



USAID
FROM THE AMERICAN PEOPLE

Direct Sales Agent Models in Health



PRIMER

SHOPS

Strengthening Health Outcomes
through the Private Sector

Summary: The SHOPS project funded a 16-month study conducted by the Monitor Group as reported in *Promise and Progress: Market-based Solutions to Poverty in Africa*. The study identified promising direct sales agent business models enabling enterprises to engage with the poor in Africa, primarily in Ghana, Kenya, Senegal, South Africa, and Tanzania. This primer aims to provide a data-driven perspective on the conditions under which direct sales agent models are most likely to succeed, highlights how these models are applied to health and the barriers they face in the health sector, and examines case study examples. Based on the characteristics and constraints of the direct sales agent model, this primer proposes three direct sales agent archetypes that could serve as guidelines for donors, social enterprises, and health goods manufacturers for future application of the model.

Keywords: Africa, agents, business model, channel, distribution, health, inclusive business

Recommended Citation: Kubzansky, Michael and Ansulie Cooper. 2013. *Direct Sales Agent Models in Health*. Bethesda, MD: SHOPS Project, Abt Associates.

Cover photo: Living Goods

Project Description: The Strengthening Health Outcomes through the Private Sector (SHOPS) project is USAID's flagship initiative in private sector health. SHOPS focuses on increasing availability, improving quality, and expanding coverage of essential health products and services in family planning and reproductive health, maternal and child health, HIV/AIDS, and other health areas through the private sector. Abt Associates leads the SHOPS team, which includes five partners: Banyan Global, Jhpiego, Marie Stopes International, Monitor Group, and O'Hanlon Health Consulting.

Disclaimer: The views expressed in this material do not necessarily reflect the views of USAID or the United States government.

Cooperative Agreement: GPO-A-00-09-00007-00

Download: Download copies of SHOPS publications at www.shopsproject.org.

Direct Sales Agent Models in Health

Increasing access to health products and services in developing countries is critical to the attainment of health-focused Millennium Development Goals. Spurred by high-profile successes in commercial microfranchising,¹ the widespread distribution capabilities of independent mobile airtime agents,² and—most important—an interest in delivering socially beneficial products to the rural and underserved poor, donors, social enterprises, and nongovernmental organizations are experimenting with direct sales agent networks. In doing so, they aim to overcome access barriers in the health sector.

There is considerable excitement about the potential of direct sales agent models in health, as they (1) offer the prospect of better coverage for the rural poor and hard-to-reach customers who are important targets of development efforts, (2) put in place a responsible and trusted intermediary who can deal with sensitive health subjects such as family planning, and (3) offer direct customer interaction, awareness-building, and product education opportunities that are critical for goods and services that require demand building and behavior change.

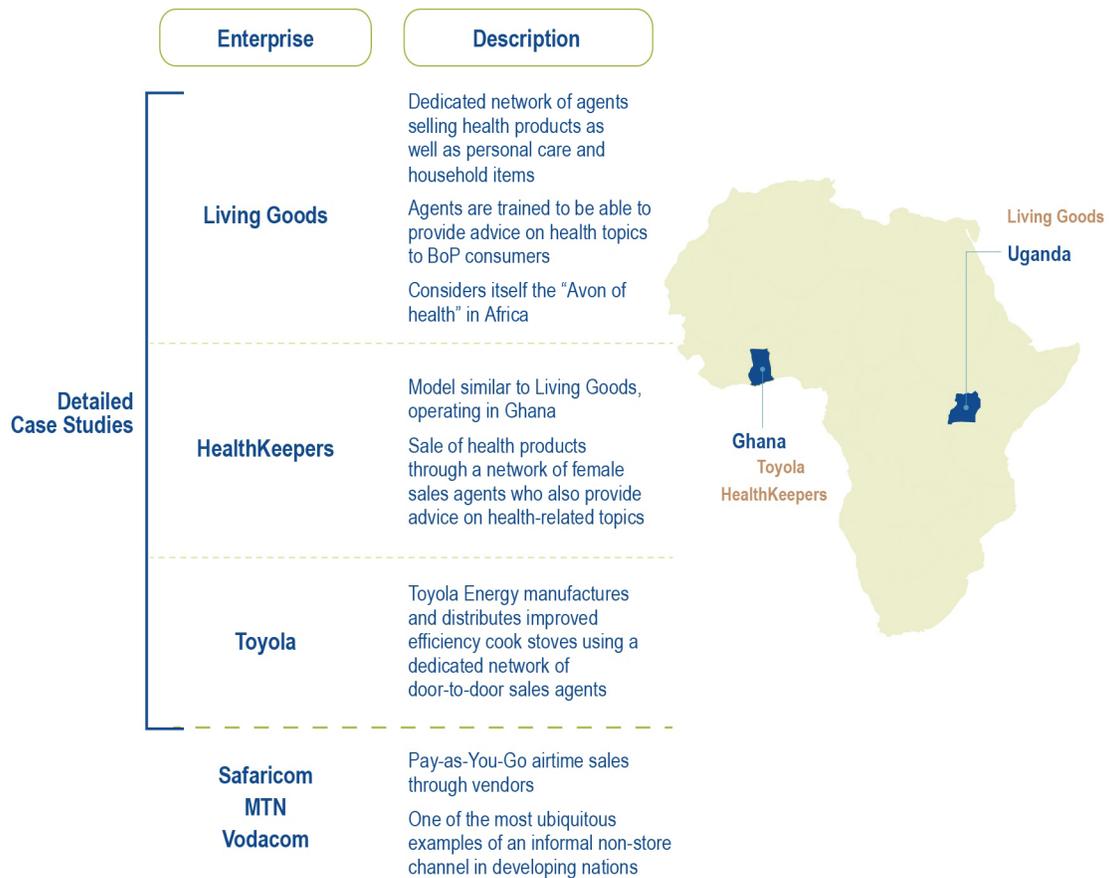
In 2010, USAID, through the Strengthening Health Outcomes through the Private Sector (SHOPS) project, co-funded a 16-month study to identify successful business models that enable enterprises to engage with base-of-the-pyramid (BoP) populations in Africa in ways that deliver social benefits, with a primary focus on five countries: Ghana, Kenya, Senegal, South Africa, and Tanzania (Kubzansky et al., 2011). The study mapped almost 440 of these inclusive businesses (see Terminology box on page 3) and analyzed five such business models in detail. These in-depth analyses included a study of informal distribution and sales channels covering improved informal shops and direct sales agent models. Three detailed field-based case studies were completed to understand the benefits, limitations, and applicability of direct sales agent models (see Figure 1).

