

How to viably market and distribute beneficial products to the BoP

Designing a winning value proposition and financial offer

The Webinar will start shortly

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Webinar page: bit.ly/BOPMarketing

Hystra Marketing and Last mile distribution page: <http://hystra.com/m4bop-1/>

Ecofiltro page: <http://www.ecofiltro.org>

Join the discussion on Twitter [#marketing4BoP](https://twitter.com/marketing4BoP)



Welcome to our conversation

How to viably market and distribute beneficial products to the BoP

Designing a winning value proposition and financial offer

Lucie Klarsfeld McGrath, Senior Project Manager, Hystra

Philip Wilson, CEO, Ecofiltro

Caroline Ashley, Editor, The Practitioner Hub for Inclusive Business

Type your questions in 'Chat' at anytime

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QUESTION 0: Which of these statements is true?

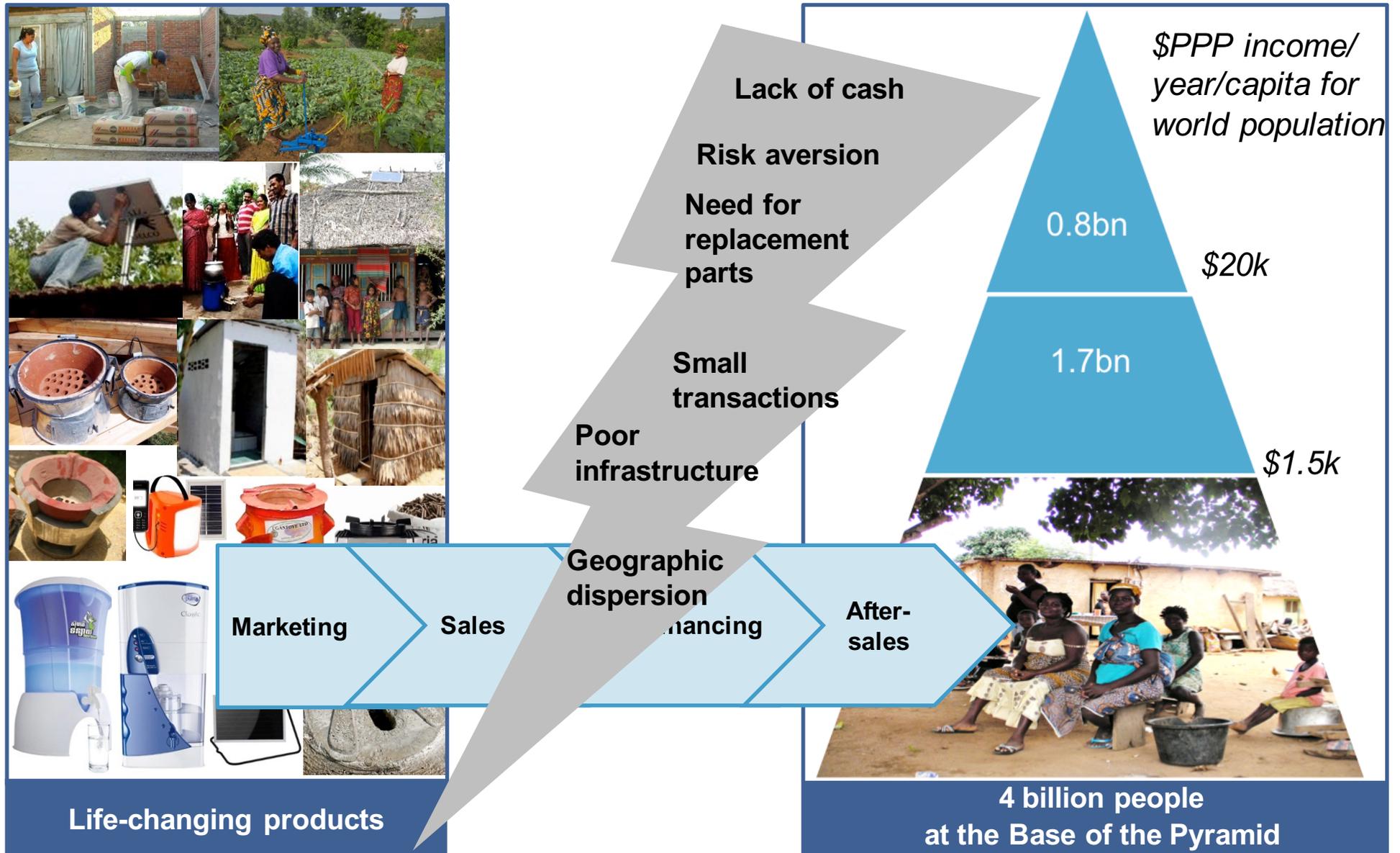
Solving most of the world poor's basic needs (e.g., access to safe water, energy, sanitation, housing etc....):

1. Will require much more technology and product innovation
2. Could largely be achieved by improving existing products' road-to-market, as life-changing goods exist but do not reach their intended beneficiaries

Life-changing products exist...



