to engage local NGO and community partners in the early planning and implementation of the program. Though World Vision Finland, India and Sri Lanka have cooperated closely for many years, we have found that integration of local offices in Indore and Kalpitiya into the joint process can be achieved earlier when repeating the next round of a program. There are small- and medium-scale Finnish companies that are very interested in BoP markets, but finding resources for co-creation with low-income communities is challenging. None of the participating companies were able to attend the second field trip for the full four-week duration. Thus, we are in process of making some adjustments to both the duration and content of the two field trips to ensure maximum participation and relevance to the participating companies.

RESULTS ACHIEVED
The initial (pilot) cycle of the innovation program is still underway, so it is premature to report impacts.

CONCLUSIONS
Based on the experiences so far from the ongoing pilot program, one can say that the basic structure of the program is already proven to work. There is potential to develop and scale up inclusive business models on the framework of development work. Although final and concrete results are yet to be seen, the experiences from a pilot program are providing an excellent platform for repeating the program in India and Sri Lanka in 2014 and exploring opportunities to expand to new regions in 2015.
VALUE CHAIN
BUSINESS MODELS

Chain of activities that a firm performs in order to deliver a valuable product or service, considering all business processes and providing product excellence, operations excellence, and customer excellence in different relevant operations areas, such as research and development, design of products, services, or processes, production, marketing and sales, distribution or customer service, among others.

Colombia: Construyá
EAFIT (Colombia)

Bangladesh, Mass cultivation of mung beans in rural areas
Nomura Research Institute (Japan)
OBJECTIVES
To offer soft loans to BoP consumers who lack access to the banking system and need to improve their housing conditions

DESCRIPTION
This case describes a financing system created by Argos. Under this system, loans are provided to people who do not otherwise have access to the banking system (mainly sections 1, 2 and 3 out of 6 according to the stratification of the population in Colombia, which corresponds with the Base of the Pyramid). Construyá brings together three key stakeholders: loan beneficiaries, Argos’ Commercial Network (Construyá Network, which is made up of 2,000 Sales Points) and Argos’ financial partners.

Primary demand is generated for each one of these parties according to their main activities. The loan beneficiaries also have the opportunity to enhance or construct their homes, which makes this an inclusive and sustainable initiative.

Argos is responsible for establishing agreements with different financial partners. Argos also monitors incoming credit applications and offers a broad network of clients with whom it maintains continuous engagement in order to allow the program to work properly.

CONCLUSIONS
The main performance indicators for the Construyá program are the amount of funds disbursed (USD $2.82 million in 2012) and the number of loan beneficiaries (more than 1,500 families during 2012).
MASS CULTIVATION OF MUNG BEANS IN RURAL AREAS AND AREAS OF HIGH SALINITY

YUKIGUNI MAITAKE
NOMURA RESEARCH INSTITUTE, JAPAN

COUNTRY | REGION OF IMPLEMENTATION
Bangladesh

YEAR OF IMPLEMENTATION
2010

PARTNERS ENGAGED
Grameen Krishi Foundation

OBJECTIVES
- Yukiguni Maitake has implemented a BoP agricultural business for growing mung beans in cooperation with Grameen Group.
- Addressing both poverty and climate change issues in Bangladesh.
- This business contributes to increasing the income level of Bangladesh’s farmers (BoP) and improving the global supply chain for reducing procurement risk (by politics, demographic movement, food security, climate change).

DESCRIPTION
Yukiguni Maitake is a mid-size food company in Japan. Bean sprouts are one of their major products. The sprouts are made from mung beans. Before starting its own business, Yukiguni Maitake obtained 95% of its mung beans from China. Realizing the possible future limitations of importing mung beans from China, Yukiguni Maitake has embarked on a path to improve its global supply chain and maintain sustainable procurement of the mung beans to support sustainable local growth.

In order to solve this issue, Yukiguni Maitake has launched Grameen Yukiguni Maitake (GYM) in cooperation with Grameen Group in Bangladesh. GYM has implemented agricultural business for growing mung beans with microfinance for farmers and agricultural advice provided by Grameen Krishi Foundation (agriculture company). GYM buys mung beans at rates set above market price, and farmers can sell a portion of their own harvest locally. This system encourages the farmers’ sense of self-reliance and contributes to their economic and social wellbeing.

GYM has also tried to solve the adaptation issue of climate change. The fast expanding salt damage by climate change has decreased cultivatable land in Bangladesh. The average elevation of Bangladesh is low as 9 meters. According to the United Nations Intergovernmental Panel on Climate Change, approx. 17% of Bangladesh will be submerged under water, and crop production will fall approx. 30% compared with current levels by 2050. The land affected by salinity in Southern Bangladesh are 813,000 ha in 1973 and 1,056,000 ha in 2009; total salinity has increased 26.7% in roughly 35 years. Since 2012, with funding from the Japanese Ministry of Economy, Trade and Industry (METI), GYM has developed methods for harvesting crops in areas affected by increased salinity. In addition to traditional methods such as “plowing” and “fertilizing calcium sulfate”, which are proven for their effectiveness in salt removal, “rotational cropping”, which is the method of cultivation combining crops with differing nutrient absorption levels and reduced vulnerability to destructive insects, is being implemented; as a result, yield increase and quality improvement can be expected. This would contribute to the improvement of cropping ratio and harvesting amount in areas of high salinity.

LESSONS LEARNED
In developing countries, corporations are attempting to solve social issues such as poverty and climate change through parallel efforts.
Conclusions and Recommendations

Gym is the most noteworthy example of BoP business by Japanese corporations, with three main lessons learned: 1) Traditional SMEs have significant potential for BoP business; 2) The collaboration between traditional and advanced farming methods can improve agricultural productivity for small farmers in developing countries; and 3) BoP business in areas that are vulnerable to climate change should include adaptation solutions.

- 1. Traditional SMEs have significant potential for BoP business. A few of the key success factors for BoP business are visionary leadership with long-term perspective and a nimble management structure. Yukiguni Maitake, a midsize food company in Japan, is a symbolic example of these key qualities. The vision and leadership of Yukiguni Maitake management enabled the partnership between Yukiguni Maitake and Grameen Group. Recently, more SMEs are starting BoP business ventures in provincial areas of Japan because the Japanese government has adopted policies favorable to SMEs to start their businesses. This movement will lead to the creation of more innovative partnerships such as Gym.

- 2. The collaboration between a traditional and advanced solutions can improve an agricultural productivity for small farmers in developing countries. Innovations in agriculture require both a traditional and an advanced solution. Traditional solutions such as plowing and rotational cropping can improve agricultural productivity in developing countries. Advanced solutions such as information and communications technology (ICT) make possible the rapid spread of traditional solutions. Improvement of agricultural productivity in developing countries is an important factor for growth of developing countries and is also an important factor for food security in both developing and developed countries. Agriculture and food companies should adopt these strategies to implement similar actions for the creation of a sustainable world.

- 3. BoP business in areas that are vulnerable to climate change should include adaptation solutions. In the areas that are vulnerable to climate change, we should have a perspective for large shifts by climate change. BoP business is not resilient against climate change. Sustained growth is dependent upon adaptation. Resolving issues related to poverty and climate change, e.g., salt injury to farmland, and fusing those with BoP businesses and principles can lead to sustainable growth and development.

JAPAN

Nomura Research Institute http://www.nri.co.jp/english/index.html

Marunouchi Kitaiguchi Building, 1-6-5 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan

Contact: Tokutaro Hiramoto

t-hiramoto@nri.co.jp

Lab Profile:

Nomura Research Institute (NRI), the oldest and largest think-tank / consulting firm in Japan, has been promoting business investments from Japan to emerging countries. From 2005, NRI have started research project about BoP business. NRI has already supported several dozen Japanese companies for a development of BoP business. Besides, NRI has been working closely with Japanese government organization such as Ministry of Economy, Industry and Trade (METI)/JICA/JETRO. For supports of BoP business by Japanese companies, NRI also has a strong tie with Tokyo office of Asian Development Bank (ADB), African Development Bank(AfDB) and UN organizations such as UNDP/UNIDO/UNICEF.

Recently, Japanese companies are focusing on business development in African region strongly. Funded by METI, NRI formed “the Committee for African Business” with Japanese enterprises, academics and other public organizations such as JICA and JETRO. NRI also helped METI to organize a business conference “African Fair” in TICAD with Japanese companies who NRI supported. Presidents of African countries and Japanese Prime Minister Abe visited those companies NRI helped.

He also has supported governmental initiative for familiarizing BoP Business to Japanese government (ex:METI) since 2008. He has launched “Japan Inclusive Business Support http://www.BoP.go.jp/en/” with METI in 2010. He is a leader of operation project for this center in 2010-2011. (These projects were commissioned by METI). From 2012, he is a member of Steering Committee in this center. He is the author of the book “BoP business strategy” 2010,Toya Keizai Shimpousha) about BoP business for Japanese companies. He is also the author of the articles about the business case of BoP by Japanese company “Development Outreach” (Worldbank, 2008) and also has some extensive lecture presentation. Tokutaro Hiramoto received his MS in Environmental Design from Keio University, and his certification for successfully completing the Executive Development Program “Inclusive and Sustainable Business: Creating Markets with the Poor” from the World Bank Institute.

Leader Bio:

Tokutaro Hiramoto joined NRI in 2004 as consultant. And he also work for Meiji University as a special visiting professor and Miyagi University as a part-time professor. His specialties include business development in African region, BoP Business, developing management systems for CSR, PPP (Public Private Partnership). He provides various consulting services for companies from a wide range of industries and for Japanese governmental agencies. He has worked with several dozen Japanese companies such as Ajinomoto, Sumitomo Chemical and Panasonic for developing their BoP strategies.