Direct sales agent models recruit and train individuals to reach deep into communities to sell and distribute products, bypassing shops and other intermediaries.

¹ A franchise model focused on creating opportunities for the poor to manage their own businesses.

² Hawkers or street vendors selling pre-paid airtime.

Figure 1. Business Models Targeting BoP Populations



Source: Monitor analysis

The study revealed that agent networks in the health sector have posed themselves a daunting challenge, as many of the conditions under which such networks can succeed are absent when applied to health. Yet a strong case can be made for the efficacy of agents to improve access to health products for the rural poor.

Drawing on the findings of this research, this primer aims to propose direct sales agent implementation archetypes based on the characteristics and constraints of the direct sales agent model. The primer contextualizes the current excitement about agent networks; provides a data-driven perspective on the conditions under which direct sales agent models are most likely to succeed; highlights how the model is applied to health and the barriers it faces in this sector; examines different case study examples; and outlines actions that donors, social enterprises and health product manufacturers can take to strengthen the viability of the model.

Terminology

Base of the pyramid (BoP): People living on less than \$2 per day in purchasing power parity terms.

Franchising: A method used by businesses for the marketing and distribution of their products or services. Franchising involves an agreement or license entered into by two parties, the franchisor and the franchisee, that gives the franchisee the rights to market a product or service using the trademark of the franchisor, and to receive support in different forms from the franchisor. **Microfranchising**, a term often used in the context of development, refers to the provision of a business-in-a-box to BoP entrepreneurs or agents as a way of livelihood support.

Gross margin: Gross income divided by net sales, expressed as a percentage. A good indication of fundamental profitability.

Inclusive businesses or market-based solutions: Initiatives that offer socially beneficial goods or services to poor consumers—or provide improved incomes to small producers, agents, and distributors—at scale and in a way that is commercially viable.

Informal channels: Retail channels by which goods are delivered and sold to consumers. Informal channels are typically characterized by one or more of the following: fragmentation (no chains), lack of organization on the part of management, stores and/or agents having low individual sales volumes, restocking is done via frequent purchases, and lack of regulatory enforcement. These factors often make it uneconomical to enforce contractual agreements. Informal channels range from purely informal (e.g., street hawkers, unregistered agro-vets) to semi-formal (e.g., microfinance institutions) and can include formats that are store-based (e.g., spaza shops, licensed chemical sellers) and non-store-based (e.g., cooperatives, bicycle vendors, sales agents).

Market entry: The process of entering a market not currently served by a given product manufacturer or service provider, but already served by other (formal or informal) providers. In contrast, **market creation** involves building the conditions that all product manufacturers or service providers will require to establish operations, create value chains, and serve target customers.

Pull product: A product that enjoys considerable existing consumer demand. In contrast, a **push product** does not enjoy pre-existing customer demand and can include so-called grudge purchases (e.g., insurance) where the benefit to the purchaser is not realized immediately.

Socially beneficial: Refers to products or services that provide some positive **social impact** to the consumer, for instance in the form of improved health outcomes, alleviation of poverty, access to education, or food security.

Staff turnover (labor turnover or staff churn): The rate at which an employer gains and loses employees.

High Levels of Enthusiasm about Direct Sales Agent Models

Sub-Saharan Africa is home to more than half a billion people living on less than \$2 per day. Approximately 63 percent of the population lives in rural areas, and the average population density is less than 35 people per square kilometer³ (World Bank). This sets up a significant distribution challenge: the rural poor are highly dispersed, and there are few organized means to reach these consumers (in some cases, this holds true even for urban slum populations). Given the dearth of modern trade channels, entities that engage the BoP, and even middle markets, in African countries often rely on informal channels to solve this reach conundrum.

³ In India, there are an estimated 394 people per square kilometer.

It makes good sense to do so. Informal channels offer deep reach, filling gaps in state provision and existing private sector coverage. Direct sales agent models as a type of informal channel hold particularly exciting potential for the following reasons:

- In addition to offering better coverage of the rural poor, they provide access to hard-to-reach customers who are important targets of development efforts (women, vulnerable children).
- They use a responsible and trusted intermediary that can deal with sensitive subjects, which is especially valuable in the health sector (e.g., reproductive health).
- Agents offer direct customer interface, along with awareness-building and education abilities—critical for products and services that require demand building and behavior or use change.