...but struggle to reach families at the BoP



In 2012-13, to learn how to overcome these barriers we analyzed 15 pioneer organizations



Studies on marketing nutrition for the BoP and improving small farmers' productivity have complemented these insights...

Marketing Nutrition for the BoP

- 7 case studies worldwide



Smallholder Farmers and Businesses

- 15 case studies worldwide



... along with interactive workshops on marketing and last mile-distribution conducted with over 40 companies



Database

Company indicators

| Company | Indicator 1 | Indicator 2 | Indicator 3 | Indicator 4 | Indicator 5 | Indicator 6 | Indicator 7 | Indicator 8 | Indicator 9 | Indicator 10 |
|-----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Company A | 100 | 200 | 300 | 400 | 500 | 600 | 700 | 800 | 900 | 1000 |
| Company B | 150 | 250 | 350 | 450 | 550 | 650 | 750 | 850 | 950 | 1050 |
| Company C | 200 | 300 | 400 | 500 | 600 | 700 | 800 | 900 | 1000 | 1100 |
| Company D | 250 | 350 | 450 | 550 | 650 | 750 | 850 | 950 | 1050 | 1150 |
| Company E | 300 | 400 | 500 | 600 | 700 | 800 | 900 | 1000 | 1100 | 1200 |

Best practices

The collage includes images of: a man in a white shirt and a woman in a blue shirt; a man in a white shirt and a woman in a blue shirt; a man in a white shirt and a woman in a blue shirt; a man in a white shirt and a woman in a blue shirt; a man in a white shirt and a woman in a blue shirt; a man in a white shirt and a woman in a blue shirt; a man in a white shirt and a woman in a blue shirt; a man in a white shirt and a woman in a blue shirt; a man in a white shirt and a woman in a blue shirt; a man in a white shirt and a woman in a blue shirt.

QUESTION 1: Which of these statements is true?

One of the reasons why the poor are poor, is that:

1. The BoP are surrounded by lucrative investment opportunities that they somehow fail to make
2. The BoP have far fewer lucrative investment opportunities than richer people or people in developed markets

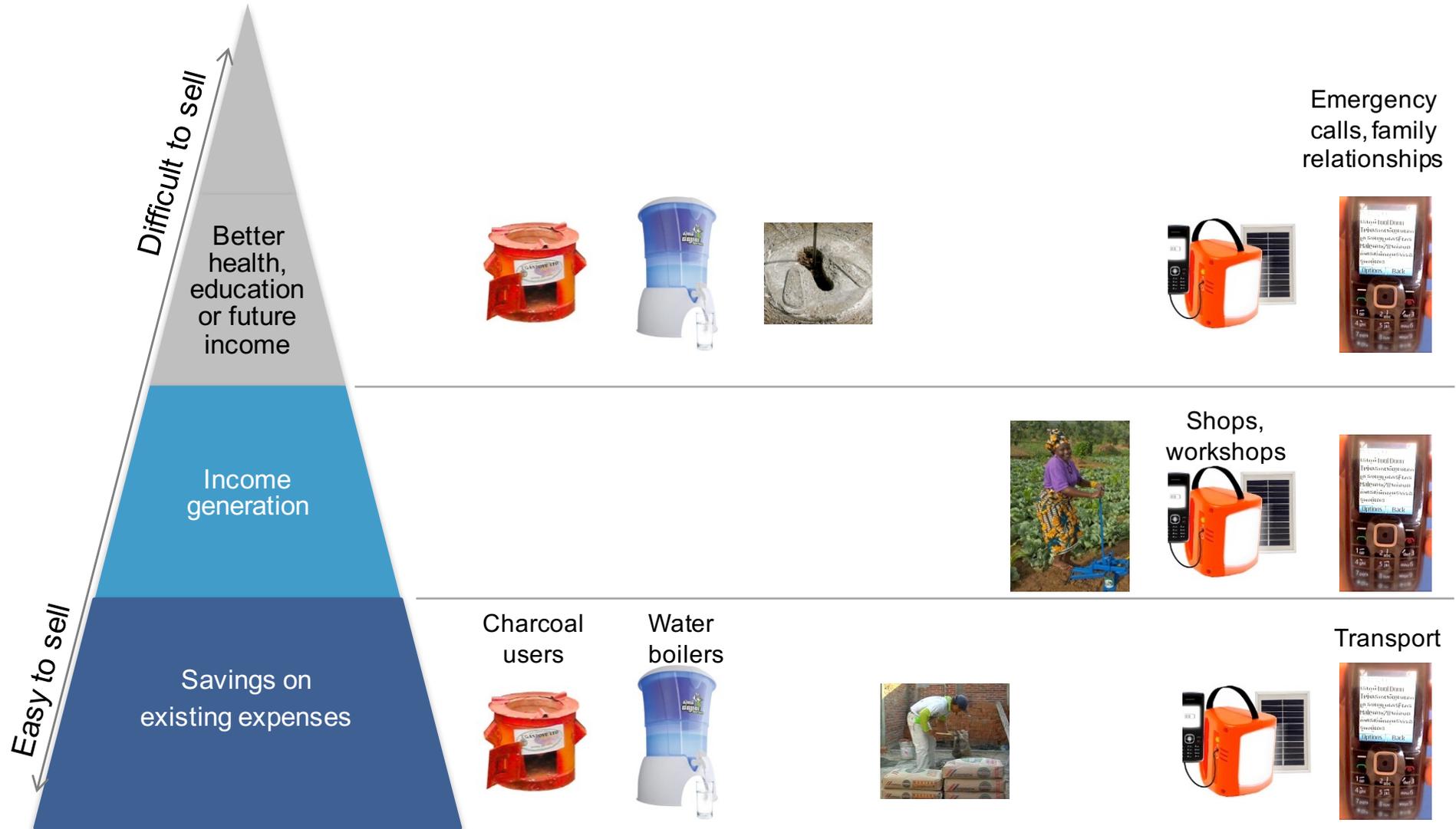
#1 It's about economics!