He also has supported governmental initiative for familarizing BoP Business to Japanese government (ex:METI) since 2008. He has launched “Japan Inclusive Business Support http://www.BoP.go.jp/en/” with METI in 2010. He is a leader of operation project for this center in 2010-2011. (These projects were commissioned by METI). From 2012, he is a member of Steering Committee in this center. He is the author of the book “BoP business strategy” 2010,Toya Keizai Shimpousha) about BoP business for Japanese companies. He is also the author of the articles about the business case of BoP by Japanese company “Development Outreach” (Worldbank, 2008) and also has some extensive lecture presentation. Tokutaro Hiramoto received his MS in Environmental Design from Keio University, and his certification for successfully completing the Executive Development Program “Inclusive and Sustainable Business: Creating Markets with the Poor” from the World Bank Institute.
EMPLOYMENT GENERATION

Despite progress in some developing countries, generating employment is still one of the core priorities for poverty eradication. Massive unemployment and underemployment still characterize most low-income countries. Therefore, the need to promote the design of policies and programs for achieving employment-intensive growth is a crucial priority, especially in working with low-income communities at the Base of the Pyramid.

Brazil: Projeto Coletivo
Fundacion Getulio Vargas (Brazil)

Honduras: Grupo Vanguardia
INCAE (Costa Rica)

Tunisia: Generating youth inclusive employment in industrial areas
GlobalCAD (Spain)
PROJETO COLETIVO
FUNDAÇÃO GETULIO VARGAS, BRAZIL

Country | region of implementation
Brazil

Year of implementation
2009

Partners engaged
McDonalds, Cinemark, Coca-Cola

OBJECTIVES
- Offer education for young people in BoP neighbourhoods
- Offer a business plan for retail entrepreneurs in the Base of the Pyramid
- Improve sales of Coca-Cola in low-income neighborhoods
- Improve Coca-Cola’s relationship with communities and brand image

DESCRIPTION
In June 2009, Coca-Cola launched a shared value platform known as “Coletivo Coca-Cola”, which has a primary objective to provide and contribute to the improvement of life for those at the Base of the Pyramid, offering tools for income generation and capacity building. However, this is not only a Corporate Social Responsibility (CSR) initiative, rather it is part of Coca-Cola’s shared value strategy. Besides evaluating the social impact, the company analyzes and evaluates sales, brand equity and distribution efficiency in the regions where the platform is deployed. It is an innovative project because it shows how a large company can contribute to society and create mutual benefit from the positive impacts of the project.

The Coletivo model operates by providing retail training to young people (15-25 years old) in six locations in Brazil. During the course of training, the students develop a business plan for local retail, which also benefits local entrepreneurs. Upon completion of training, some of the youths are offered job opportunities with companies involved in the Coletivo, such as McDonalds, Cinemark, and Itau. Coletivo has made a positive impact on the local communities it serves, with more than 3,000 young people having participated and many having launched successful careers.

LESSONS LEARNED
- Importance of understanding the reality of the BoP communities and creating a transparent relationship with them
- Importance of building partnerships with NGOs

UPSCALE AND REPLICATION
- The strategy worked because it was not a top-down implementation of the project, rather, there was a learning experience with the community based on transparency and mutual value.
- The importance of tackling a structural problem; in this case, education.

RESULTS ACHIEVED
Coca-Cola has approximately 200 Coletivos in Brazil and has plans to launch this program in other countries, such as India. To date, Coletivo has had a positive impact on more than 60,000 people in 150 cities in Brazil through 7 different models related to Coca-Cola’s value chain.
Conclusions and Recommendations

The project has the objective to create a shared value: economic and social. Although difficult, it shows that these two objectives can be aligned in one initiative and that a MNC can improve its relationship with the community and learn from the community based on a different business model that can be replicable to different contexts. The results achieved by this project underscore the importance of Coca-Cola’s partnerships with NGOs and other corporations and that the company must continue to forge closer ties with the community in order to be successful.

Lab Profile: The Centre of Excellence in Retail FGV-EAESP (GVcev) studies and develops activities in the Base of the Pyramid market since 2004. In 2007, GVcev established a cooperative agreement with Cornell University, USA, and integrates a global network of universities and organizations studying and working with the Base of the Pyramid. This is the BoP Lab Network.

Owing to the importance of sustainability for activities at the Base of the Pyramid, in 2011, we integrated our programs of Base of the Pyramid and Sustainability creating the so-called program: Sustainability and Base of the Pyramid in Retailing. Our focus is to develop research, publications and academic activities in the areas of sustainability and Base of the Pyramid in distribution and retail, being a catalyst of practices of social responsibility and social inclusion.

Leader Bio: Edgard Barki is a Marketing Professor at FGV-EAESP. PhD and Master of Business Administration with emphasis in Marketing, FGV-EAESP. Coordinator of the Program: Sustainability and Base of the Pyramid of the Center for Retail Excellence at FGV-EAESP. Author of several articles in national and international journals. Co-organizer of the book “Retail for Low Income”. Coordinator of MBAs and specialized courses at FGV-EAESP. Business consultant in marketing and strategy.
OBJECTIVES

1. Identify the reasons why Grupo Vanguardia got involved in Corporate Social Responsibility.
2. Interpret the economic context of the country in the case. Identify possible opportunities or threats within this context.
3. Understand dynamics of the recycled plastics market in Honduras, identifying factors that lead to success in the industry.
4. Recognize the difference between Corporate Social Responsibility and Inclusive Business.
5. Evaluate the proposal made by Grupo Vanguardia about different Corporate Social Responsibility and Inclusive Business areas. Determine opportunities and areas for improvement.
6. Evaluate the impact that the initiative proposed by Grupo Vanguardia has on the market for recycled plastics in Honduras.

DESCRIPTION

In 2009, Grupo Vanguardia celebrated seventeen (17) years since its foundation in 1984. In 1992, the company changed its name to Plasticos Vanguardia. From its inception, the company’s vision followed that of its founder and leader, Eduardo Moya, an Ecuadorian who had moved to Honduras in 1965.

The plastics industry has been known for its high levels of contamination and low levels of reusing and recycling materials. Generally, only 47% of plastics are recovered for use. Plastics consumption has also increased. The determining factor for consumption was price, which was set on the international market, so there was great pressure for companies to reduce their costs. In Honduras, demand for plastics had grown in the last few years, and by 2009, forty-seven (47) companies were operating in the sector. At that time, most plastics products were imported.

LESSONS LEARNED

Grupo Vanguardia had evolved toward an inclusive business model integrating it into its value chain through collectors of recycled plastic materials. The initiative began as the company recognized the importance of these collectors, most of whom worked as part of the informal economy.

The Group looked for ways to create solid connections with the collectors in order to channel resources to promote their development. The objectives of the program were to expand the collectors’ productivity chain, maintain the number of collectors, and increase each collector’s business capacity by creating a vision to be socially responsible and promote entrepreneurship through the creation and training of new micro-businesspeople.
The problem that Grupo Vanguardia – and especially Plásticos Vanguardia – faces is how to scale up its pilot project. The larger question is whether they have a unique and sustainable model. How easy is it to copy? Is it possible to create and consolidate loyalties with new providers of recycled plastics?

Will the project yield a permanent or a temporary competitive advantage for Plásticos Vanguardia? For how long will they be the only ones with such a business model?

How easy or difficult is it to copy their business model, which is in the beginning phase (at the time of the case - 2009) of development?

The case tells how at the end of 2009 Vanguardia continued to improve its business practices. After a decade of operations, ECOPLAST had processed sixty-one (61) million pounds of recycled plastics. In 2012, Plásticos Vanguardia continued to experience steady growth having processed nearly 100 million pounds of recycled plastic and augmenting its base of collectors to 150 families.

The company faces a number of challenges going forward, including higher levels of criminality that are affecting the recollection of plastic, growing costs to get post-industrial recycled plastics materials, increasing cash demands, and a non-sophisticated local consumer. How can stakeholder perception and attitudes be changed in order to achieve sustainability?

Grupo Vanguardia is in the enviable position of being in a business that produces “positive externalities” as a result of its production. Thus, as it expands, it is likely to grow in both profitability and in the social and environmental benefits it generates. Although shared value possibilities seem now to prevail, trade-offs may loom in the future for Grupo Vanguardia, especially as external forces beyond the company’s control potentially move the sustainability frontier inward. Increasing competition from large waste management firms, growing demand of suppliers for non-separated waste pick up, and slowdowns in the economy, could require the company to squeeze its suppliers, compromising its social impact as it seeks to maintain profitability.
PARTNERSHIP FOR INCLUSIVE EMPLOYMENT IN TUNISIAN INDUSTRIAL AREAS

CAD. CENTER OF PARTNERSHIPS FOR DEVELOPMENT GLOBALCAD. SPAIN

Country/region of implementation
Tunisia – Jbel El Ouest Industrial Area

Year of implementation
2012-2013

Partners engaged
CAD - GIZ

Case prepared by:
Philippe Jochaud

OBJECTIVES

• Creating new services that generate employment in industrial areas, especially for young people of low-income communities of peri-urban areas.

• Engage unemployed communities in the formal economy through income-generating activities around services to companies working in industrial areas.

