
Women First: A Bottom of the Pyramid Approach for the Expansion of the Rural Sales Network in Mozambique

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In Mozambique, where 54.1% of the population lives in absolute poverty, Fast Moving Consumer Goods (FMCG) companies could potentially include "the bottom of the pyramid" in their customer base, increasing sales, revenues, and profits, while concurrently improving the quality of life of low income families. The current paper explores the potential role of NGOs in assisting FMCG companies in selling to geographically disperse low income consumers. It describes a model that benefits the FMCG company and the low income consumer, through implementation of the Women First Program.

Provincial FMCG distributors identify low sales volume as a major market penetration constraint. Low sales volumes preclude FMCG sales in sufficient quantity to cover distributor transportation and operation costs. This problem was converted to an opportunity by an NGO called International Relief and Development (IRD). IRD trained 200 women entrepreneurs in rural areas of Zambezia Province helping them to establish new or expand existing small scale businesses. IRD helped women develop retail outlets, linked those outlets with FMCG companies, and developed a distribution channel to supply the retail outlets with goods for sale. With monthly sales volume of \$18,000, IRD works its way out of this market and hopes to leave behind functioning distribution lines that benefit women entrepreneurs, FMCG consumers, and FMCG manufacturers. As trained women entrepreneurs move to a direct relationship with the FMCG distributors, the role of IRD moves from a facilitator to a watchdog, in order to build the capacity of women to secure their profit margins.

Introduction

The phrase "bottom of the pyramid" was used by U.S. president Franklin D. Roosevelt in his April 7, 1932, radio address "The Forgotten Man" in which he said "These unhappy times call for the building of plans that rest upon the forgotten, the unorganized but the indispensable units of economic power... that build from the bottom up and not from the top down, that put their faith once more in the forgotten man at the bottom of the economic pyramid."

In modern economics, the bottom of the pyramid is the largest but poorest socioeconomic group, representing about four billion people who live on less than \$2 per day, mostly in developing countries (Prahalad & Hart, 2002). Economists increasingly recognize that multinational companies can generate growth and satisfy social and environmental stakeholders by focusing on the base of the economic pyramid where people aspire to join the market economy for the first time and to become the future middle class (Hart, 2005 and Prahalad, 2004). Towards these efforts it is often recommended that multinational companies develop relationships with non-traditional partners, co-inventing custom solutions and building local capacity (London & Hart, 2004).

The bottom of the economic pyramid represents the largest percentage of the population in Mozambique. Mozambique ranks 172nd out of 178 countries in UNDP's most recent Human Development Index (UNDP, 2008). Although the country has made significant progress in the fight against poverty, 54.1% of the population still lives in absolute poverty (INE, 2004). During the last decade, female households, which represent 30% of all households in Mozambique (INE, 2006), have recorded a much lower poverty reduction than male-headed households. Comparing data between 1996/97 (INE, 1998) and 2002/03 (INE, 2004), poverty

reduced by 18% in male-headed households (from 69.9% to 51.9%), while in female-headed households it reduced only by 4.3% (from 66.8% to 62.5%).

International Relief and Development (IRD) is a non-governmental organization (NGO) that has been working in Mozambique since 2004, implementing activities in the provinces of Inhambane, Sofala, and Zambezia. IRD in Mozambique focuses on women's entrepreneurship and believes that private sector companies can be an important part of the solution towards socio-economic empowerment of women. For a short description of IRD and its activities in Mozambique, please refer to Appendix.

IRD has been working in partnership with Unilever in Mozambique since 2005 for the implementation of the program called Women First. The program combines health, HIV/AIDS, and entrepreneurial training for women's groups and links them to private sector distributors, thus establishing a sustainable business for rural women through a sales network of staple products. Unilever is a multi-national corporation, formed of Anglo-Dutch parentage, that owns many of the world's consumer product brands in food, beverage, cleaning agents, and personal care products. Unilever in Mozambique is one of the leading Fast Moving Consumer Goods (FMCG) companies.