Investing in innovative products offers very attractive economic returns to BOP families

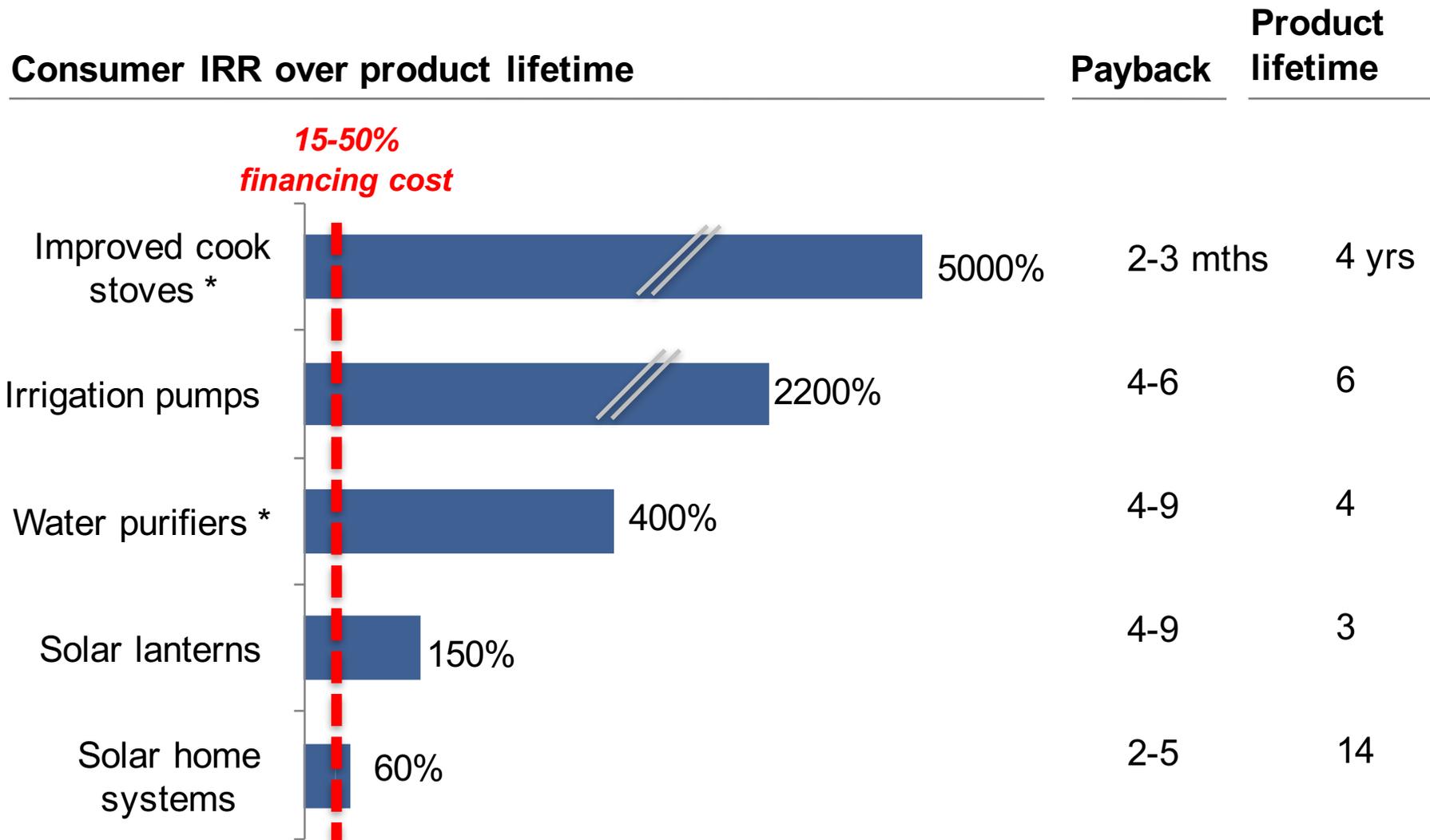


Best-selling products provide tangible economic benefits

Benefits to consumers



1 ... which can be very, very large!