In addition, many view agent networks as a way to provide rural livelihoods—agents earn stable incomes and improve their skills, creating the possibility of dual social impact. It is clear why there is such interest in this as a model for development.

Indeed, celebrated and long-enduring success stories of direct sales agent models fuel the enthusiasm behind the concept.

Success Story 1: Cosmetics Agent Networks

Cosmetics giants Avon and Natura rely on agents to distribute their product to consumers. Avon is the world's largest direct seller, operating in more than 100 countries through more than 6.5 million agents. The firm offers an uncomplicated set of pull products to a large and well-established market. As a manufacturer, Avon has considerable margin to build and maintain agent networks (the product moves directly from manufacturer to agent, without a wholesaler intermediating). Avon and Natura focus on keeping costs low to add and support agents. The recruitment and training of agents are undertaken by existing agents, while sales support materials (samples, order forms, catalogs) and delivery are all paid for by the agent. Avon provides evidence that agent models can:

- Operate in emerging markets—Brazil is Avon's biggest market, and over half of sales are in the developing world
- Be profitable—Avon generated over \$513 million of net income in 2011 (Bloomberg Businessweek)
- Run at scale
- Accommodate high agent turnover
- Succeed with limited investment in agents
- Generate substantial income for women who sell the products—a recent Oxford University study found that Avon reps in South Africa who had been in the system over 16 months earned over 1,400 South African rand (about \$157 US dollars) per month (Scott, et al., 2012)

Many development efforts today are trying to replicate these elements of Avon's model, while also copying what the cosmetics firms did years ago: using a marginalized group (women outside the job market) to sell goods and services to their contemporaries.

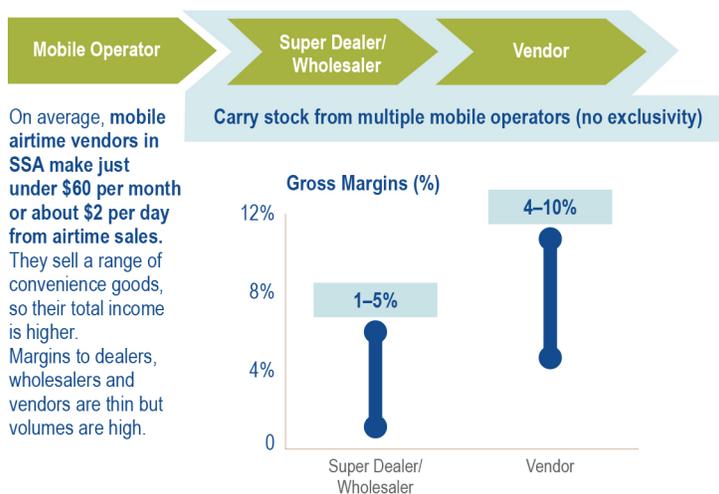
Success Story 2: Direct Sales Agents for Mobile Airtime (Street Vendors)

The airtime market in Africa is estimated to be worth \$50 billion. One of the principal means to access airtime is street vendors (or agents), who sell airtime from all mobile operators to prepaid customers on scratch cards. The story of mobile telephony in Africa has been widely heralded as a significant success; the suitability of the product to consumer wants—including those of the poor—has encouraged uptake. Airtime vendors thus tap into a sizable (and growing) market that is familiar with the product being peddled. Mobile penetration in Tanzania is 47 percent or 21 million subscriptions; in Kenya it sits at 62 percent, or 25 million mobile subscribers (International Telecommunication Union). The market is expected to grow at an annual compound rate of 17 percent over the next two years (Zibi, 2009). Mobile operators have invested heavily in demand stimulation and continue to support brand building and visibility. From a product perspective (airtime), purchasing cycles are short, resulting in high levels of repeat-buying of a standardized product that requires little explanation on how to use it.

Vendors operate in this space because customers are easy to find, and little effort is required for each sale; there is demand stimulation support from operators and enough margin to be attractive at such volume levels (see Figure 2).

Figure 2. Mobile Airtime Distribution

Mobile Airtime Distribution

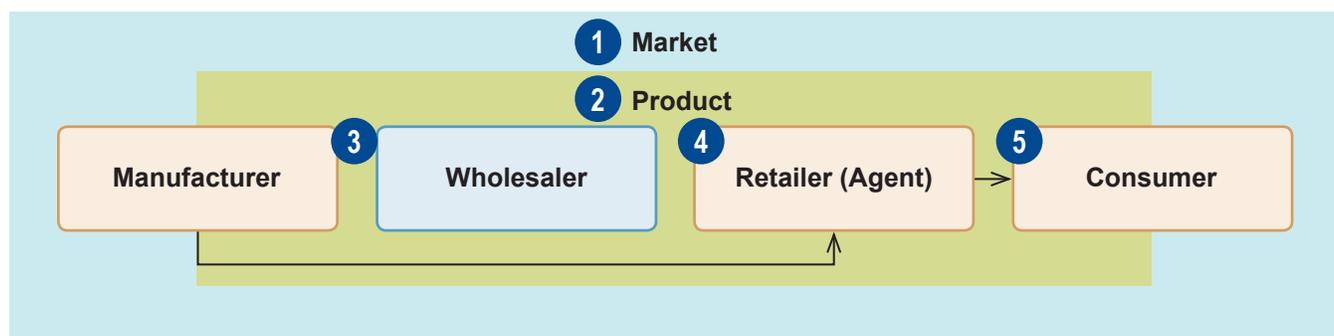


Sources: Bharti Airtel, 2010; Central Intelligence Agency; GSMA, 2009; Monitor analysis; MTN Group; Proparco, 2009; Safaricom; Tigo; Vodacom; Zain

Understanding the Model

Drawing from these and other examples from the field, it is possible to highlight the conditions under which most direct sales agent models succeed in demanding emerging market environments (see Figure 3).