DESCRIPTION

In a context of democratic transition and reorganization of the national economy, industrial areas appear to be vital for Tunisia due to their great potential for economic growth and regional development. At the present time, Tunisia has more than 150 industrial zones and the government plans to build more than one hundred new industrial areas in the short term. However, most industrial areas remain non-operational and suffer from a lack of access to basic services; for example, restaurants for employees or catering for companies, transportation services, security, technical platforms, etc. This situation hinders their capacity to attract investments and prevents them from achieving their full development potential. At the same time, local communities from the BoP neighborhoods face very high unemployment rates, especially in the South and West of the country, and the dialog between industrial areas and communities is very limited.

In December 2012, CAD was commissioned by GIZ (German Cooperation Agency) to design and implement a new inclusive growth methodology aimed at creating new services in industrial areas that respond to the unsatisfied demand of services, while at the same time creating new jobs for local unemployed communities. In order to achieve these results, a three-step approach has been developed. The first phase consisted of identifying the potential for services creation of one selected industrial area, from both a demand (services required from companies and their employees) and supply (potential of local micro, small and medium-sized enterprises (MSMEs) and communities) perspective. Once the potential had been defined, the second phase consisted of identifying potential entrepreneurs or local MSMEs that could respond to demand for the services needed. Since the project is to be replicated nationwide, this identification process had to be performed by existing structures. Therefore, the focus is on creating a partnership among all the stakeholders of the industrial area (structure in charge of managing the industrial area, companies, local employment structures, communities) that would allow this identification. Once the services needed were communicated widely, a series of workshops and encounters was conducted leading to the identification of a group of interested entrepreneurs. The selection was finalized during a workshop called “Make it Happen” that brought together the identified entrepreneurs, stakeholders, funding structures, etc., for a selection of the final candidates. The third phase (still in process as of October 2013) consisted in providing a tailored support to each of the projects through coaching, technical support, access to funding institutions, etc. To date, the project is expected to create about twenty (20) jobs in a one-year process, demonstrating the great potential of jobs creation in the industrial areas.

LESSONS LEARNED

• Industrial areas, especially those in developing countries, are often cut from their direct neighborhood and direct environment with a rather exclusive development mode. There is a noticeable lack of communication and dialog, which often leads to tensions among the companies from the industrial area, the local authorities and
communities. This combination of factors a strong opportunity cost for the society at large. Fostering an increased dialog and partnership among all of the stakeholders has a tremendous potential for creating inclusive development, and more specifically for the poorest.

- While most attention is often placed on fostering entrepreneurship and new entrepreneurs, there are a number of local companies at risk during their first three years of existence, which, with a limited and targeted support, can consolidate their activities and have a significant impact in terms of job creation for the local community. This is particularly true in areas where the entrepreneurial spirit is low.

- Top executives of local companies from the industrial areas and other existing local entrepreneurs have a strong potential for identifying entrepreneurs through their network.

- The success of such an approach is tightly linked to the “buy in” of the local stakeholders. It is critical to identify “champions” who will get involved in the process such as the director of the managing structure of the industrial area, top executives of local companies, local authorities and local employment administrators.

- In the case of Tunisia, there is no real problem of funding for entrepreneurs (banks actually have difficulty to reach their budget) but rather a problem of quality of projects submitted where more support is needed.

UPSCALE AND REPLICATION

- Consider and identify the critical number (fifty, in the case of Tunisia) of industrial zone for launching such an initiative and local community.

- From the outset, ensure strong “buy in” from local stakeholders and total support and appropriation from industrial area manager (private or public), local employment structure or incubators that can become the champions of the project. To achieve optimal results, it is recommended to organize from an early stage (finishing the first phase) a cross-sector partnership presenting the project and its win-win proposition for both companies and local communities.

- The upscaling of such an initiative should involve the participation of the relevant government ministries (i.e., Industry, Employment) that will directly benefit from it. Ideally, they could provide some human and technical capacities for the first (identification of the potential), second (brokering the partnership) or third phase (coaching, building capacities, training, etc.).

RESULTS ACHIEVED

- Creation of an estimated twenty (20) jobs in one year and consolidation of five (5) micro-enterprises;

- New dynamic of dialog between the members of the industrial zone and their partners;

- National will to replicate the methodology nationwide (to be operationalized by the end of 2013).

CONCLUSIONS AND RECOMMENDATIONS

- Industrial Areas in developing/transitory countries have a strong unleashed potential for inclusive job creation through fostering links and partnerships between the area and its neighborhood communities.

- It is important to focus on both consolidating local nascent micro- and small ventures, which have the strongest job creation potential, and promoting new ventures.

- External relations should be considered from an early stage so as to manage perceptions and expectations. It is recommended at this level to involve both related ministries (Employment and Industry) and the structure in charge of industrial areas (e.g., the national association of industrial areas or equivalent).

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Lab Profile: GlobalCAD is an action platform where professionals from different disciplines work to enhance human development and promote the transition towards sustainable development. Through a strategic advisory center for development, a social documentary producer, a center that promotes inclusive business and a foundation that promotes culture and entrepreneurship, experts associated to GlobalCAD generate knowledge to help solve major global challenges.

GlobalCAD consists of a committed group of experts from different disciplines working towards a common goal: to generate transformative knowledge that empowers communities and to achieve a higher development for all. Aware that the main global challenges related to development, including the eradication of poverty, access to education and health, gender equity or the achievement of a sustainable relationship with the ecosystem cannot be solved unilaterally, GlobalCAD promotes interdisciplinary solutions through strategic partnerships for development.

Leader Bio:
Fernando Casado Cañeque is the founder and director of CAD bringing together 20 years’ experience working with international organizations in the development field. He is a Ph.D. economist and journalist specialized in projects related to economic and sustainable development. He has worked as strategic advisor to a variety of international organizations (such as UNDP, UNIDO, UNIDOS, UNEP, OECD, IADB and the World Bank) and has been the General Coordinator of UNDP’s Millennium Development Goals initiative. He has also worked as a Senior Consultant in the Department of Sustainable Development and Social Responsibility at PricewaterhouseCoopers (PwC) in New York. He is specialized in managing projects promoting the achievement of development goals and cross-sectoral partnerships improving aid efficiency. He is author of several books on CSR and development (such as We Are Not Ants; CSR at the mirror; Public-Private partnerships for Development; Public-Private Concentration for Development in Latin America; or The role of CSR of Spanish Companies in Latin America, among others), as well as of a range of articles on development economics, globalization and sustainability. In addition, he is also director of several social documentaries on development issues and social injustices. He holds a Ph.D. from the Central University of Barcelona in Economic and Social Sciences; a Master’s from the School of International and Public Affairs (SIPA) of Columbia University specialized in Economic Development and Journalism; and a postgraduate degree in Environmental Management from the University of Barcelona’s Institute for Public Economics. Fernando is a certified Master Trainer of the IFC-SME Toolkit of the World Bank, professionally accredited partnership broker (Partnership Brokers Accreditation Scheme) and certified professionally accredited partnership broker (Partnership Brokers Accreditation Scheme). He is also the Associate Director of the BoP Global Network.
Distribution is the process of making products available to consumers. Distribution of products takes place by means of channels. Channels are sets of interdependent organizations (called intermediaries) involved in making the product available for consumption. Distribution channels for the BoP represent bigger challenges, as most of the rural markets are inaccessible both from an infrastructure perspective as well as to knowledge about what is available and how to use it.

South Africa: Sekulula Spaza Express Reciprocité (South Africa)

The Philippines: Hapinoy Botika Asian Social Enterprise Incubator Inc (The Philippines)

Ghana: Addressing the Challenges of Distribution to the Base of the Pyramid Inclusive Business Sweden (Sweden)

Mozambique: Mobility solutions for farmers Danish BOP Learning Lab (Denmark)
OBJECTIVES
Throughout the emerging world, unbalanced diet is inherent to low-income communities. Peri-urban South Africa is no exception. Malnutrition statistics are alarming and are getting worse. With the price of food consistently increasing, the purchase choice will most probably grow towards highly calorific products (fat and sugar), consistently increasing disease and poor health prognoses.

Although informal traders (i.e., sellers working outside of the state licensing and regulation framework), are recognized as key to improving access to more adapted products and services at the BoP, very little knowledge on their behavior and needs, as well as their target market, filters up to corporations serving or willing to serve the low-income market.

Through the development of a simple delivery system, linking formal to informal economy, Reciprocity proposes to:- channel practical knowledge on the needs and expectations of informal traders, as well as the population purchasing from them.- test techniques and technologies helping informal in the development of their business, fostering good business practices and proposing hygiene solutions- develop a profitable micro-franchise distribution and retail social business improving access to good food, health and nutrition to the BoP.

DESCRIPTION
Sekulula Spaza Express was initiated by Reciprocity as a pilot study for a client.
It is a delivery service specifically adapted to the peri-urban South African environment.
It seeks to address current inefficiencies in the distribution chain from wholesalers to informal small retailers in poor and very poor communities. (These retailers are known locally as ‘spaza shops’.) Sekulula was designed to address a proven demand from informal retailers for more efficient ways of managing deliveries and stock.

The Sekulula entrepreneur is typically a motivated township entrepreneur trained with business management skills, equipped with a licensed and insured vehicle and a tool kit comprised of maps and order forms. The entrepreneur takes orders from a number of identified spaza shop clients, shops for the requested goods on their behalf at the most affordable and convenient wholesaler and subsequently delivers the goods to the spaza shops.

The pilot (Phase 1) showed that a Sekulula entrepreneur theoretically required a database of 100 spaza customers, 10 deliveries per day paid R40 each, in order to withdraw a salary of R3,000 and still make a monthly profit.