* Assuming customers are paying for fuel or boiling water

QUESTION 2: Which of these statements is true?

The main reason why poor people do not buy life-changing durable goods is because:

1. They do not know these products exist
2. They do not understand the benefits of these products
3. They do not trust these products will bring them the promised benefits
4. They cannot afford them

#2 Risk-free holistic solutions, not cheap products

A risk-free, holistic solution is what customers want



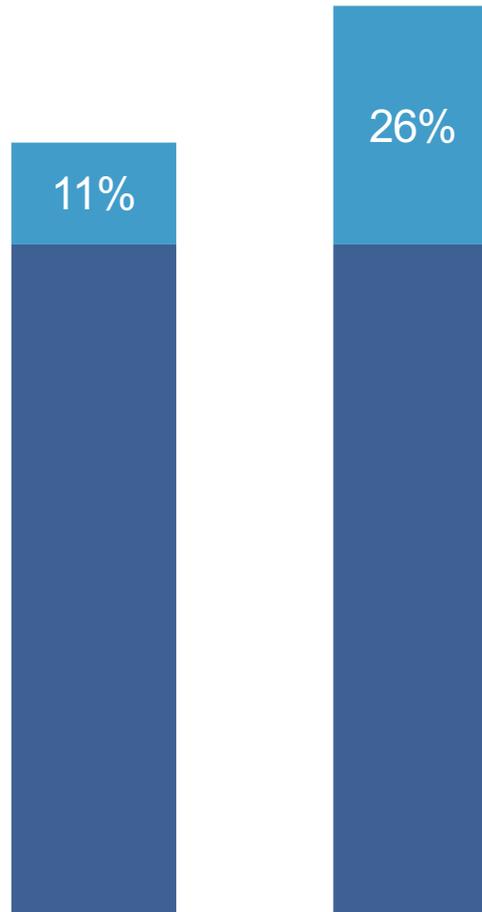
SELCO technician installs a solar home system

Clients do not look for cheap product, but risk-free solutions

Price premium paid by customers to reduce risk

90% rural clients forego a 10% discount to:

- Test stoves at home for one month
- Verify charcoal savings, deposited in Toyola box



All clients pay a 26% premium to get protection from:

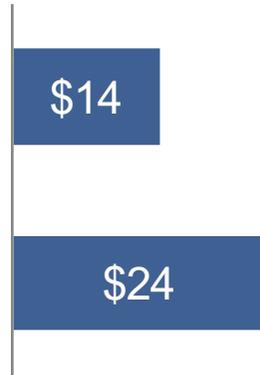
- Poor construction design
- Building material price increase
- Waste (theft or damage) of building materials
- Lack of saving discipline



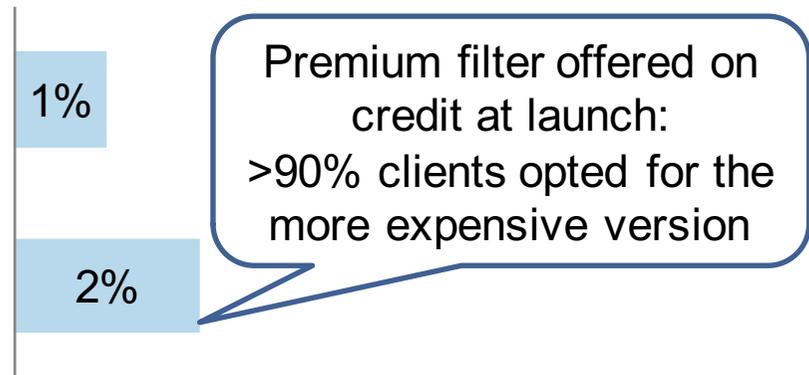
Clients are also ready to pay more for premium products