Figure 3. Key Elements in Direct Sales Agent Models



1. Market

Direct sales agent networks work best where a market for the product or service being delivered has already been established, in other words, where market creation is not required. It is also a suitable solution when existing efforts leave the market underserved, or a mass market is available to target.

2. Product

The type of product(s) being offered through direct agent networks affects agent productivity and profitability, which in turn has a significant impact on the profitability of the organizing entity. As such, direct sales agents are typically best placed to distribute:

- *Uncomplicated or standardized products* to reduce the amount of time agents must spend educating customers about products and their use.
- *Pull products, or products offering a tangible value proposition* reduce the work involved with building a customer base and time spent convincing buyers that they want or need the product.
- *Well-known products* provide the agent with a ready customer base requiring limited product education and convincing to purchase. For example, Unilever's Shakti network in India anchors their sales around soap (Lux or Lifebuoy) or skin products, which are in high demand in rural India.
- *Short sales cycles and frequent purchase products* create a base of repeat customers (which are less costly to serve), and reduce the required sales territory that each agent must cover to have a profitable franchise. This also helps to amortize the cost of large-scale demand stimulation activities.
- *High-margin products* increase agent profitability, leaving the manufacturer more flexibility to price for direct sales markets, and

keeping more margin available to invest in sales training, demand stimulation, and other key tasks of organizing the channel (see “Agent Network Manager”).

- *Narrowly focused product ranges (specialization)* decrease complexity for the agent.

3. Agent Network Manager

In the SHOPS study, all agent models that achieved financial viability and scale originated with product manufacturers. In fact, for most non-BoP examples in the private sector worldwide (e.g., Coca-Cola, Unilever), typically it is the manufacturer that invests significant resources to educate consumers and activate demand for their products via advertising campaigns and trade promotions. This is not surprising, since manufacturers often have anywhere between 40 and 70 percent gross margins, enabling them to cover the expensive costs of training, promotion, and driving customer adoption associated with direct sales agents.

4. Retailer (Agent)

When it comes to the agents in successful networks, three dimensions deserve attention: agent selection, retention (turnover, incentives), and role complexity. Finding the right people to operate as agents is not easy, as the ideal agent (or micro-franchisee) has a mix of entrepreneurial spirit on one hand, and a willingness to follow instruction and prescribed ways of operating on the other (Deelder and Miller, 2009). To counter the sunk cost of creating a strong agent network, the right incentives need to be in place to retain agents. At the most basic level, rewards must be better than available alternatives, while risks must be lower compared to what an individual may face on his or her own. For many BoP-facing agent networks selling socially beneficial products in rural areas, this often means competing with two to three other sources of income for the agent (Scott, et al., 2012).

Role complexity is relevant for two related reasons: first, in successful models, agents are typically *not* tasked with a wide variety of functions. Instead, there is a sophisticated allocation of tasks and responsibilities that split functions related to distribution, customer education and marketing, and sales among different parties based on the competency profile of each agent and other participants in the channel.

Many BoP-facing agent networks selling socially beneficial products in rural areas are competing with two to three other sources of income for the agent.

Coca-Cola Sabco's Approach to Role Complexity

Coca-Cola Sabco's Manual Distribution Center model,⁴ is premised on an advanced division of labor; the community entrepreneur who handles manual distribution of product to small retail customers takes on only basic tasks (logistics, fulfillment, and physical distribution), while more complex functions such as marketing and sales order taking are left to Sabco specialist employees.

The microfinance industry in India and other countries offers a variant of an example of this: loan officers, many of whom have no more than a tenth grade education, keep to a narrow set of tasks around organizing loan groups, monitoring their progress, and collecting. They are typically not involved in a range of other products like insurance or other banking functions. While they engage in sales and operations (i.e., collections), in most cases they are not selling or servicing other products like solar lanterns, cook stoves, or non-financial items.⁵

Second, the nature of the role affects the training and support agents will need. By limiting the complexity of the agent's tasks, training investment can be managed at reasonable levels, minimizing both initial training costs and the risk of training agents who do not stay long enough to recoup the training investment.

5. Consumer

Agent networks work well where customer demand already exists, either as a result of previous demand-building initiatives or accompanying demand stimulation efforts (e.g., advertising) by the manufacturer. Mobile operators invest enormous sums in advertising and branding;⁶ Toyola Energy in Ghana benefited greatly from a USAID/Shell Foundation marketing campaign that set into motion the demand for an overall cleaner cook stove category. In Kenya, Bayer GreenWorld supports the sale of its crop protection products via small rural agro-dealers with radio advertising and extension agent training.