FMCG products are sold quickly at a relatively low cost. Though the absolute profit made on FMCG products is relatively small, they generally sell in large quantities, so the cumulative profit on such products can be significant. Examples of FMCG generally include a wide range of frequently purchased consumer products such as toiletries, soap, cosmetics, teeth cleaning products, shaving products, and detergents, as well as other non-durables such as glassware, light bulbs, batteries, paper products, and plastic goods. FMCG may also include pharmaceuticals, consumer electronics, and packaged food products and drinks, although these are often categorized separately.

The idea for the Women First program emerged during a joint IRD-Unilever visit to rural markets. The director of Unilever Mozambique at the time complained that even though the company was dominating the urban markets with its cleaning agents, it still could not reach the vast majority of Mozambican households that live in the rural areas. Middlemen that were buying Unilever's products from the provincial capitals were reselling them at significantly higher prices in rural areas. Thus, the bottom of the pyramid, the poorest but largest socio-economic group, was facing the highest prices and could only purchase small volumes of products.

This problem experienced by Unilever is common for many major FMCG companies in Mozambique. FMCG companies typically do not have direct presence in all Mozambican provinces. Instead FMCG companies have contracts with provincial distributors which distribute FMCG supplied products in the respective provinces. Provincial distributors of major FMCG companies complain that population in rural areas is too dispersed and the volume of sales in local markets is very low, in order to cover the operational costs of a distribution line. In turn, they preferred to stay in the provincial capital and have middlemen purchase from them directly a low quantity volume of products that they would then resell in rural areas at much higher prices.

IRD saw this problem as a possible opportunity and with funding from the Canadian International Development Agency (CIDA) and the US Agency for International Development (USAID) began training women entrepreneurs in rural areas through the Women First program. By facilitating women's business development, IRD makes it possible for the women to earn an income and create a profitable rural distribution line for the private sector.

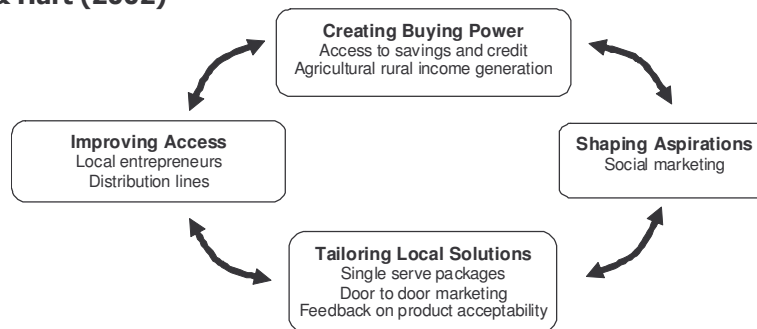
The current paper presents the empirical findings of the Women First methodology and explores the potential role of the NGO as a key partner for FMCG companies towards market penetration. The paper is organized in the following sections: the conceptual framework section describes the roles and responsibilities of the NGO, the FMCG companies, and the provincial distributors; the Women First methodology section describes the approach followed during the implementation; the research methodology section describes the selection of participants, data collection, and timeframe methodology; and the results section presents the data from 19 months of implementation, followed by a conclusion and discussion section.

Conceptual Framework

The role of IRD in the Women First entrepreneurial model is the one of a trainer/ broker that creates entrepreneurial capacity in the rural areas and links newly established entrepreneurs with the provincial distributor of FMCG companies. During the build-up period of entrepreneurial capacity in the rural areas, IRD also provides the transportation of FMCG products to the rural areas. The role of the FMCG companies is to propose specific locations where future distribution lines of the Women First entrepreneurial model can be established, provide training on marketing of FMCG products, and encourage the provincial distributors to take over the operation of the distribution lines as soon as the generated sales are large enough to create a satisfactory profit. Within the Women First conceptual framework, FMCG companies do not perceive the relationship with IRD as part of their social responsibility portfolio, but rather as a strategic partnership for growth.

At the community level the partnership between FMCG companies and NGOs goes beyond a limited IRD-FMCG company relationship. According to Prahalad & Hart (2002) the commercial infrastructure at the bottom of the pyramid is composed of four strongly interacting components: creating buying power, improving access, shaping aspirations, and tailoring local solutions (Figure 1). The following entities are involved:

Figure 1: Commercial Infrastructure at the Bottom of the Pyramid, adapted from Prahalad & Hart (2002)



IRD improves access through the establishment of local women entrepreneurs and facilitation of the creation of a distribution system to rural areas; shapes aspirations through training of entrepreneurs in social marketing for products that have a positive health outcome (i.e. soap, water purifier, iodized salt, nutritious foods); and provides feedback to FMCG companies with regards to product acceptability. In addition, IRD provides guidance to entrepreneurs with regards to methodologies like re-packaging and door-to-door product marketing that respond to customer needs.