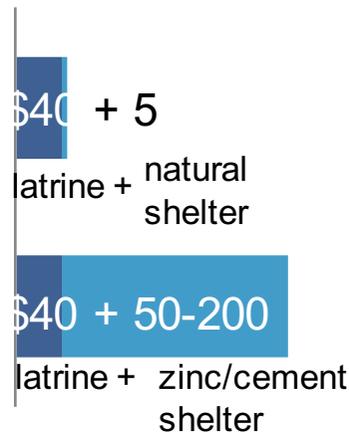
Price



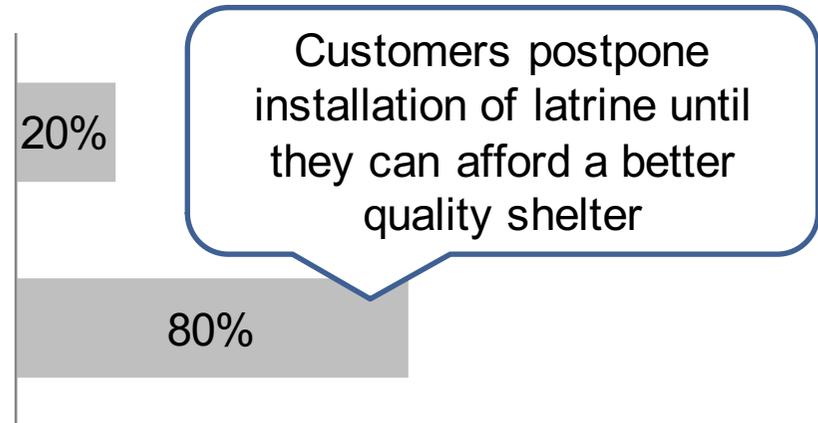
Penetration after 1 year



Price



Declared consumer preference

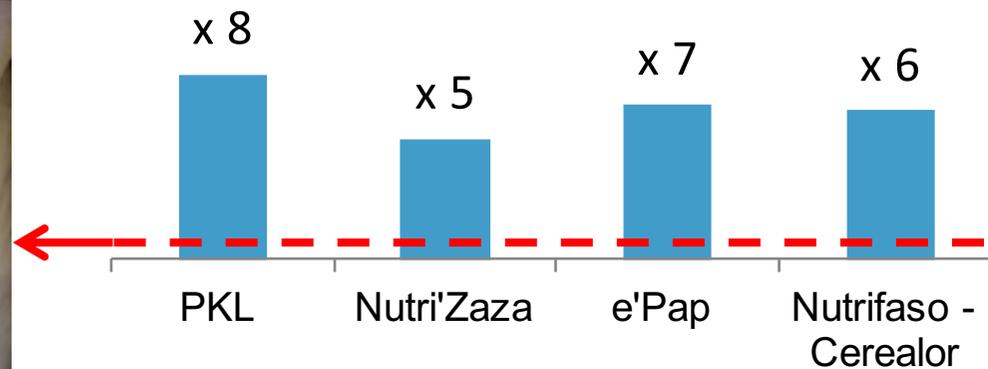


For FMCG too: people are ready to spend up to 8 times the price of basic foods for fortified products for their children

Price of affordable fortified products as a multiple of price of traditional food

Affordable fortified products

Traditional food:
non fortified
local flour



Convenience is also valued enough to accelerate adoption (or justify a price premium)



4-6 weeks is the time it takes to Nutri'zaza sales ladies to reach **maximum penetration** in their areas

(home delivery of ready-to-eat food at breakfast time ensures quick adoption)



Rs.3 at the treatment plant (for 20L)



Rs.5-15 at home depending on distance (for 20L)

People are ready to pay **2-5 times** the on-site price for **home delivery**



Price premium would not be similar for goods less difficult to carry

QUESTION 3: Which of these statements is true?

The best way for a distributor to help clients finance the purchase of durable goods is to:

1. Work with a microfinance organization
2. Work with NGOs that can distribute the products for free or partly subsidized
3. Sell the product directly on credit, by offering financing in-house