LESSONS LEARNED
The pilot offered the project team to find solutions (independently or through partnerships) to a number of BoP challenges. Two main challenges remain:

- Logistics
- Cash management
In its basic form, the project requires that a Sekulula entrepreneur making deliveries to 10 spaza shops per day, at R40 per delivery, operating 25 days per month, would be breaking even by taking home a salary of R3,000, having covered all job-related expenses (incl. vehicle amortization and depreciation, insurance, gasoline, maintenance, telephone, advertising, etc.).

The pilot taught us that this target is reachable with a customer base of minimum 100 spaza per entrepreneur, and operates with the realistic assumption that each spaza would be supplied by their assigned entrepreneur once to twice per week. During the pilot, the two entrepreneurs managed to reach 6 deliveries per day. The main challenges were: (1) the logistics and time required for taking orders, (2) the cash management. A dedicated team must allocate resources to explore and improve these two areas.

The Sekulula Spaza Express will become a profitable micro-franchiser allowing the entrepreneur to reach the target of 10 deliveries per day and offering marketing opportunities to the various stakeholders involved: Fast-Moving Consumer Goods (FMCGs) companies, retailers/wholesalers, financial services, etc.
HAPINOY BOTIKA
ASIAN SOCIAL ENTERPRISE INCUBATOR, INC
THE PHILIPPINES

Country | region of implementation
The Philippines

Year of implementation
2009

OBJECTIVES
To expand, through collaboration between Unilab and Hapinoy, their collective ability to offer over-the-counter medicines to end consumers in BoP communities and thereby establish a touch point with customers at the BoP.
To establish a sustainable shared distribution model with a social enterprise focus.

DESCRIPTION
Unilab is the Philippines’ largest and leading pharmaceutical and healthcare company. In order to strengthen its position in the market, Unilab has been looking for ways to gain penetration into the BoP through a program known as “touch point”. This initiative enables the company to establish an entrée to the biggest consumer groups in the market.

Hapinoy supports a network of small neighborhood stores which are locally referred to as “sari-sari” stores (sari-sari is the Filipino word for “many or various kinds”). Selling Fast-Moving Consumer Goods (FMCGs) in retail, these stores are generally located within or as an extension of the storeowner’s home. With about 700,000 stores in the country, sari-sari stores make up 30 to 40% of total retail sales in the Philippines. These stores are typically owned and managed by mothers or “nanays.” Hapinoy is managed by Microventures, Inc., an internationally recognized social enterprise.

Unilab and Hapinoy established the Hapinoy Botika Project wherein the Hapinoy stores are able to sell over-the-counter (OTC) medicines. The preparation for this project took almost a year due to regulatory measures implemented for pharmaceutical products and a carefully designed co-creation process for the development of the business model. Unilab and Hapinoy conduct training sessions empowering the nanays to sell OTC medicines and provide in-store marketing material. This partnership helped Unilab gain a controlled reach in the BoP market and helped Hapinoy achieve one of its goals of bringing affordable medicines to the BoP consumers and of helping the stores expand their product portfolio.

LESSONS LEARNED
This case study shows that distribution of medicine to the BoP can be moved from an informal system to a formal structure benefitting the customers and the partner organizations.
In the design of the initial project the emphasis on co-generation was successfully implemented with the involved nanays, which led to an expedited and successful pilot. Training of the nanays proved to be a key component of the project’s success as it increased the confidence of the store owners to actively sell and provide information to the community thereby leading to increased sales.
Working in a highly regulated environment such as healthcare requires considerable time and resource commitment.

UPSCALE AND REPICATION
• The initial pilot was pre-designed with scaling up in mind, i.e., all activities had to pass the filter of large-scale applicability in terms of effectiveness and cost efficiency.
• The commitment of both organizations to scale up the project following on a successful pilot; continuation of the project’s budget allocation was assured beforehand.
RESULTS ACHIEVED

- Unilab’s quality products being distributed to the BoP through Hapinoy’s established networks resulted in a system which benefits both organizations and the customer. The partnership itself showed the feasibility of a shared channel partnership being undertaken by a Multinational Corporation (MNC) and a dedicated BoP-engaging social enterprise.
- For the BoP, the partnership resulted in improved accessibility and affordability of quality medicine.
- For the sari-sari stores, it means an improved access to OTC medicine resulting in increased sales.
- After the pilot, Hapinoy Botika was scaled up to 4,000 stores providing OTC medicine to a wide population at the BoP in a controlled and formal distribution network.

CONCLUSIONS AND RECOMMENDATIONS

The commitment of both organizations’ management was instrumental in achieving a successful shared channel partnership.

The partnership also highlighted the importance of engaging the BoP for multinational corporations such as Unilab. The company is aware of the importance and potential of the BoP and establishing a controlled reach in one of the country’s largest retail markets. According to Unilab, 18-20% of OTC medicine end-users are on the sari-sari store level.

For Hapinoy, the partnership with Unilab helped them achieve one of their missions – to distribute affordable and quality OTC medicines. Since the medicines are not distributed through the conventional system and come straight from Unilab, Hapinoy is able to keep its prices at a fair level, thus benefiting those at the BoP.
THE BUMPY ROAD TO THE BOP: ADDRESSING THE CHALLENGES OF DISTRIBUTION TO THE BASE OF THE PYRAMID
INCLUSIVE BUSINESS SWEDEN.

OBJECTIVES
Detailed research into distribution models to the BoP sought to answer the following question: How can the challenges of distributing products and services to “Base of the Pyramid” customers be addressed? The purpose of this work was twofold:
• Create the foundation for a better BoP distribution model which contributes to poverty alleviation and sustainable development
• Provide business with better access to this untapped market

DESCRIPTION
After first performing secondary research into distribution models of different BoP initiatives globally, the research focused on distribution models for five different BoP case studies with field research in Ghana:

• Lighting Africa (lighting solutions)
• Unilever / Sonturk (Fast-Moving Consumer Goods - FMCGs)
• Toyota Energy (cookstoves and lighting)
• HealthKeepersNetwork (health products)
• Barclays / Ghana Co-operative Susu Collectors Association (financial services)

The 4A’s framework (availability, affordability, awareness, acceptability) was used to identify eighteen common challenges for BoP distribution. Both the international and local case studies were used to identify common trends, principles, and learnings in order to provide a foundation for improving distribution models to the BoP.

LESSONS LEARNED
Eighteen (18) key distribution challenges were identified as outlined below, with the top four challenges identified as:
• Poor transportation infrastructure
• Geographical disbursement
• Achieving scale
• Improving purchasing power

Detailed options or alternatives for addressing each of these challenges were also identified.

Country | region of implementation
International / Ghana

Year of implementation
2011

Partners engaged
Lighting Africa, Unilever / Sonturk
ToyotaEnergy, HealthKeepersNetwork
Barclays / Ghana Co-operative Susu Collectors Association

Photo: © Arne Hoel / World Bank
**Strategy.** On that basis, the following BoP distribution Framework is proposed:

**Table: BoP Distribution Framework**

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Availability</th>
<th>Affordability</th>
<th>Awareness &amp; Acceptability</th>
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<tbody>
<tr>
<td>Poor Transportation Infrastructure</td>
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<td>Deficient Comm., Electricity and Water Networks</td>
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<tr>
<td>Geographical Disbursement</td>
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<tr>
<td>Lack of Established Distribution Networks</td>
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<td>Achieving Scale</td>
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<td>Sales Force Management</td>
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<td>Establishing and Managing Distribution Partnerships</td>
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<td>Network Complexity and Control</td>
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<tr>
<td>Improving Product Affordability</td>
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<tr>
<td>Improving Purchasing Power</td>
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<tr>
<td>Barriers for MSes</td>
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<td>Creating Awareness</td>
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<td>Creating a Market</td>
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<td>Communication Barriers and Literacy</td>
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<td>Building Trust with Communities</td>
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<td>Adapting for Cultural Diversity / Barriers</td>
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<td>Localization of Delivery</td>
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<td>Managing Adoption Processes</td>
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</table>

**Results Achieved**

The research in itself did not lead to any measurable results, but provides the basis for the establishment of more effective and scalable distribution networks.

**Conclusions and Recommendations**

While it is acknowledged that each BoP distribution strategy needs to be tailored to the individual context, the research suggests that certain principles can be applied and certain questions should be asked when establishing or improving a BoP distribution strategy. On that basis, the following BoP Distribution Framework is proposed:

**Management Challenges**

- Distributor dealer networks / Proprietary distribution / Institutional partnerships / Franchise model / Other

- Never fly solo - find good partners and / or build and own different types of distribution systems
- Combine bottom-up and top-down activities to achieve scale
- Leave the last mile to the BoP themselves
- Enable a highly efficient sales network
- Create businesses not just distribution partners

- What are the major obstacles to scale?
- How should we scale - scale up, scale wide or scale deep?
- What sales network or ecosystem is most effective?
- How much of the last mile can we own as entrepreneur?
- How should we adapt our strategy to the local environment?

- Build financial into distribution
- Access to finance is more important than reducing the price of the product
- Increase awareness and drive expansion
- Remove financial and other barriers for MSes
- Simply and streamline to reduce cost

- How will our customers be able to afford our products?
- What are our financial limitations?
- How can our organization finance and support our distributors and customers?
- How should or could we work with MSes?