Distributors of FMCG companies take over the operation of the distribution line when generated profit exceeds a predetermined limit, and FMCG companies train entrepreneurs in marketing of FMCG products.

Other NGOs and companies focus on the creation of buying power. Banco de Oportunidade provides access to credit and savings, while other companies and NGOs like World Vision focus on agricultural income generation activities. Since agricultural income generation activities also need distribution networks for the transportation of seeds, fertilizers and produce, the same distribution network used for FMCG products are used by Agricultural Inputs and Agriculture Commercialization companies, as long as their products do not put the security of FMCG products at risk.

The Women First Methodology

The Women First methodology follows a bottom up approach from the rural women to the FMCG companies based in Mozambique's capital, Maputo.

Women Entrepreneurs

IRD begins with the identification of existing women groups that are interested in becoming entrepreneurs and are located in areas that are not supplied directly by a distributor. In addition, these areas should also be targeted by agriculture income growth activities in order to present potential growth for consumers' purchasing power. IRD trainers provide one-on-one training to women on how to market their products, calculate their profits, and set up their selling prices. The same trainers train a woman from each group as a stock keeper, who is responsible for the warehousing of the products, the collection of the weekly sales figures, and the supply of sellers with products. All trainings are provided in the local dialect at the location of the women's group, usually under the shade of a tree. Women are encouraged not to sell products in the markets, but instead to walk in their neighborhoods and conduct door-to-door sales. The scheme that IRD establishes at every group is the following:

- Step 1.* IRD provides as a grant a start-up quantity of basic consumption products to the group. This quantity is managed by the stock-keeper.
- Step 2.* A few sellers get a start-up kit of products on credit from the stock-keeper to sell in their communities.
- Step 3.* Every week women sellers re-invest their profit into their business by buying more products from the stock-keeper.
- Step 4.* When sellers exceed a predetermined value of weekly sales, they pay back the value of the start-up kit, keep their profit and receive a kit of higher credit.
- Step 5.* Every time a seller pays back the value of a kit, a new woman member of the group gets a start up kit and becomes a seller.
- Step 6.* Women graduate when they exceed a predetermined amount of weekly sales. After that point they buy directly from the stock keeper without any credit involved.
- Step 7.* Women that graduate and the best seller of the month receive prizes for their performance.

The approach of starting with a few women and increasing the number of sellers as these first women increase their sales, follows the market dynamics at the community level, making sure that the number of entrepreneurial women stabilizes when demand for FMCG products is satisfied by supply. This way, in some communities the Women First groups are composed of up to 18 sellers, while in others they may only composed of six sellers.

Entrepreneurial activities attract many women from each group to attend the weekly sessions. This creates an opportunity for other services to be provided to the women. Looking into the long-term sustainability of their business, IRD provides Health and HIV training to the women, and participation of the women to the training is a prerequisite for engaging in the entrepreneurial activities. Health training sessions take place right after the weekly monitoring of the entrepreneurial activities.

Entrepreneurial activities do not just attract women to the Health and HIV/AIDS sessions; they also enable them to put their new knowledge into practice. Women usually use profit from the income generation activities to cover the cost of nutritional foods, clothes, kitchenware, drugs, and medical visits. In the meantime disposable income reduces the risk of dependence on transactional sex, breaking the cycle of economic vulnerability and HIV/AIDS risk.