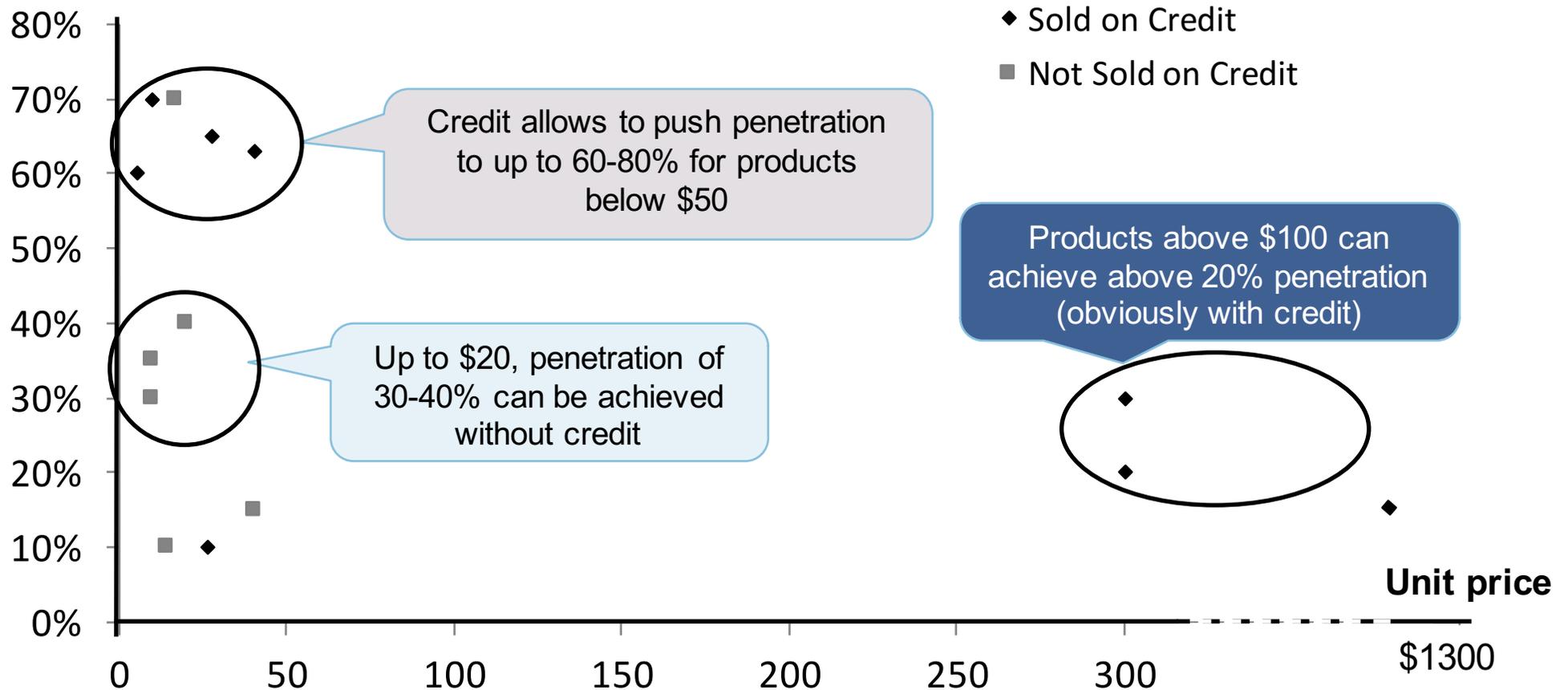
#3 Financing is best done in-house

In-house financing can provide value to customers, reduce operating costs, increase revenue and reach more clients



Provision of credit strongly increases product penetration... even for products that can sell without credit

Maximum penetration (%) out of total number of households in covered area



Financing in-house is a win-win arrangement for clients and product and service providers

BEST PRACTICE

For clients

- ✓ Access to credit without collateral or credit history
- ✓ Lower risks of product issues (tied to payments)

For product and service providers

- ✓ Low default rates (tied to working device)
- ✓ Profitable activity
- ✓ Low operating cost (synergies with distribution or maintenance)



70-week loan, paid weekly at Patrimonio Hoy office
26% price premium
Available by showing an ID, and paying first 5 installments upfront
99.7% repayment rate



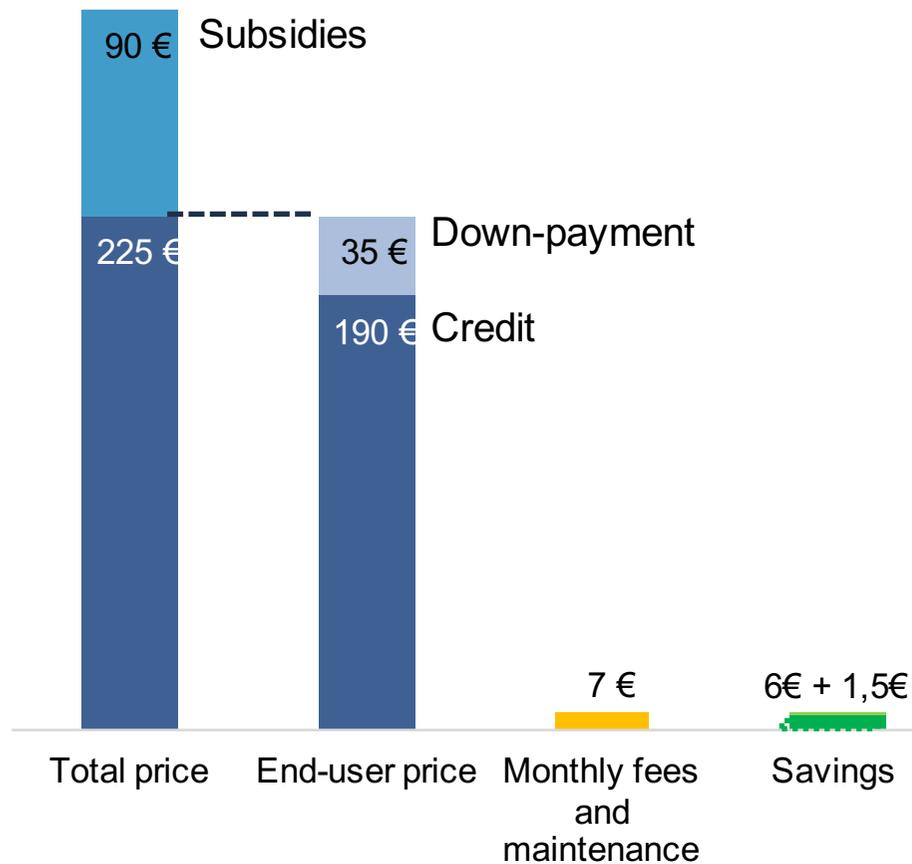
Up to 3 year loans, installments collected by visiting technicians
Monthly service charge (maintenance, interest)
Available by paying the downpayment (15%-35% of amount)
95-97% repayment rate