- Create awareness and acceptance simultaneously
- Don’t tell them, show them - products should be demonstrated and / or test driven
- Local below-the-line campaign more effective than top-down/ mainstream media
- Remove financial and other barriers for MSes
- Engage advocates from within local communities

- How can our target customers experience the product first hand?
- What local, cost-effective channels can we use to promote our product?
- How can we make customers advocates, and then engage them in sales efforts?

**Upscale and Replication**

Distribution in itself is considered a major obstacle in scaling BoP initiatives past the pilot stage. In effect, while there are plenty of great innovations, products and services developed for the BoP, addressing the 4As’ of distribution often represents the greatest challenge to achieving scale.

While there is no “silver bullet” for establishing an effective BoP distribution system, organizations need to consider which distribution model is most appropriate, establish effective strategies for availability, affordability, awareness and acceptability, and support the activities with appropriate partnerships, financing and resources. While many BoP ventures wish to achieve scale, they need to understand whether it is beneficial to scale up, scale deep or scale wide. Organizations also need to set up healthy ecosystems for entrepreneurs and establish strong alliances for distribution. While bottom-up and top-down tactics can be employed across the 4As, bottom-up approaches are often more cost-effective and better integrated within the local communities. However, this must be balanced against the need to achieve scale. Bottom-up approaches are unlikely to automatically and organically grow past the pilot stage, but may if appropriately supported and nurtured.

**Risks and Opportunities**

- SWOT Analysis
- Growth and Sustainability
- Management and Operations
- Financial and Legal

**What do we need to be successful?**

- Distribution partners / Financing / Resources / Time

**Results Achieved**

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**Upstream and Replication**

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**Conclusions and Recommendations**

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**Upscale and Replication**

Distribution in itself is considered a major obstacle in scaling BoP initiatives past the pilot stage. In effect, while there are plenty of great innovations, products and services developed for the BoP, addressing the 4As’ of distribution often represents the greatest challenge to achieving scale.

While there is no “silver bullet” for establishing an effective BoP distribution system, organizations need to consider which distribution model is most appropriate, establish effective strategies for availability, affordability, awareness and acceptability, and support the activities with appropriate partnerships, financing and resources. While many BoP ventures wish to achieve scale, they need to understand whether it is more beneficial to scale up, scale deep or scale wide. Organizations also need to set up healthy ecosystems for entrepreneurs and establish strong alliances for distribution. While bottom-up and top-down tactics can be employed across the 4As, bottom-up approaches are often more cost-effective and better integrated within the local communities. However, this must be balanced against the need to achieve scale. Bottom-up approaches are unlikely to automatically and organically grow past the pilot stage, but may if appropriately supported and nurtured.

**Results Achieved**

The research in itself did not lead to any measurable results, but provides the basis for the establishment of more effective and scalable distribution networks.

**Conclusions and Recommendations**

While it is acknowledged that each BoP distribution strategy needs to be tailored to the individual context, the research suggests that certain principles can be applied and certain questions should be asked when establishing or improving a BoP distribution strategy. On that basis, the following BoP Distribution Framework is proposed:
## Mobility Solutions for Farmers

### Danish BOP Learning Lab, Denmark

<table>
<thead>
<tr>
<th>Country</th>
<th>region of implementation</th>
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<tbody>
<tr>
<td>Mozambique</td>
<td>Southern and Eastern Africa</td>
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<table>
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<th>Year of implementation</th>
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<tbody>
<tr>
<td>2012</td>
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<table>
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<tr>
<th>Partners engaged</th>
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<tr>
<td>Baisikeli, BoP Learning Lab Denmark, Young Africa Mozambique</td>
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</table>

### Objectives
- Provide customized and affordable transportation to smallholders
- Integrate service model ensuring bicycles owners can access maintenance
- Assist in educating bicycle mechanics to ensure proper repair of bicycles

### Description
Baisikeli, a Danish company with a strong socio-economic profile, is developing a bicycle sales and repair business in Mozambique in parallel to their Danish bicycle manufacturing activities. Both rural and urban customers are targeted in Mozambique. Baisikeli will in the long term produce bicycles in Africa, however, in the first phase, used bicycles will be repaired and sold locally. In addition, Baisikeli develops customized bicycles for different purposes: for example, designed to meet the needs of farmers. Bikes can also be customized to transport different types of crops. Several studies have shown that access to improved methods of transport - in this case bicycles - has a significant impact on farmers’ livelihoods. Bicycles, in particular, are a cost-effective transportation method for the farmers since they are affordable and relatively easy to repair. With access to the bicycles, smallholders are linked with markets and buyers to whom they were previously denied access.

Distribution: Baisikeli has formed a partnership with a local vocational school – Young Africa Mozambique – and is in the process of developing an educational program wherein young people from Mozambique receive training to become bicycle mechanics. In addition to vocational training, the students receive instruction on business management. Completing the education will enable the students to open their own business or seek employment with a repair company. Educating bike mechanics and future bicycle sales entrepreneurs is a part of Baisikeli’s distribution strategy. Baisikeli also cooperates with different types of rural organizations, which can help distribute bicycles and, in some cases, collaborate on financing schemes.

### Lessons Learned
- Baisikeli has gone through a long trial-and-error process in terms of defining customer focus, geographical focus and distribution partners and strategy (central vs. hub). Baisikeli has chosen a ‘learn as you go’ approach and tested sales and distribution ideas directly on the market. This strategy has had advantages and disadvantages.
- In rural areas, different types of partnerships can supplement traditional distribution schemes.
- Distribution and payment schemes often need to be linked in rural areas.

### Considerations to Upscale and Replicate the Initiative
Unforeseen issues often impact cash flow. A certain amount of patient capital needs to be in place to tackle these issues.

Photo: Simone D. McCourtie/World Bank
RESULTS ACHIEVED

- Economic: Development of a viable business model.
- Social: Access to affordable transportation and customized transportation for smallholders.
- Environmental: Distribution of environmentally friendly means of transportation.

CONCLUSIONS AND RECOMMENDATIONS

- Keep tweaking the business model and put products on the market to gain customer feedback.
- Basiskeli has taken a holistic approach and is very focused on creating an enabling environment for their business, for example integrating education of bicycle mechanics and involving stakeholders who can help influence the framework conditions for success (for example, considerations related to infrastructure). This is not a short-term effort – but will help them succeed and scale in the long term.

DENMARK
Danish BOP Learning Lab
http://www.BoPLearningLab.dk
Di H.C.Andersens Boulevard 18 DK-1787 Copenhagen
Contact: Sara Ballan - SABA@DI.DK

Lab Profile: The Danish BOP Learning Lab is hosted by the Confederation of Danish Industry (DI). DI is Denmark’s largest business organization representing more than 11,000 companies. The lab has existed since 2007 and is managed by the international consulting unit DI International Business Development (DIBD), which has offices in seven countries and experience from more than 600 projects in emerging markets and developing countries (see below). In addition DIBD is involved in many capacity building projects with business organizations in developing countries. The lab has until 2011 received support from the Danish development agency allowing it to reach broadly out to Danish companies and dedicate significant resources to tool development and communication/network activities. From 2012, the lab will primarily be funded by company projects, which will lead to more focus on business development projects and less on network activities. The Learning Lab focuses on three areas: Knowledge sharing; Knowledge generation and consultancy.

Leader Bio:
Sara Ballan is part of the Sustainable Enterprise team that assists companies in targeting the markets at the Base of the Pyramid (BoP). The team is also engaged in CSR projects related to anti-corruption and social and environmental compliance in developing countries. Prior to joining DIBD Sara was head of the secretariat for the National Network of Business Leaders – a CSR network that functions as an advisory council for the Minister of Employment and helps companies create an inclusive labour market. Sara has also worked with CSR strategies at a practical level as a long-term consultant for a large multinational company. As a student Sara worked at the international think tank, the Copenhagen Centre for Corporate Responsibility. Sara has supplemented her degree in political science with studies at Copenhagen Business School, Stern School of Business (NYU), and Tsinghua University (Beijing). This combination has given her an in-depth understanding of business drivers on the one hand and the political, economic, and social dynamics driving development on the other hand. As an intern at the Danish Embassy in New Delhi, Sara experienced the CSR challenges Danish companies meet when operating in developing countries, and deepened her understanding of the vast Indian BoP-market.
Access to ‘basic needs’ means that the population can obtain water, food, shelter and health services in adequate quantity and quality to ensure survival and satisfy their right to “life with dignity.” In order to achieve these conditions, it is essential to build the physical infrastructure for the provision of services over the long term in a way that sustains livelihoods and increases development and community empowerment in a sustainable and inclusive way.

Ethiopia, Kenya: SolarKiosk GmbH
Endeva (Germany)

Bangladesh: Tsinghua Solar School of Economics and Management, Tsinghua University (China)

India: WorldHaus
Emergent Institute

Kenya: Insurance for Jua Kali, UAP Kenya
GIIBS Base of Pyramid Hub (South Africa)

DeLab. Italy
FTP Social Housing
Brazil without Favelas
Fez Ta Pronto
OBJECTIVES
Provide access to clean energy for people living far away from the grid in Sub-Saharan Africa.

DESCRIPTION
SolarKiosk started from a vision: to provide clean energy, aesthetically pleasing design, and high-quality services to people living in rural areas, far away from the energy grid. As the project was driven by a team of architects, together with a partner with deep networks in Ethiopia, the first step was to draw up a rough business plan and design the prototype.

SolarKiosk was part of Endeva’s peer-learning workshop around solar kiosks in 2011 and exchanged experiences with other German players involved in the business, including Siemens and HERI.