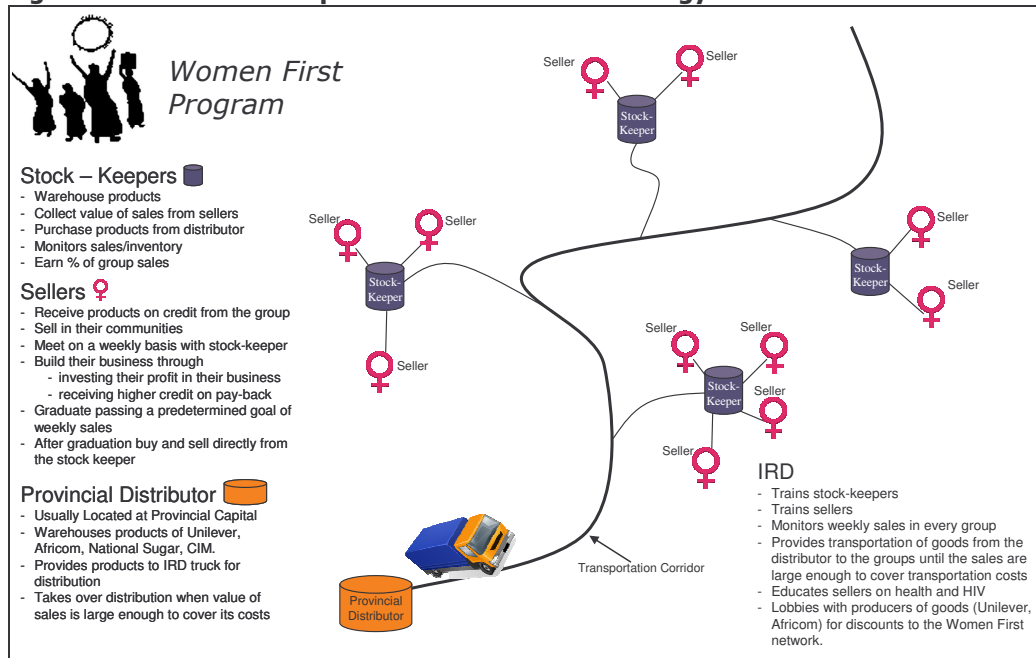
Local Markets

IRD studies the markets at the locations of the women's groups, in order to track the products that are sold and their respective prices. During the initial period that the volume of sales of the women's groups is not large enough to cover the transportation costs, IRD transports the products to the locations of the women groups. In order to create economies of scale, women's groups are selected along transportation corridors, having one supply chain serving a number of groups, as presented in Figure 2.

Provincial Distributors

At a provincial level, IRD identifies the major distributors, their level of risk aversion, and their willingness to expand their business in rural areas. IRD and provincial distributors sign a Memorandum of Understanding that stipulates a value of monthly sales, beyond which the provincial distributor assumes the responsibility of transporting the products to the women's groups. The value of monthly sales is calculated based on a Profit and Loss projection, where cost of sales, fuel, maintenance of vehicles, salaries, taxes, office space, and other direct costs are included.

Figure 2: Provincial set up of Women First methodology



National Level

IRD lobbies with FMCG companies, in order for them to provide lower prices to the Women First entrepreneurs. In addition, FMCG companies provide marketing material for the women entrepreneurs and pressure their provincial distributors to take over the profitable distribution lines.

Research Methodology

The Women First methodology was applied in the creation of a distribution line in Zambezia province from the provincial capital Quelimane to the districts of Namacurra and Nicoadala. Eighteen women's groups that were previously organized by World Vision were selected, and monitoring took place from January 2007 through July 2008.

The selection of group locations was done in partnership with provincial distributors and World Vision. Criteria included market coverage in a given location, distance from a major transportation corridor, the cohesiveness of a group at a given location, and willingness of a group member to become a stock keeper. The selection of individual participants within a group was based on their willingness to be part of the program, while the initial participants were self-selected by the group.