The cost to reach customers is another consideration; successful models either minimize these costs by operating in areas where customers aggregate (mobile vendors and water sachet sellers operate mostly in busy town markets), or by making rural outreach as low-cost as possible. Microfinance agents in India, for example, cover their rural territories by motorbike and then interact with clients in group settings.⁷

The optimal conditions for direct sales agent models are summarized in the following table.

⁴ Coca-Cola Sabco employs 3,000 community entrepreneurs in Ghana, Tanzania, and Kenya as part of a tailored distribution strategy—the manual distribution center. This approach has increased consumer reach by over a million people, mostly at the base of the pyramid, through direct distribution to informal shops and kiosks in difficult-to-reach urban areas. For more on Coca Cola's manual distribution centers, see the Harvard Kennedy School and International Finance Corporation's case study on Coca-Cola Sabco (Nelson et al., 2009).

⁵ For more on this topic, see Lalawani and Kubzansky, 2009.

⁶ According to the Safaricom 2011 annual report, the company spent approximately \$42.4 million on advertising and sales.

⁷ The financial services sector increasingly relies on agents, or "correspondents," to increase coverage of formal banking services. For more on this trend, see Lyman et al., 2011.

Optimal Conditions under which Direct Sales Agent Models Succeed

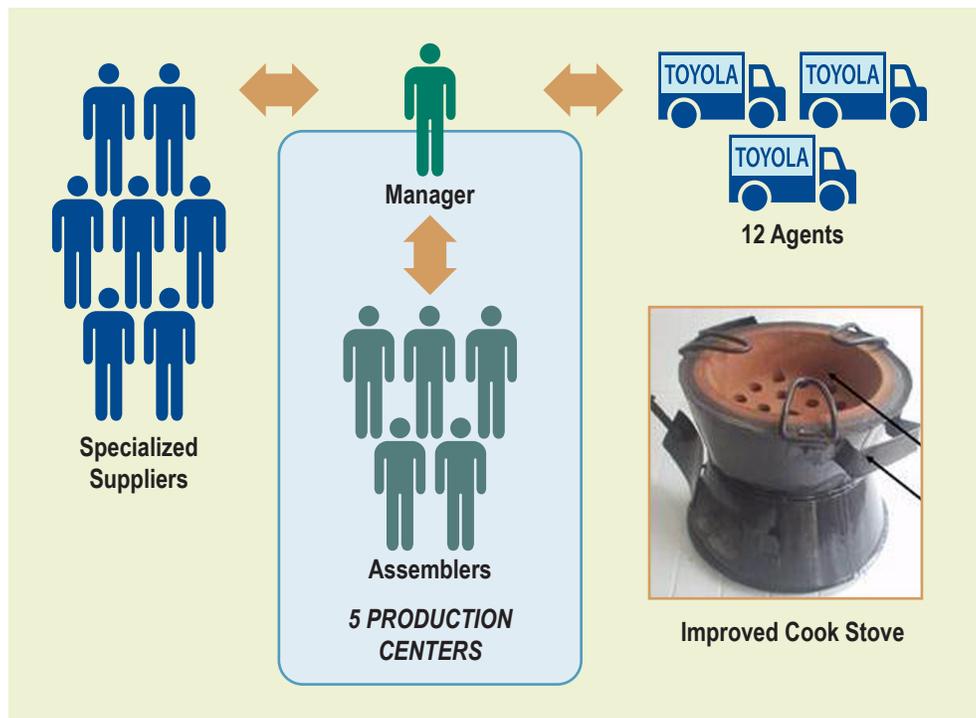
1. Market	2. Product	3. Agent Network Manager	4. Retailer (Agent)	5. Consumer
<ul style="list-style-type: none"> • Market entry rather than market creation • High volume • Underserved by other distribution networks 	<ul style="list-style-type: none"> • Standard configuration • Pull rather than push • Well-known • Short sales cycle • High margin 	<ul style="list-style-type: none"> • Manufacturer 	<ul style="list-style-type: none"> • Entrepreneurial • Clear incentives • Low cost of agent turnover • Low complexity tasks 	<ul style="list-style-type: none"> • Existing demand • Low cost to reach

Making Direct Sales Agent Models Work: Toyola Energy in Ghana

Toyola manufactures and distributes improved efficiency cook stoves in four sizes using a small dedicated network of 12 door-to-door sales agents (see Figure 4), and operates profitably (34 percent gross margin in 2009). It serves both a large and an established market—more than 80 percent of Ghanaian households use wood or charcoal as their predominant cooking fuel.

Toyola specializes in a single product, which limits the investment required in agent training, and the product offers a compelling value proposition—up to 40 percent savings in charcoal costs, resulting in a payback period of four months. Furthermore, Toyola increases the price for stoves sold on credit by about 20 percent to maintain good margins, and recently began using carbon credits to help support growth and keep prices competitive.