The first solar kiosk was set up near Lake Langano in Ethiopia in July 2012. From the beginning, it was clear that the design-based model of SolarKiosk could only work at scale. Therefore, SolarKiosk calculated its business case based on an expansion to several countries in Africa. Endeva supported the market research through a screening of all markets in Sub-Saharan Africa, prioritizing about ten countries and developing in-depth profiles including expert interviews. This deep background information helped SolarKiosk to specify their replication plans.

In 2013, SolarKiosk began start-up operations in Kenya. To date, seven solar kiosks have been mounted in Ethiopia and five in Kenya.

SolarKiosk is a modular solar energy hub, featuring roof-mounted photovoltaic panels and battery storage system that can be easily transported to remote areas and assembled in just a few days. Because of its modular nature, multiple units can be connected together to form larger structures that could be powerful enough to create a local grid, or be configured for a specific application, such as powering telecommunications towers. The parts of the structure are lightweight and are ‘flat-packed’, so they do not need truck or container transport to deliver them to the site. The electrical components of the system are delivered from off-site, but the bulk of the building materials are designed to come from locally abundant resources, such as stone or bamboo or adobe. Once the SolarKiosk is operating, it can serve to not only provide charging services and energy goods, but can also be the central gathering place after dark in a community, providing light and power long after the sun goes down.

LESSONS LEARNED
• Keeping costs low is still critical for developing profitable business at the BoP. Design-driven businesses run the risk of ending up with a difficult cost structure. SolarKiosk managed this challenge by systematically working to reduce costs. The design ensures that critical components are high quality, while building materials can be sourced locally. It is thus optimally configured for scale-up.
• Finding reliable entrepreneurs for a franchise model is critical, but not easy. Designing an incentive system that will reward business success, but can also create revenues for the parent company, is challenging when working in remote areas.
• Modular design is important to enable expansion of the kiosk and upgrading of services. Once energy is available, people may want to move to more complex products and grid-based energy. The SolarKiosk allows that.

**UPSCALE AND REPLICAION**

• The initiative is already in a scale-up and replication mode.
• Need to consider where to produce the parts and how to continuously produce the modular structure for the SolarKiosk.

**RESULTS ACHIEVED**

• Seven kiosks in Ethiopia and five in Kenya
• Thousands of people have access to clean energy, which is used mainly to charge batteries, lamps and cell phones.
• Significant cost savings for consumers.
• Income opportunity for franchise takers.
• Unhealthy fumes from kerosene are avoided.

**CONCLUSIONS AND RECOMMENDATIONS**

• SolarKiosk began with a very high-profile launch, including star architects and a lot of press. This high-profile deployment helped to win prizes and support, both financially and via networks.
• SolarKiosk Founder and CEO, Andreas Spieß, has longstanding personal ties with Ethiopia, which was critical to setting up the pilot there.
• HERI and SolarKiosk as two solarkiosk business models could learn from each other. The same investor is involved in both companies and so information flows to innovate faster.

Lab Profile: Endeva’s mission is to inspire and enable enterprise solutions for development. As an independent institute, we work closely with partners from all sectors, including development agencies, foundations, universities, and companies both large and small. Together with our partners, we build, share and apply knowledge about how to develop and implement inclusive business models.

Endeva was founded in September 2010 as a successor to the “Emergie Institute”, which targeted inclusive business development. Building on this experience, Endeva draws upon a carefully cultivated global network of experts when carrying out projects with partners from the public, private and non-profit sectors. The results of these efforts have been incorporated into our diverse set of activities, which include the BoP Learning Lab in Germany and publications such as the “Inclusive Business Guide”, “Creating Value for All — Strategies for Doing Business with the Poor” (published by the UNDP), or “Towards Triple Impact — Toolbox for Analyzing Sustainable Ventures in Developing Countries” (published by the UNEP).

Areas of expertise include the insurance, energy and pharmaceutical sectors, the role of donors and emerging market multinationals for inclusive business, and the role of environmental sustainability, poverty alleviation and business innovation, e.g. with regards to climate change.

**Leader Bio:**

Christina Gradl is an expert on inclusive business. She is a founder and director of Endeva, an independent research and consulting institute working towards enterprise solutions for development. She is also a strategic advisor to the UNDP Growing Inclusive Markets Initiative and a Research Fellow at the CSR Initiative of the Harvard Kennedy School. Christina co-authored numerous publications on inclusive business. With UNDP, she developed “Creating Value for All – Strategies for Doing Business with the Poor” and “The MDGs – Everyone’s Business”. She also co-authored Endeva’s “Inclusive Business Guide”, the practitioners’ guide “Energize the BoP: Energy Business Model Generator for Low-income Markets” and Bertelsmann Stiftung’s “Partners in Development – How Donors Can Better Engage the Private Sector for Development in LDCs”. Currently, Christina completes a PhD in economics. She holds an MSc in Philosophy of Public Policy from London School of Economics and a Master’s degree in International Business and Regional Studies from the University of Passau, Germany. She was the Kofi-Annan-Fellow on Global Governance 2006/07 and an associate with McKinsey & Company.

Aline Krämer is an expert on inclusive business. As co-founder and managing director of Endeva, she has developed and directed research and consulting projects on the topic. Aline co-authored several studies on inclusive business models - all aiming at understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty. Her field experience lies in understanding how to make these models work for both companies and the target group: people living in poverty.
**OBJECTIVES**

In order to expand their business, Tsinghua Solar switched their target market from cities to rural areas. With the combination of clean technology and the BoP market, the company seeks to increase its market share, as well as revenue, in the solar water heater market.

**DESCRIPTION**

In 1984, Professor Yin Zhiqiang of Tsinghua University invented the core coating technology, which made the solar vacuum tube feasible for production. Based on this invention, Tsinghua Solar was founded in 1989. Company leaders didn’t initially appreciate the market potential of the solar industry and they invested the loan from the bank in trade. The failure in the trade business caused Tsinghua Solar executives to reflect on their strategy and, consequently, they decided to refocus on solar products. In 1999, Tsinghua Solar started to produce its own branded solar water heater. It initially positioned its product in high-end markets (cities), competing with electricity-driven and gas-driven thermal heating systems. The main value proposition at that time was bathing cheaply, rather than environmental sensitivity. The product was accepted by many users because it was cheap in summer (free hot water), however, its adoption was limited in cities for two main reasons: 1) the unstable solar water heater; and 2) lack of adequate space for solar system placement.

There was a demand in rural areas for convenient bathing and improved quality of life. Seeing that most farmers could not afford expensive solar water heaters with many functions, many companies reduced the available features of these products, and only kept the low-cost water heating function. Such products sold well in rural markets because it satisfied the farmers’ demand. The rural market demand for inexpensive solar water heaters grew very fast and is considered as the major driving force for the quick growth of the solar industry. During our interview with one manager of Tsinghua Solar, he said, “The solar water heater market demand accelerated in 2005, thanks to the sudden growth in rural markets. At first, we were a technology-driven company, and didn’t care about the rural market. But all of a sudden, thousands of companies emerged, selling their products to low-end users and getting good return from the market. Some of them started to focus on high-end users,” creating competitive pressure on Tsinghua Solar. “At the same time, [these companies] still grow very fast in rural areas ([serving] the low-end users). We had to re-think our strategy, and entered the rural market in 2008.”

In order to serve the rural market, Tsinghua Solar has innovated their business model by employing these key methodologies: 1) they proposed a new value proposition of the solar product for the BoP – low cost and improving living conditions; 2) embedded marketing. As solar water heater is competing with non-consumption, the company needs to educate rural consumers about the product, its use, its benefits and so on. Second, the company built distribution in an embedded way. They utilized local channels such as kiosks, construction material shops, and so on. They also set up their own shops to sell the product. Thirdly, the company used informal channel to publish product information. They drove a float to villages and they organized performances during a county festival; and 3) they innovated the product to satisfy consumer needs. In accordance with varying region-specific conditions, Tsinghua Solar adjusted and modified its product in order to serve local consumers properly.
RESULTS ACHIEVED

In order to serve the BoP market, companies must innovate their products as well as their business model. Since they changed their target market to serve rural areas, Tsinghua Solar has seen an ever-increasing market share. Their revenue has increased 30% since implementing the rural area program in 2008.

CHINA

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Contact: Professor TONG Yunhuan - tongyh@sem.tsinghua.edu.cn

Lab Profile: For over twenty years Tsinghua University School of Economics and Management has been growing fast along with the reform, opening-up and development of the Chinese economy. Today we continue to strive for building a world-class school of economics and management. The School benefits from the synergy of bringing two academic disciplines of economics and management into one institution. The School is committed to the excellence of both research and teaching for the purpose of advancing knowledge and educating leaders. The School cherishes ideas and theories, and at the same time values practical solutions and actions. The School combines China roots with global reach, and works to contribute to the development of China’s economy and society as well as to make an impact in the world. Its mission is to advance knowledge and cultivate leaders for China and the world.

Leader Bio:
Tong Yunhuan has a Master in Management Engineering and Bachelor in Mechanical Engineering. His past experience include International Faculty Fellow, Sloan School of Management, MIT; Professor, School of Economics & Management, Tsinghua University; Associate Professor, School of Economics & Management, Tsinghua University; Visiting Scholar, Waterloo University, Canada and Instructor, School of Economics & Management, Tsinghua University. His areas of Research Interests are Theory and Methods of Evaluation and Assessment, Management of Technology Innovation, Project Management, Sustainable Development. He taught Business Research Methodology, Decision-making of Project Investment and Financing.
ADDRESSING THE GLOBAL LOW COST HOUSING CRISIS
WORLDHAUS
EMERGENT INSTITUTE (INDIA)

Country | region of implementation
India

Year of implementation
2012

OBJECTIVES
Tackle India’s housing crisis by designing and delivering one million homes priced 20-30% lower than homes built with existing construction methodologies and including amenities within the reach of India’s lower and middle-income groups, using sustainable processes and technology.