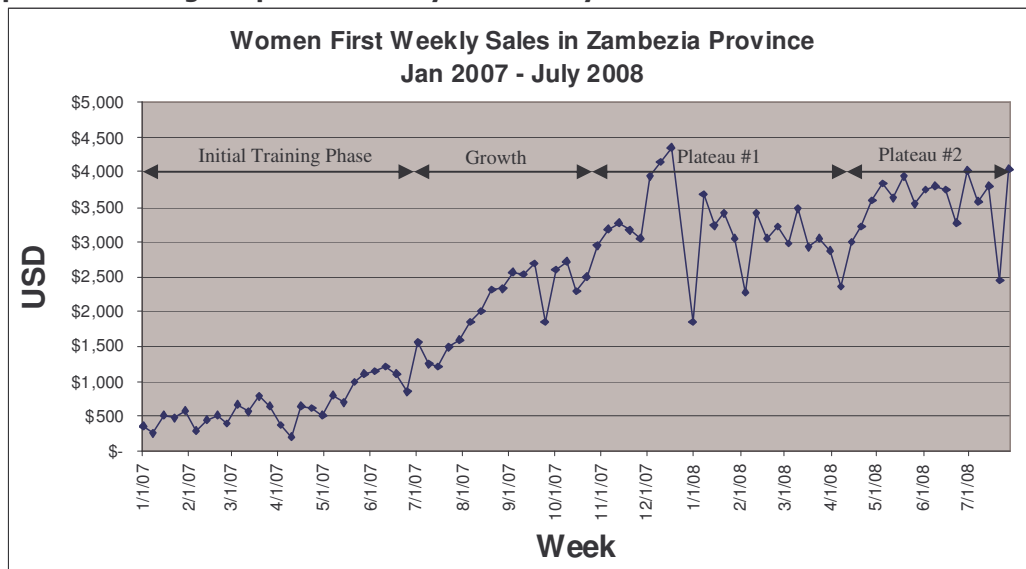
Data collection was done through weekly visits to the groups at the time of their weekly meetings. Detailed stock inventory and individual sellers' weekly sales were recorded and

interviews with sellers were used to track quality indicators such as product acceptability and reasons for increase or decrease of sales.

Results

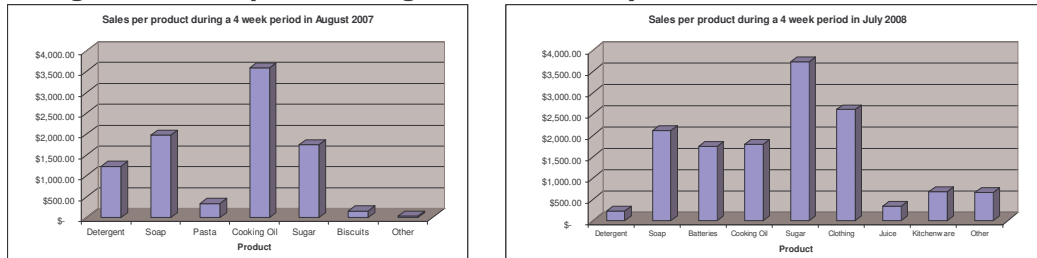
Examining the weekly sales of the Women First network in Figure 3, we can see that during the first six months of the program sales remained below \$1,200. During these first six months stock-keepers were undergoing rigorous training and the first sellers of the groups were building up their sales. Months six through ten were characterized by a fast growth of weekly sales that reached \$3,179 during the week of November 5, 2007. The overall growth was the result of new women entering into the Women First network and growth of sales of existing sellers. Even though the December figures were positively influenced by the holiday season, the supply of FMCG products satisfied demand in the various locations of the distribution line, and weekly sales reached a plateau at approximately \$3,220 during the period November 2007 through March 2008. April 2008 was characterized by a fast growth of sales and the period of May through August 2008 was characterized by a second plateau.

Figure 3: Weekly and Quarterly Sales of the Women First Program in Zambezia province during the period January 2007 – July 2008



The fast growth during the period of April can be attributed to a) the increase of disposable income in the target communities and b) the diversification of products sold by the Women First network. The increase of disposable income in the target communities is attributed to the end of the farming season in Zambezia province. In April, income from the sales of crops enabled households to purchase more FMCG products. In addition, as presented in Figures 4 and 5, the products that were sold through the Women First program were diversified to include clothing and kitchenware together with a number of products with lower sales classified under the other category of Figure 5. The diversification of products increased sellers' clientele, which in turn increased the volume of weekly sales.

Figure 4 & 5: Type of products sold by the Women First Program in Zambezia during a four week period in August 2007 and July 2008



In July 2008, the program included 200 entrepreneurs, with average sales of \$20.50 per week. Given that the average profit over total sales was 15%, sellers had on average a monthly income of \$13.325. The average monthly income for women outside the agricultural sector in Zambezia province is \$12.12 (INE, 2006).