Figure 4. The Toyola Model



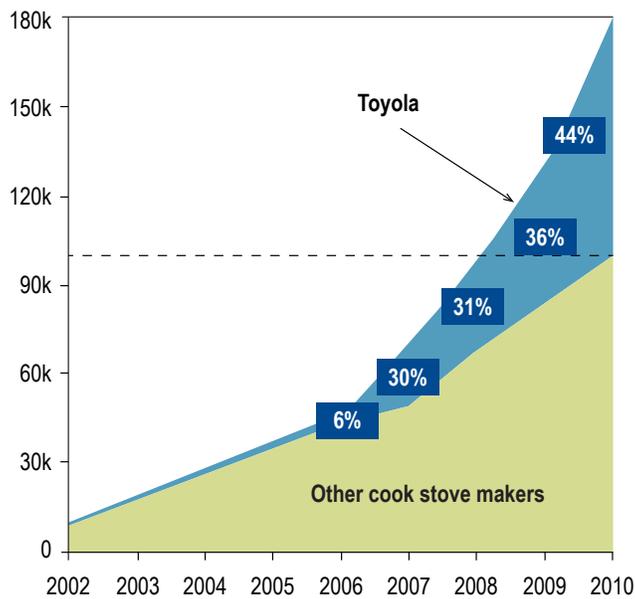
The business controls all aspects of operations from manufacturing to sales, which gives it an edge over enterprises acting as wholesalers and selling, but not manufacturing, the goods they sell.

Toyola agents earn a profit of more than \$220 per month after paying for fuel, vehicle maintenance, mobile airtime, and toll roads; not surprisingly, agent turnover is low at 5 percent.⁸ Agents tap into demand by (1) offering cook stoves on credit to end consumers, and (2) serving a diverse customer base that includes urban retailers.

A noteworthy catalyst of the venture's success was a significant **donor-funded demand stimulation campaign**. USAID and Shell Foundation funded EnterpriseWorks/VITA with \$800,000 to develop the market. Part of the funding supported customer education drives and category marketing on the value of an improved cook stove. The campaign benefited more than 80 different cook stove manufacturers, not just Toyola. But this advertising helped to entrench customer demand and set the foundation for Toyola's financial viability (see Figure 5) to the point that when the research team interviewed Toyola consumers several years after the campaign ended, consumers could still sing the campaign jingle.

⁸ The cook stoves are high-margin (approximately 35 percent), moderate-volume products.

Figure 5. Category Sales in Thousands of Units



The funding of the market activation campaigns by USAID and Shell Foundation was an important enabler for Toyola's later financial sustainability – especially in its initial days

The business is not without challenges (most notably the size and weight of its products, which requires Toyola to provide expensive trucks to sales agents with significant depreciation costs, in some cases exceeding \$1,000 per agent annually), but it offers a compelling example of how direct sales agents can be deployed successfully.

Direct Sales Agent Models in Health

Given the success factors noted for direct sales agent models in general, direct sales agent networks in health have set for themselves a series of additional challenges beyond the limitations of sector economics:⁹

- They frequently aim to build or create a market for preventive health care—a difficult proposition requiring significant investment by sellers of health care products and offering, at best, variable volumes tied to fluctuating cash flows of the target consumers.
- Agents carry a variety of products (basket of goods), most of which often include push products requiring significant explanation and education (oral rehydration products, or products that may require some behavior change, such as contraception). Margins tend to be low, and are put under pressure by the desire to keep prices low to ensure affordability (to match target consumer cash flows) and allow adoption. Instead of charging more for the convenience of doorstep delivery, health agent networks are typically selling products at prices well below the market rates in nearby village shops.

⁹ In markets of the rural poor in Africa or other similar regions, there is limited tradition and ability to pay for health products and services, and significant competition from subsidized alternatives. As such, all health agent models aiming to serve the BoP start out with stringent limits on pricing due to considerations of ability to pay among the target populations.

Inclusive enterprises often miss the importance of demand creation activities.

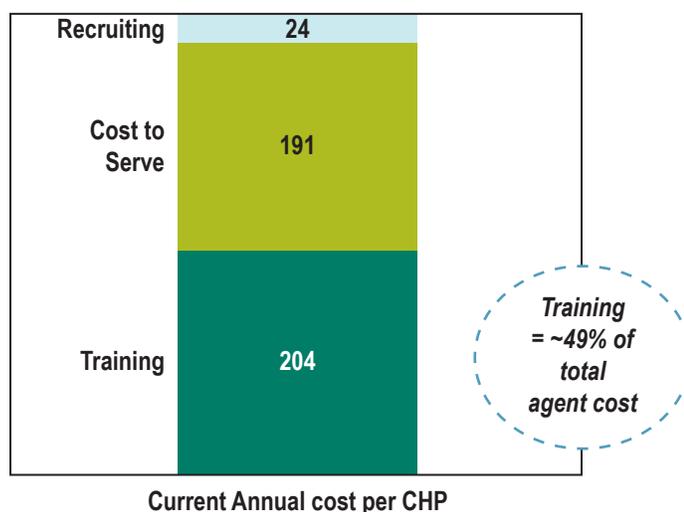
- The agent network managers (entities deploying direct sales agents) often operate in a position similar to wholesalers or distributors, a role that is known for thin margins with profitability spurred by large volumes. However, health product volumes—especially for rural areas—are frequently not sufficient to ensure wholesaler profitability, nor is it possible to easily scale up revenue without also scaling up costs associated with bringing on more agents.
- Agents are usually drawn from the local (often rural) BoP population, making these networks reliant on first-time business owners and entrepreneurs. Agents also take on an all-in-one function: they are directed to sell, market, and distribute a range of products, with little assistance in generating demand or behavior change messaging from other sources. This necessitates extensive coaching, supervision, and training to equip agents for the task at hand. In the case of Living Goods and HealthKeepers, two health agent networks (see the following case studies), over half of the annual expenses associated with each agent are costs related to continued support and training. High turnover rates—often explained by low profitability and competing demands on the BoP agent’s time—exacerbate this cost.
- There is frequently no demand stimulation beyond the efforts of the agents themselves, which is a difficult proposition and time-consuming for the agents. The lack of demand stimulation may be attributed to the lack of margin available to the agent network manager to support such activities—but it may also just be overlooked. Outside of agent models, inclusive enterprises—in an effort to fine-tune business models to meet the exacting needs of the BoP—often miss the importance of demand creation activities, which in health will have some overlap with behavior change communication. The cost to reach targets is also relatively high because interactions happen door-to-door, primarily in deep rural settings.