1 month deferred payment collected by sales agent from saving box 11% price premium
Available without conditions (informal vetting from the evangelist)
99% repayment rate

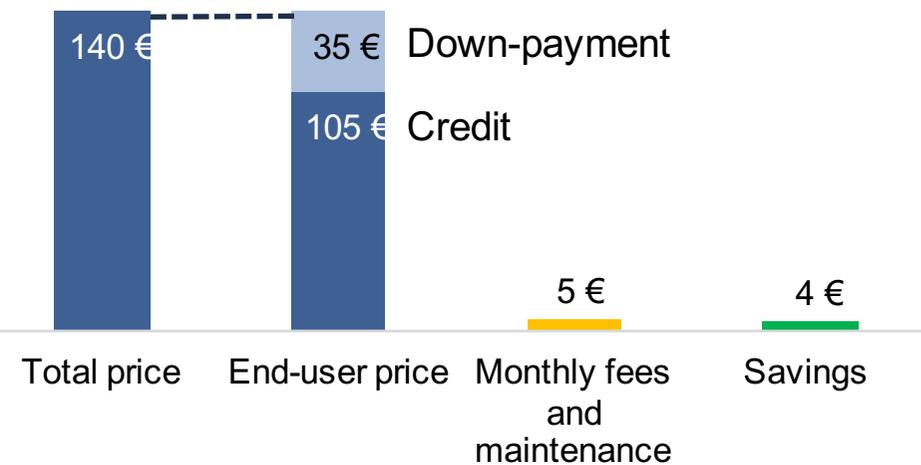
A best practice is to match installments with savings made

Grameen Shakti in Bangladesh: payment and average savings for a 6m³ biodigester, costing €315*



*Real-life case: for a 36 month loan at 8%

Grameen Shakti in Bangladesh: payment and average savings for a 20W solar home system, costing €140*



* Real-life case: for a 24 months initial loan

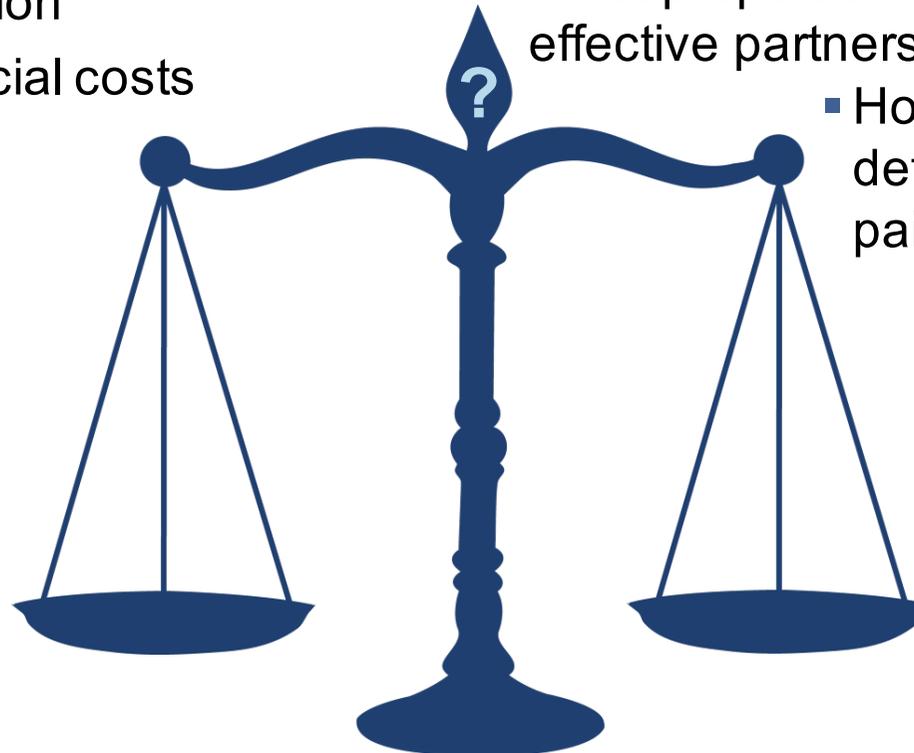
Working through MFIs is tempting but raises implementation questions

Benefits

- Easier access to customers
- Faster penetration
- Lower commercial costs

Questions

- How to avoid customers being pushed into buying?
- How many target customers are served by MFIs?
- What proportion of MFIs can become effective partners?
- How to effectively handle default payments and be paid for it?



