Business Fights Poverty

DESIGN**EXPO** 2014

Report of the 2014 Online Design Expo – Aug. 2014

Background

Business Fights Poverty is passionate about harnessing business for social impact. By connecting the network of business, government, and civil society stakeholders Business Fights Poverty supports those developing profitable innovations with social impact to succeed at scale.

iDE UK partnered with Business Fights Poverty and the UK's Department for International Development to host the Design Expo 2014. Creatively, the conference was hosted throughout three Google Hangouts. The majority of the report is built from examples provided by Expo participants.

Key Points

- A sound business model is just as critical as consumer-based design to reach the BoP profitably.

- Marketing plays a key role in last mile distribution: "The critical piece of the puzzle is how to achieve scale: how to get the products into the hands of the people at the base of the pyramid" – Lexis Temple CEO iDE UK

- To tackle the last mile challenge we will also need to focus on building livelihoods and increasing the capacity of intermediary distributors.

- Information, Communication Technology (ICT) innovations are increasingly at the heart of models that work.

Bridging the gap from consumer-based design to business design

Zero-Based Design (pg. 5), from Paul Polak and Mal Warwick's *The Business Solution to Poverty*, was the center rallying point for the expo. iDE's water filter experience in Cambodia and practice of iterative consumer participation to create an aspirational product was highlighted as a great approach example for consumer-based design.

Many participates felt the challenge isn't in designing products but rather scalable businesses. Erik Simanis of Cornell University stressed analyzing the business unit in isolation to understand the radius of consumers it can realistically serve. This practice enables scale and replicability to be built into the business model from the start. Mal Warwick supports heavily investing time and finances into hiring and training locally to become successful venture.

1. "Figure out what that business unit is an build the financial model around it."

2. "Once you have a population base, see what might be a realistic penetration rate for your timeframe."

3. "You build the cost structure around that, which is made up of essentially three things – operating cost, depreciation and interest."

4. Once you have the cost of the business unit you can add on the cost of the corporate structure, which will oversee the functions and expenses of all business units."

Last Mile Distribution: Marketing

A discussion between Julie Watson of DFID and Simon Berry of Cola Life engaged key factors in getting products to where they need to be and in the hands of consumers there. Watson emphasized purchasing power, distribution, public sector regulation, and behavior change. Berry countered Watson with a belief that no, only one factor truly matters: demand. Demand is built through community-based marketing. "The demand in the community PULLED the product into the community shops because community shopkeepers could make a profit meeting that demand. We have a tweet-sized hypothesis on this which goes like this: <u>You can get any commodity/service to anywhere in the world by creating and sustaining a demand for it and making it profitable to fulfill that demand"</u>.

There are three main distribution methods successful last-mile distributors use, according to Nicolas Chevrollier, BoP Innovation Center;

- *"Leveraging existing networks"* – such as operating through an existing retail chain.
- *"Creating hybrid partnerships"* – as in the case of ColaLife, as well as many projects that partner with MFIs
- *"Tapping locally"* – through community-based or local value chain solutions.

"Once you have a product that will produce a clear benefit 'you must make the benefits as tangible as possible', says Lucie Klarsfeld, Hystra, through free trials, for example. Conversely, mass marketing is generally ineffective. Building channels of trust through brand recognition or skilled staff and individuals within the community is essential. When it comes to distribution methods, using an existing retail channel is easier when there is already a know brand and established product, but when introducing a new product a community approach might be better. An often-overlooked solution is to use cross-sector partnerships: piggy-backing on other sector's channels.

iDE 30 YEARS

Building Livelihoods

"When we talk about the last mile challenge we are not just talking about the end user but also the intermediaries that distribute it." – Jack Sim, World Toilet Organization.

- *Micro-Franchises* – They offer quality control and economies of scale. Alexa Roscoe of CARE International nudged us to "think McDonald's but with greater social impact."
- *Resilience-based programming* – Supporting resilient livelihoods, like helping subsistence farmers move away from rain-fed farming to irrigation pumps, is at the core of opportunity generating projects.
- *Programming for Gender* – Very few Expo models were disruptive in gender, i.e. focused on upsetting operational norms such as business and landownership rights for women.
- *Micro-insurance* – Currently underutilized but contains huge potential to move out of extremely debilitating circumstances. Djantoli, a smartphone app for healthcare workers, was featured for incorporating a micro-insurance model providing service to children for under $2/month. As a result doctor consultations and early treatment have increased.
- *Sourcing from the BoP* - iDE Bangladesh's SaTo Pan was highlighted for building local manufacturing industries. Small-scale producers were enabled with quality control methods and an innovative product while RFL gained a network of independent retailers.

Technological Innovations

The innovative use of technologies helps increase efficiencies, particularly in extension services and human resource management, provide real-time information, two-way communication and can collect valuable data. Technology can directly correlate to self-sufficiency. Esoko is an organization grounded in the belief that African agriculture can be transformed through ICT rapid information sharing. Frontline SMS can connect computers to mobile phones with a basic signal anywhere in the world for real time sales data, health advice, gathering consumer feedback, purchase orders, monitoring and evaluation… the list goes on. The hiccup? Technology deployment in rural areas has a slow uptake and requires new educational pushes.

Great quotes from iDE international staff can be found throughout the report. Find the entire report here.

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