In addition, the products that women sell are essential to rural households. Products sold include soap, detergent, oil, pasta, sugar, matches, candles, and other items. Due to the high profit margins of the middlemen and the high transportation costs for small quantities of products in Zambezia province, Women First prices were initially on average 20% lower than the prices of the same products offered in the local markets. Over time, it was observed that middlemen, responding to the introduction of competition, reduced their profit margins and the difference between the prices of the products was minimal. However, the door-to-door sales still enable the Women First sellers to maintain their market base.

In 2007, Women First program was selected by UNDP under its Growing Sustainable Business (GSB) program. The GSB program facilitates enterprise solutions to poverty in advancement of the Millennium Development Goals. GSB funded Deloitte to undertake a viability study of a rural distribution company which would rely solely on four distribution lines created by the Women First program in Zambezia province.

The viability study (DELOITTE, 2008) concluded that the Internal Rate of Return of the investment to this commercial company over a five-year period is 115% with a Net Present Value over the same period of approximately \$54,642 US dollars.

Conclusions and Discussion

The implementation of the Women First methodology demonstrates that NGOs can have an important role in expanding the rural network of sales of FMCG companies. NGOs can serve as a catalyst, through the creation of a critical mass of sales that enables FMCG distributors to begin new distribution lines. Through that process, NGOs train entrepreneurs, creating the capacity to sustain the rural sales in the future. The monthly sales results of \$18,000 from 200 entrepreneurs are not positive only for the FMCG companies that increase their sales, but also for the NGOs that fulfill their mission of creating sustainable change and most importantly for the rural population that gains income and access to FMCG products at lower prices.

Throughout the implementation of the program, a number of lessons were learned which have proven useful to the growth of the network:

- i. FMCG companies should be thoroughly consulted during the selection of locations for the expansion of the program. Market information and insight information regarding distributors are keys for the successful expansion of the Women First network.
- ii. Women that have little or no entrepreneurial experience are the best candidates for Women First sellers. Unlike women with existing entrepreneurial activities, women with no experience invest a lot of time and effort to become successful.
- iii. Women were not encouraged to and did not give up their agricultural activities in order to be fully devoted to entrepreneurial activities. This can be also one of the explanations of low sales during the farming period. Only women that had very high average sales were observed to have reduced agricultural involvement.

- iv. A prize scheme with items like radios and bicycles in limited numbers can be an important incentive for women to excel in their entrepreneurial activities.
- v. The focus on women did not create major problems with their husbands. Contrary to what was originally feared, the most successful women have contracted their husbands, who in return receive from them a weekly stipend.

Currently, IRD hands over the distribution line that was created to an FMCG distributor from the private sector and expands the Women First network to a second distribution line. The handover of the existing entrepreneurs to an FMCG distributor involves an initial monitoring period where both distributors and women entrepreneurs are assisted to prevent interruption in the growth of sales. IRD organizes women entrepreneurs into an association during the handover process and trains them to collectively negotiate profit margins with the FMCG distributor. Future research is needed on the handover process of the entrepreneurial network to the FMCG company in order to examine the sustainability of the model fully operated by the FMCG company without NGO intervention, oversight, or advocacy.

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Appendix

IRD is a private voluntary organization (PVO) founded in 1998, dedicated to improving the quality of life of people in the most economically deprived parts of the world by facilitating and supporting assistance tailored specifically to their needs. IRD's mission is to reduce the suffering of the world's most vulnerable groups and provide the tools and resources needed to increase their self-sufficiency. IRD has managed major overseas projects for a multitude of donors, including USAID, USDA, U.S. Department of State, UNICEF, UNDP, UNHCR, and the World Food Program. IRD's country field offices around the world are supported by technical and administrative staff at IRD's Headquarters in Arlington, VA.

IRD has extensive experience in designing and managing multi-disciplinary development and relief activities in six core areas: civil society, economic development, infrastructure, health, food security, and relief. IRD provides nearly \$300 million annually to implement programs in 25 countries in Eastern Europe, the Middle East, Southeast Asia, Africa, and Central America.

In Mozambique, IRD has been working since 2004 in the areas of water, hygiene and sanitation (WASH), HIV/AIDS, and women's entrepreneurship. Apart from the national office in Maputo, IRD has three provincial offices in Inhambane, Sofala, and Zambezia with 90 people on staff.