3 key lessons learned today

It's about economics!

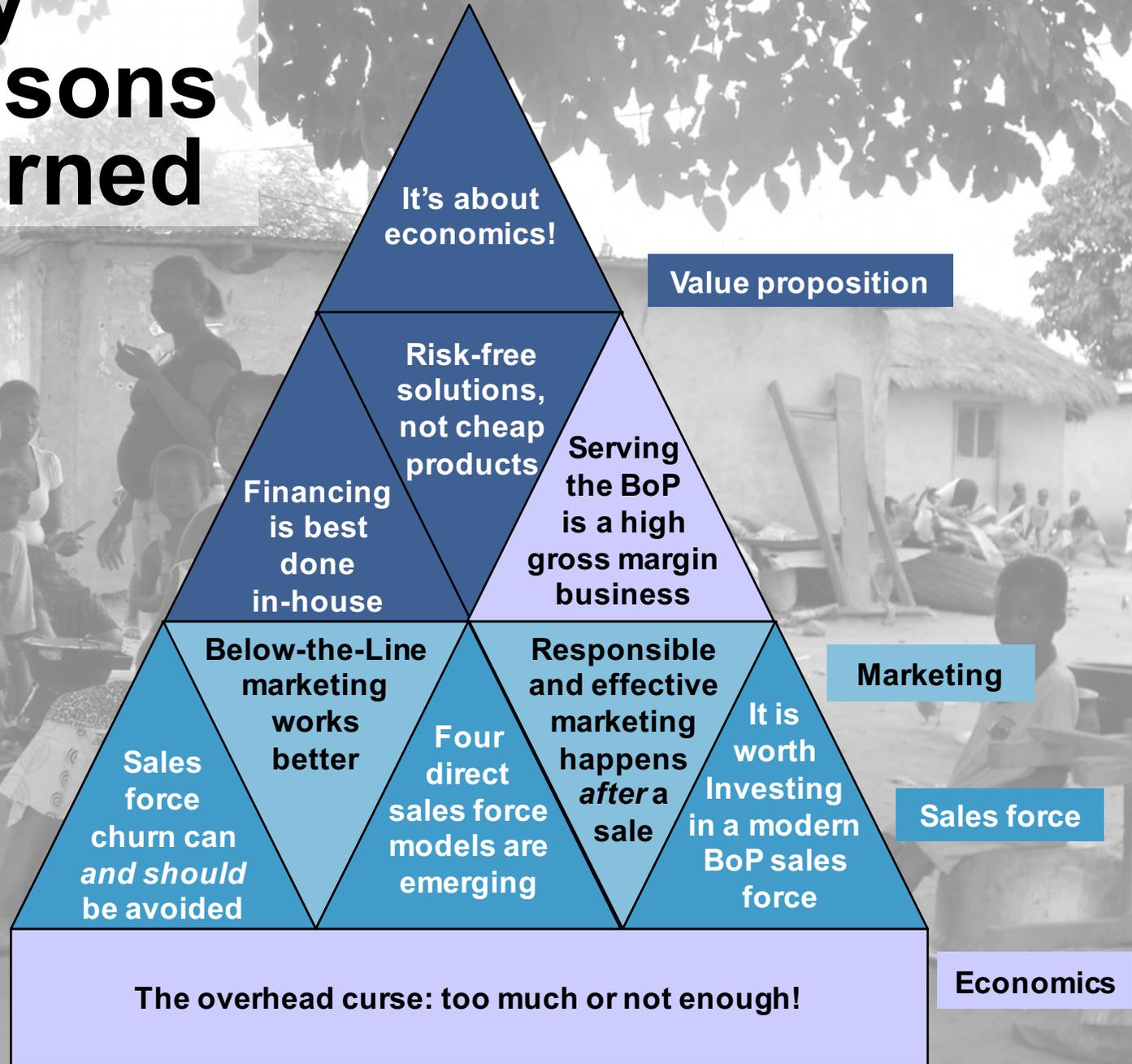
Value proposition

Risk-free solutions, not cheap products

Financing is best done in-house



10 key lessons learned



Discussion

Any questions? Type them in 'chat'

For details and resources:

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Join us next week for: choosing an appropriate marketing approach

with CEO of Solar Now Willem Nolens

Wednesday 29th June

6:30pm Delhi | 4pm Nairobi | 2pm London | 9am New York

Webinar 3: setting up effective (last mile) distribution mechanisms

Wednesday 6th July

6:30pm Delhi | 4pm Nairobi | 2pm London | 9am New York

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