Case Study: Living Goods, Uganda

Living Goods harnesses the power of microfranchising to build a 100 percent sustainable system for delivering a wide range of lifesaving and life-changing products. Living Goods agents educate communities about proper health care and disease prevention and sell basic prevention and treatment products to their customers at affordable prices. Living Goods consciously aims to be the “Avon of health products” in the developing world. The enterprise employs a network of over 1,000 agents to provide doorstep delivery and sales of a collection of health products to the BoP in both urban and rural areas of Uganda, which has the fifth-lowest life expectancy in the world. The collection includes products like fortified foods to fight malnutrition, malaria treatment, condoms, rehydration solutions, de-worming tablets, mosquito nets, water purification tablets, and birthing kits.

The community health promoters are carefully selected and fully trained on an ongoing basis to enable them to provide basic health care advice and education to their customers. They receive three weeks of intensive induction training plus monthly refreshers and regular coaching. This is expensive, but is vital to the success of the model. There is an initial training cost of \$120 per agent, and an ongoing training cost of \$84 per year per agent, which accounts for about half the total cost of each community health promoter (see Figure 6).

Figure 6. Living Goods Total Annual Cost per Agent, 2010 (\$)



Notes: Does not include costs at the headquarters (fixed costs). Training cost includes: cost of induction training, salary and incentives of community health assistants, monthly training, training for CHP replacements due to churn. Cost to serve includes: branch office furniture and equipment, inventory, depreciation of start-up kits and fixed assets, assistant, office rent, maintenance, utilities, office supplies, and transport costs. Recruiting includes: recruiting expenses and start-up kits.

Sources: Primary research in collaboration with Living Goods; Monitor research and analysis

The model has powerful benefits for these microentrepreneurs. Not only do they receive training, but they also make a (gross) margin of around 20 percent on their sales, with top agents selling up to \$500 per month. The model is localized so all community health promoters live within seven to eight kilometers of their local Living Goods branch,¹⁰ which they visit once or twice a week for the purpose of restocking their product basket. They also have flexible schedules, which allows female agents to balance selling with household responsibilities and other income sources.

The health products are sold at a 10 to 40 percent discount compared to market prices to stimulate demand in a segment that spends just \$2.80 per capita each month on health care and has very low awareness. Living Goods goes beyond the typical product mix by supplying agents with a broad assortment of consumer items such as soap, diapers, lotions, and sanitary pads that increase sales, have higher margins, and thus bolster the agents' financial sustainability so they remain effective. The introduction of improved cook stoves as part of the product collection proved particularly successful in terms of optimizing product mix for profitability through margin contribution.

Although individual agents earn positive returns (typically around 14 percent net profit), the annual cost of maintaining agents is high and difficult to cover for the organizing entity. This is partly because many health goods are push products requiring extensive customer education and demand stimulation, which takes time and reduces the volume that community health promoters can sell. Moreover, Living Goods has experienced agent turnover rates of 15 to 20 percent, which eats into margins. However, unlike other sales agent networks, much of the agent turnover was intentional on the venture's part to root out nonperformers.¹¹