DESCRIPTION
This initiative addresses the fact that, according to the United Nations Human Settlements Program, more than 1.5 billion people in the developing world live in poor quality housing without access to basic infrastructure, including clean water, sanitation and electricity. In India alone, more than 500 million people—nearly half the population—need better housing.

The result: the “$1,500 House,” a 200-square foot solution to one of the world’s largest social problems, delivered in ten days for US $1,500. The first WorldHaus house prototype was completed in Chennai, India in 2012 using local building materials and labor.

“This is an innovative solution for the rural poor who often already have land but don’t have the know-how or the technology to build a house,” said Diwakar Chintala of Gensler San Francisco

With rapidly expanding population growth putting increasing strain on domestic natural resources, providing safe, reliable housing to millions of citizens is an intensifying challenge to governments around the world. At the same time, advances in technology and communication mean low-cost, culturally appropriate solutions can be delivered more effectively across borders today than ever before. WorldHaus aims to address the global housing crisis by developing a sustainable, affordable way to protect people in developing nations from the elements and give them a permanent home they can be proud of. In January 2012, the WorldHaus concept became a reality with the completion of their first prototype home.

After months of planning and securing the prototype location in the outskirts of Chennai, India, WorldHaus was ready to build in late summer of 2011. Mother Nature had different plans and we were forced to postpone construction for two months due to two fierce monsoons that led to severe flooding. Although recovery and cleanup were long and tedious, the storm only accentuated the need for solid, disaster-resistant housing in India.

When construction finally started, the WorldHaus team of four local laborers built the prototype quickly, using WorldHaus’ proprietary building system to create a house that stands apart from traditional rural structures in three ways:

- **Strength** - Strong, weather resistant, reinforced walls that provide increased protection from natural disasters and a roof that can support multi-story construction.
- **Speed** - A building system that allows completion in ten (10) days, rather than months.
- **Comfort** - A light, insulated roofing system that protects families from the heat and a large covered exterior porch.

SmartBlock™ by WorldHaus is a specially designed block system that is dry stacked, then automatically mortared through a network of channels throughout the wall structure, reducing wall construction time by up to 50%.
WorldHaus utilizes the world-famous Covintec® construction system of cast in-situ pre-fabricated panels - RapidPanels™ that allows construction teams to install and cast load-bearing roof and floor slabs in a fraction of the time of traditional systems.

LESSONS LEARNED

Challenges:
- Preference for over-engineered buildings, which can lead to unaffordable houses.
- Lack of trained labor force and variance of raw material prices.
- Communities have limited access to credit. Partnerships with housing finance companies are also increasing access to families that previously could never dream of a mortgage and an affordable high-quality home.
- On-site customization by the client without considering structural aspects.

Learnings
- The team is developing a “catalog of ideas” for post-occupancy improvements that will be provided to owners. The catalog will enable homeowners to customize the houses to suit individual needs, such as storage, and also provide inspiration to personalize the aesthetics of the house.
- To avoid some of the pitfalls that often accompany affordable housing, the WorldHaus concept is focused on designing communities clustered around open spaces.
- WorldHaus is also preparing a construction manual to illustrate the construction process for construction workers and training them in the field.

UPSCALE AND REPLICATION

This model is applicable not only in India, but also in Africa, Southeast Asia and other parts of the world. WorldHaus hopes to build 5,000 houses by the end of next year, and a million by 2020.

WorldHaus provides complete end-to-end support to clients from concept design to project completion. Their services include:
- Architectural Design from Gensler, The World’s Largest Architectural Firm
- Structural Engineering and Drafting, including Electrical and Plumbing
- End-to-End Construction Services from Foundation to the Final Finishing Touches
- Sale of Construction Systems (SmartBlocks™ and RapidPanels™) with Installation, Training and Support Services
- Turnkey/Greenfield Projects
- Joint Project Development

Turnaround Time: WorldHaus’ ability to build multi-story standalone houses in less than thirty (30) days allows its partners the opportunity to sell units faster, reducing borrowing costs and increasing ROI on their developments.

RESULTS ACHIEVED

Affordability and lower environmental footprint: Up to 50% reduction in labor costs and 35% savings in concrete and steel make slabs and walls built with RapidPanels™ up to 40% cheaper than traditional systems. By keeping building weight to a minimum, RapidPanels™ also allow foundations to be built more economically.

- Energy conservation - Comfort: Insulation within the RapidPanels™ provides internal temperature reductions of up to 8°C compared to typical construction, reducing energy use in cooling and helps increase comfort.
- Aesthetics: Most importantly, homes build with RapidPanels™ look and feel better than RCC construction, giving families the pride of owning a beautiful Indian home that they can have for life.

CONCLUSIONS AND RECOMMENDATIONS

Technical resources are critical to building community, and empowering LIG’s / MIG’s with housing needs. Rapid construction technologies with less dependency on local raw materials and local labor is going to be the future of construction. Government should use its resources to build the capacity of these technical companies and residents’ groups to own or run their own projects. Partnerships with financial organizations to fund the BoP would enable better living conditions for these people.

INDIA
Emergent Institute
http://www.emergentinstitute.net
Opp. to Art of Living Udayapura, Kanakpura Road, Bangalore- 560082
Contact: Chiropriya Dasgupta (Priya)
E-mail: priya.dasgupta@theiise.net

Lab Profile: The Emergent Institute was created in 2011 with a vision to create nothing less than a new model of business education and entrepreneurial training fit for the challenges in the 21st century.

This reflects their belief that the transformation to sustainability is the biggest business challenge and opportunity in the history of capitalism.

Emergent Institute has developed an innovation ecosystem to focus on the next generation knowledge, skill, and capability – crucial to success in incubating clean technologies in underserved communities at the base of the pyramid.

Leader Bio: Chiropriya Dasgupta (Priya) is the Director of Strategic Initiatives at Emergent Institute. She has over seven years of experience in technology, management consulting and business development for the corporate sector and for social enterprises working with the rural and urban poor. Priya’s expertise at the BoP includes fund management and advisory services for microfinance in Africa, enterprise creation for the informal waste sector in the Philippines, Brazil and Peru, design and implementation of a pilot Ultra Poor Initiative with the largest tribal group in India, design and implementation of a Ranking System for Indigenous Groups in the Latin America and Caribbean region among others.
OBJECTIVES
Exploring an initiative that provides a model for introducing financial services to marginalized rural smallholder farmers. Understanding the elements of innovation and successful business model development for low-income developing markets.

DESCRIPTION
UAP, Kenya’s third largest insurance company, has made a substantial impact on the food security and livelihoods of 75,000 smallholder farmers by offering a tailor-made and innovative crop insurance product.

UAP’s established market in upper- and middle-income segments is saturated and highly competitive. The firm pursues interests in the low-income smallholder farmer insurance market, insuring crops against drought and flooding, as this is an unexplored and underserviced economic segment with huge opportunity for top-line growth. Competitor firms have not been bold enough to foray into this segment making UAP a first mover.

A simplified front end enabled by technology in the distribution and claims process with a complex back end, which the farmers do not have to engage with, are key innovations in this case.

This wholly owned Kenyan company is genuinely invested in the welfare of these farmers and has innovated an ecosystem around their farmer clients where improving yield and protecting the farmers against erratic weather patterns is all part and parcel of delivering their service.

LESSONS LEARNED

- Theme 1-Economics
Understanding the linkages among food security, support of rural incomes and economic development and structural transformation.

- Theme 2-Collaborative Business Models
There are a number of key players collaborating in the success of this venture: Insurance firm UAP protects against economic shock (drought/flood). Mobile network provider Safaricom M-Pesa supplies virtual payment channels and a platform for farming data. Seed/fertilizer companies improve farming efficiencies and tangible product with subsidised insurance cost built in. Mobile operators push information to inform on farming methodology. A stakeholder representing the Agrovet network takes on the role of aggregating output and accessing fair market prices on behalf of the farming units. Syngenta Foundation provides support in the form of subsidy and farmer relationship building. The meteorological society provides weather pattern data. Collaborative innovation approach among multiple firms and NGO’s and government-farmers are supported on multiple fronts by multiple firms and institutions, thus reducing the risk and cost per stakeholder of doing business in this environment.
Theme 3: Innovation
Promote disruptive and sustaining innovation, in order to structure frameworks for the developing and managing of local networks and management of diverse partnerships.

UPSCALE AND REPlication
It is being scaled-up from a pilot of 200 in 2008 farmers to 78,000 in 2013. Scaling to include livestock and health.

RESULTS ACHIEVED
Food security-improved yield by using certified farm inputs such as the seed DUMA 43 and fertilizer.
Surplus for smallholder farmers. Financial literacy and introduction to formal economy. Protection from economic shock for farmers.
New markets for UAP yields top-line growth.

CONCLUSIONS AND RECOMMENDATIONS
To date, UAP’s profits on Kilimo Salama have been modest with the project barely breaking even in 2011. The company however has shown the patience required and dedicated the resources necessary to scale and embed their service in low income communities.

UAP have been able to leverage off the Kilimo Salama brand, knowledge and trust to launch other bundled agricultural insurance such as dairy. Offering affordable health insurance in rural markets is the next phase in their rural development plan, where farmers exposed to financial services through Kilimo Salama will be more open to adopting more sophisticated services.

