

Micro-franchisee models for reaching BoP consumers





# 1. Pioneer partnership

This replicable practice was first introduced in Ethiopia in 2015/2016 under the soybean partnership championed by Guts Agro, a local food processing company. One of the main ambitions in the partnership was to diversify Guts Agro's business activities from primarily serving the Business-to-Business (B2B) market to also develop consumer products, more specifically nutritious food products towards BoP consumers. The basis for this idea was the fortified corn soy blend that the company was already selling to relief agencies such as WFP and the Ethiopian government.

After product development was finalized, a new product (called Supermom) was introduced to the market, but sales were not as expected. An assessment revealed that the complex market system in Ethiopia resulted in different middlemen being involved in distribution and marketing, leading to unnecessary price mark-ups, making the final sales price of the product too expensive for BoP consumers. Guts Agro and 2SCALE therefore investigated the opportunity to sell SuperMom through micro-franchisees that could bridge the last mile to consumers.



Likie ladies, micro-franchise model bridging the gap from factory to household customers

# 2. Replicable practice

Guts Agro and 2SCALE decided to introduce “Likie” ladies, an all-women micro-franchisee network tasked with the door-to-door sales of Guts Agro products to BoP consumers. This network was launched and piloted in Hawasa town and other locations in July 2015 with 13 women. The pilots were considered a success and resulted in the model expanding to six other towns (Adama, Assela, Bishoftu, Butajira, Dessie, and Wolayita Sodo) to over 100 micro-franchisees. The women were selected and trained by the company and equipped with a ‘Business-in-a-Box’ kit which included a training manual, sales support materials such as product brochures and carriage bags and branded uniforms. Also, tricycles were introduced to allow easier transportation of the product from the factory to retailers and household customers. Their activities were supported by a campaign featuring well known musicians who led a promotional campaign in schools, marketplaces, and low-income neighborhoods. It also included a quiz contest on nutrition.

After the pilot with 2SCALE, GUTS Agro on its own replicated the Likie micro-franchise model to other towns in the southern region of Ethiopia. The company also introduced additional products to Supermom such as new chickpea and sorghum-based snack products. Furthermore, the Likie model was also replicated to other partnerships such as the pineapple partnership with Promofruits in Benin and the soybean partnership with Yedent Agro in Ghana.

To summarize, this practice is addressing constraints in terms of:

<p>Access to nutritious food</p>	<ul style="list-style-type: none"> <li>• <b>Availability:</b> The Likie ladies bring the Supermom products literally closer to low-income households, as they venture directly into low-income communities</li> <li>• <b>Acceptability:</b> The Likie ladies combine the sales of Guts Agro products with messaging around nutrition. This helps improve acceptability of purchase and consumption of nutritious foods.</li> </ul>
<p>Inclusion</p>	<ul style="list-style-type: none"> <li>• <b>Voice:</b> The Likie ladies were trained on business skills, including basic financial accounting principles. This helped them get more control over their activities, and to express desires and intentions about their business with the micro-franchisee coordinator of Guts Agro.</li> <li>• <b>Rewards:</b> The Likie ladies make a margin from the sales of goods. This is a transparent process through the right accounting process done by Guts Agro.</li> </ul>

# 3. Preconditions for replication

## **Ensuring a steady income generation base for the micro-franchisees**

Micro-franchisees are normally not directly employed by the company and make an income from margins on the sales of product. As business champions would only sell small variety of products through the micro-franchisees, this limits the base for income generation. A solution could be to engage more (non-competing) companies to the micro-franchisee network that would also sell their products, allowing for more products to make margin on. Also, additional income-generating activities could be organized through the network, such as product testing, consumer education or more general market activation activities for which the micro-franchisees are paid for. Also, a typical gap we see in the development of micro-franchisee networks is the lack of working capital for the individual micro-franchisees to buy stock. Ideally the business champion plays a pro-active role in brokering access to working capital or provides it directly.

## **Piggybacking on existing structures**

Recruiting, onboarding, and training of micro-franchisees can be a resource-intensive job which can be too much for many (smaller) SMEs. Alternatively, the business champion could piggy-back on existing structures to lower the burden. For instance, community health workers could double as micro-franchisees, considering that selling nutritious food products can be a good addition to their work. In Ghana, under the soybean partnership with Yedent Agro we have seen possibilities for engaging night tea sellers as micro-franchisees. Good to keep in mind that it is important (when using (semi) government structures) to carefully coordinate with (local) government. Also, this approach will lower the level of control the business champion has on its sales, marketing & distribution.

## **Demand-generating activities**

For the micro-franchisees to be successful, BoP consumers will need to become aware of the product, especially when it is a new product to them. The micro-franchisees are expected to create this awareness themselves, but it helps if more general demand creation activities are organized, i.e., around nutrition awareness. Think about market days, demonstrations, tasting sessions etc.

## **Management of the network**

Especially when micro-franchisees networks grow to a certain level (say 25+) it is very important to closely manage the network for coordination with micro-franchisees, to arrange logistics, organize training, etc. If this is not organized by the business champion or another entity, it is likely that the network will face a high level of dropouts and potentially collapse.

## **Ownership by the business champion**

Especially in the start-up phase of a micro-franchisee network, it is important that the business champion shows pro-active ownership of the network and invests in its growth itself. It should not be “carried” by the project. At the same time, over time it would be good if the business champion can share that ownership of the network with other non-competing companies (see also section on income generation for micro-franchisees).

# 4. Results Achieved

In the pilot year 2016:

- Over 10,000 packs of 200 grams were sold (from scratch) \*
- Over 100 Likie ladies (micro-franchisees) were recruited, onboarded, and trained
- Likie ladies on average earned 1000 birr (+/- €23) a month on part-time basis, with individual highs of over 1500 birr (€35)

\*in the first phase of 2SCALE, we didn't yet calculate number of BoP consumers reached, so no validated information can be provided on UII1.

## Want to know more?

If you want to know more about this practice, please reach out to Addis Teshome, [ateshome@2scale.org](mailto:ateshome@2scale.org), Deputy 2SCALE Program Director in Ethiopia.

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