With their newly developed expertise in understanding the low-income consumer and the realization of the potential of this market, UAP have partnered with Uchumi, one of East Africa’s leading supermarket chains, to offer pay as you go, off the shelf insurance. This gives low-income consumers access to affordable and simple insurance from supermarket shopping shelves and their mobile phones.

This firm displays true ambidexterity and learning capability by servicing its mainstream higher income consumers whilst at the same time exploring new low-income markets. It has been able to leverage ideas and expertise from a single product/service to grow a portfolio of services targeted at responsibly serving consumers marginalized from accessing traditional financial services.
DELAB. ITALY
FTP SOCIAL HOUSING
BRAZIL WITHOUT FAVELAS
FEZ TA PRONTO

COUNTRY | REGION OF IMPLEMENTATION
Macaé, Brazil

YEAR OF IMPLEMENTATION
2008-2010

OBJECTIVES

To understand how to promote innovative business solutions engaging BoP communities in the absence of an institutional supporting environment.

DESCRIPTION

The business proposition was investigated collecting data via different sources: primary and secondary data. The latter encompassed press releases and official reports. Primary data was gathered through six semi-structured interviews with Fez Ta Pronto staff working for the firm at different levels. The number of interviewees covered all the personnel involved in the definition and/or implementation of the firm’s BoP strategy, hence, all the most knowledgeable actors were targeted.

Based on the answers related to Social impacts, it has emerged that the firm targeted an unmet need: the Brazilian housing deficit. This is a relevant problem since the poorest are the most affected. Moreover, local institutions have not developed effective solutions; for example, housing loans are not affordable for poor people. Within this context, the business solution is in line with the BoP approach: it is profitable, as well as environmentally and socially sustainable. Additionally, Fez Ta Pronto enhanced social transformation since its houses keep low-income people within urban areas preventing their marginalization.

Interestingly, even if Fez Ta Pronto is the only firm implementing a BoP approach in their geographical area, they managed to create relationships with local stakeholders. Such relationships were mainly: informative, spreading the knowledge about the firms’ activities among development actors; technical, training local technicians and developmental, hiring local unskilled workforce. These formal and informal partnerships supported the goal of establishing a BoP ecosystem. Moreover, it is possible to argue that such relationships may address structural criticalities of low-income markets and, more precisely, bureaucratic obstacles can be mitigated by building a coalition with local stakeholders and other BoP firms calling for faster administrative procedures. Low-quality copycats can be avoided by informing local communities. Finally, financial constraints can be overcome by collaborating with other developmental actors with access to special funds.

From the responses related to the Environmental impacts, it has emerged that the firm had to cope with the environmental concerns of their business sector, particularly waste generation. In view of that, the firm developed an innovative approach to address such a problem – namely, a zero-waste housing system. Fez Ta Pronto customized their greener business solutions to meet BoP environmental sustainability requirements: indeed, blocks are made out of gypsum, a cheap and abundant material in Brazil. Other environmental gains stemmed from the provision of additional technological innovations (water recycling devices, rainwater collectors and solar panels). Consequently, the firm managed to include a strong environmental sensitivity within its business strategy.

LESSONS LEARNED

The case study contributed to reinforcing the awareness about the feasibility of spreading green technologies in low-income markets, even among customers unaccustomed to them. Such a qualitative study has additionally confirmed that Inclusive Busi-
nesses lead to the creation of partnerships with BoP stakeholders, even where institutions are not proactively contributing to such a goal. As apparent from the interviews, the embeddedness of BoP firms in the low-income context resulted in BOP ecosystems able to boost development improvements.

UPSCALE AND REPLIATION

HORIZONTAL REPLICATION VS. VERTICAL REPLICATION

Fez Ta Pronto’s staff considered it theoretically possible to replicate their business model in non-BoP markets. However, all of them recognized that this option would require additional costs, for example to buy building land. Mr. Souza and Mr. Selvanayagam added that Fez Ta Pronto would rather expand in other developing areas, such as Africa or Asia, since their demand for social housing is massively increasing. Consequently, none of the interviewees considered moving the business to advanced markets and they indicated a preference for meeting the housing deficit of other low-income countries.

Moreover, the firm recognized BoP segments, given their extent and market potential, as the best for deploying its activities. In addition, Fez Ta Pronto showed a positive attitude about the future diffusion of green technologies in low-income countries, provided that prices remain affordable.

RESULTS ACHIEVED

SOCIAL OUTCOMES:

- Creation of an alternative housing model for those living in global slums and slumty towns, increasing the quality of living conditions;
- Employment of unskilled workforce, due to the simple and highly productive building procedures;
- Engagement of young people and women, in line with the aspiration for sustainable development of the global base of the pyramid housing sector;
- Preference for vertical construction strategies which do not neglect poor people to the remote periphery, allowing for their inclusion within central metropolitan regions.

ENVIRONMENTAL OUTCOMES

- Gypsum block production requires approximately 200°C of heat, significantly less than most commonly used materials for residential construction;
- Zero waste;
- Gypsum plaster production CO₂ emissions are 80% less when compared to standard construction materials;
- Rain and underground water capture – leading to cisterns that enable each housing unit, via 2 independent hydraulic networks, to have access to between 12 and 14 thousand litres of water in addition to mains supply (enabling cost savings of up to 50%);
- Solar energy, specifically used to heat bathroom water, is installed in every unit.

ECONOMIC OUTCOMES

- Counter-cyclical (value-based) market pricing – values are tailored according to the purchasing power of low-income populations and remain so, regardless of economic conditions;
- Cost savings across all stages realized by cost optimization of the construction process: aggregated costs are at least 30% lower than the most commonly used indices in Brazil (including SIAPI, the Basic Unit Cost or CUB and the National Institute of Construction Costs or INCC measure);

CONCLUSIONS AND RECOMMENDATIONS

Overall, Fez Ta Pronto’s case prioritized social and environmental outcomes, resulting in developmental improvements. Furthermore, the creation of a network with local stakeholders and/or other BOP firms helped the company overcoming structural criticalities of BoP markets, as well as enriching its business approach.

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Lab Profile: De-LAB is a group of professionals whose different technical skills are required to develop applied research projects, consultancies and initiatives in the field of Inclusive Business and Social Innovation. The team works for universities, firms, private or public institutions. De-LAB’s services are in between the academic investigations and innovative projects to be implemented in a profitable and sustainable way: we aim at representing a synthesis between the innovativeness of the research and its practical implementation.

Since March 2013 De-LAB has developed a training course on Inclusive Business with a specific focus on Africa. The initiative, sponsored by a platform of non-profit and institutional partners, will be part of a Summer School awarding the best African student with the financial support to launch his/her business idea. Additionally, De-LAB collaborated with the High School of Environmental Studies of the Catholic University of Milan developing a training session devoted to Inclusive Business Project Development. Thirdly, De-LAB is exchanging ideas and building its own network together with NGOs, Foundations and private companies in order to raise the awareness about Inclusive Business Initiatives.

Leader Bio: Lucia Dal Negro got her Bachelor of Art in International Relations, major in International Development and Cooperation at the Catholic University of Milan on September 2006. Her dissertation focused on the recovery of the Srebrenica’s community after the genocide of 1995. She got the Master’s degree in 2009, with a dissertation investigating the Nestlé-Nespresso’s sustainable coffee farming project in Costa Rica. From 2009 to 2010 she attended an additional specializing year at the High School for Environmental Studies of the Catholic University, during which she spent three months at the UNEP/Wuppertal Institute collaborating Centre on Sustainable Production and Consumption. At the end of 2010 she got a scholarship to attend a three-year PhD within the Political Science doctoral School of the Catholic University of Milan. In 2011 she moved to London where she got a MSc in “Environment and Development” at the London School of Economics. After that, she spent three months as a visiting student at ENDEVA (Berlin), the German BoP Lab. Once back in Italy she decided to launch the Italian focal-point for BoP/Inclusive Business issues and in March 2012 she founded De-LAB, together with two colleagues living in Italy. Since March 2013 De-LAB is also active in India and Germany. At De-LAB Lucia follows the Inclusive Business projects, whereas her colleagues work in the Social Innovation’s area.
THE BoP GLOBAL NETWORK

The BoP Global Network is a learning community made up of academics, entrepreneurs, and executives who are interested in creating and disseminating knowledge about the theory and practice of business at the Base of the Pyramid. The BoP Global Network seeks to identify, document, disseminate, and scale business innovations that create value for enterprises, while simultaneously addressing the challenges of poverty, inequity, and environmental degradation.

To bridge this gap between the theoretical and applied worlds, the BoP Learning Lab helped catalyze the development of an applied research agenda. Using multidisciplinary approaches, BoP Learning Lab researchers now experiment with new frameworks and processes for companies to use when engaging BoP communities, creating new markets, incubating disruptive, clean technologies, innovating new business models, and assessing social and environmental impacts. As interest in this field grows, there is an increasing need for leadership, collaborative experimentation, and rigorous research. These needs can be addressed through participation in the BoP Global Network.

Initially, the emphasis of the BoP Learning Labs was to challenge assumptions by educating business leaders on the opportunity offered by enabling low-income markets to flourish through enterprise creation. Since its inception, a diverse group of people inspired by champions and innovators around the world have joined together in increasing numbers to form the foundation of this community. Today, there are eighteen (18) BoP Learning Labs or Innovation Centers in the Americas, Africa, Asia and Europe (see global map of BoP Lab locations) that comprise the BoP Global Network.