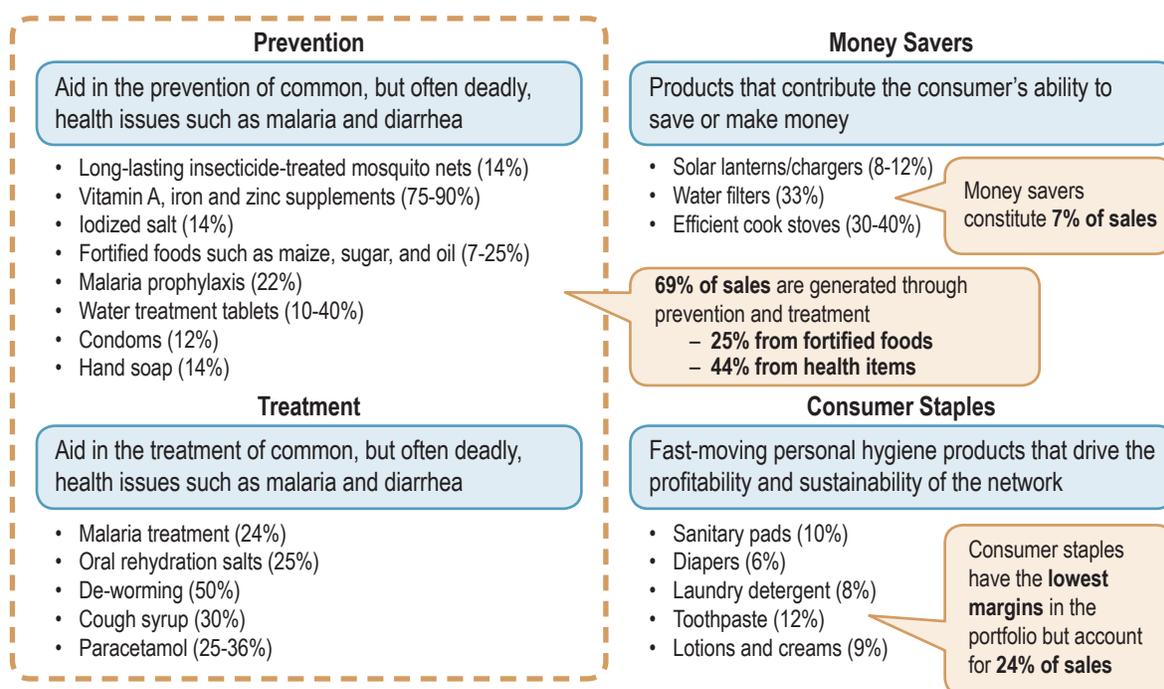
Living Goods, founded in 2007, has evolved considerably in a few years, and is now in a position where it is able to cover costs associated with distribution, including the cost to serve the agent network, excluding training and recruitment. It continues to operate in partnership with the Bangladesh Rural Advancement Committee (BRAC), a microfinance institution with extensive operations in Uganda, while simultaneously building out its own network of branches in Uganda and, starting in 2013, in Kenya.

Living Goods continues to experiment with its model, testing different approaches to the product mix (see Figure 7; over the last two years, money-saving products like cook stoves have become larger contributors to sales and margin), training methods, recruiting, markets, and geographies to help make the business sustainable and ensure it reaches the truly underserved.

¹⁰ Branches serve as product warehouse and distribution centers.

¹¹ This is a relatively common occurrence for sales networks moving from a pilot phase to a scaling-up phase. It is typically easy to find a small number of star performers when just beginning a venture to prove out the concept. But the task of increasing the number of agents by five or ten times the original amount presents real issues related to sourcing agents, being selective, developing proper criteria for selection and performance, and fine-tuning incentive structures.

Figure 7. Snapshot of Living Goods Product Mix and Sales, 2010



Note: Numbers in parentheses are margins. This product list is not exhaustive; the product basket is fluid.

Sources: Primary research in collaboration with Living Goods; Monitor analysis

Case Study: HealthKeepers, Ghana

Similar to Living Goods, HealthKeepers' network of local female agents not only carries and sells important health products, but also delivers health messages to its target BoP consumers. HealthKeepers, founded in 2007, is also a very young enterprise. It lost its main funding partner after just one year of operations, forcing it to quickly implement changes to the business model to increase revenues while cutting costs. One such change involved alterations to its product mix, replacing branded items, which typically feature very low margins (below 10 percent), with generics from manufacturers with lower bargaining power. To maintain perceptions of quality, HealthKeepers developed a sticker to brand condoms, which allows it to source products opportunistically and turn condoms into a margin champion. But social goals require that HealthKeepers sell products that do not necessarily have the best margins (e.g., malaria bed nets, newborn kits, water filters), leaving less flexibility to cover other costs, especially demand stimulation.

At its peak at the end of 2008, HealthKeepers employed around 210 agents, but as of March 2012 had fewer than 100 active agents. Whereas 70 percent of agents who joined the HealthKeepers network in 2008 were still active in 2009, only 23 percent of those who joined in 2009 were active in 2010. Such agent turnover reduces the size of the agent network and increases training costs. Not surprisingly, networks with the lowest sales volume per agent tend to have the highest churn rates; HealthKeepers agents sell about \$35 per month of goods, leaving an average of \$4 per month of profit. As a result, about one in two agents tends to leave. In contrast, Living Goods agents realize around \$22 per month of profit, enabling the network to achieve lower agent turnover rates.

Success for most market-based approaches to poverty consist of three indicators: commercial viability, social impact, and scale. Against these criteria, will it ever be possible for direct sales agent networks in health to succeed?

Some observers have suggested that success is only possible by offering a niche health product or service to a high-density urban market (Deelder and Miller, 2009). Others have argued that the requirement for commercial viability is less critical and that there is a strong enough case for agent distribution models given their efficacy in providing BoP consumers with access to socially beneficial products and services.¹² While the mixed experience of direct sales agent networks in low-income markets suggests caution when considering such models, there is almost certainly room to adjust elements of the model to move closer to commercial viability.

We suggest three model archetypes that could offer a guideline for future application of the model.

Direct Sales Agent Models in Health: Three Archetypes

The three archetypes we outline below make a case for direct sales agent networks:

- **Basic commercial (“viability first”) model:** has a product, agent, and customer profile that is very different to what we typically observe in direct sales agent models in health today
- **Subsidized (“impact first”) model:** has deliberate and targeted external support for aspects related to agent network managers, agents, and customers
- **Agent and store (hybrid) model** with both informal store-based and informal non-store-based channels

1. Basic Commercial (“Viability First”) Model

To date, the strategic choices made by enterprises opting to use agents have favored social impact over financial viability across multiple dimensions. By altering these choices, models can move closer to sustainability.

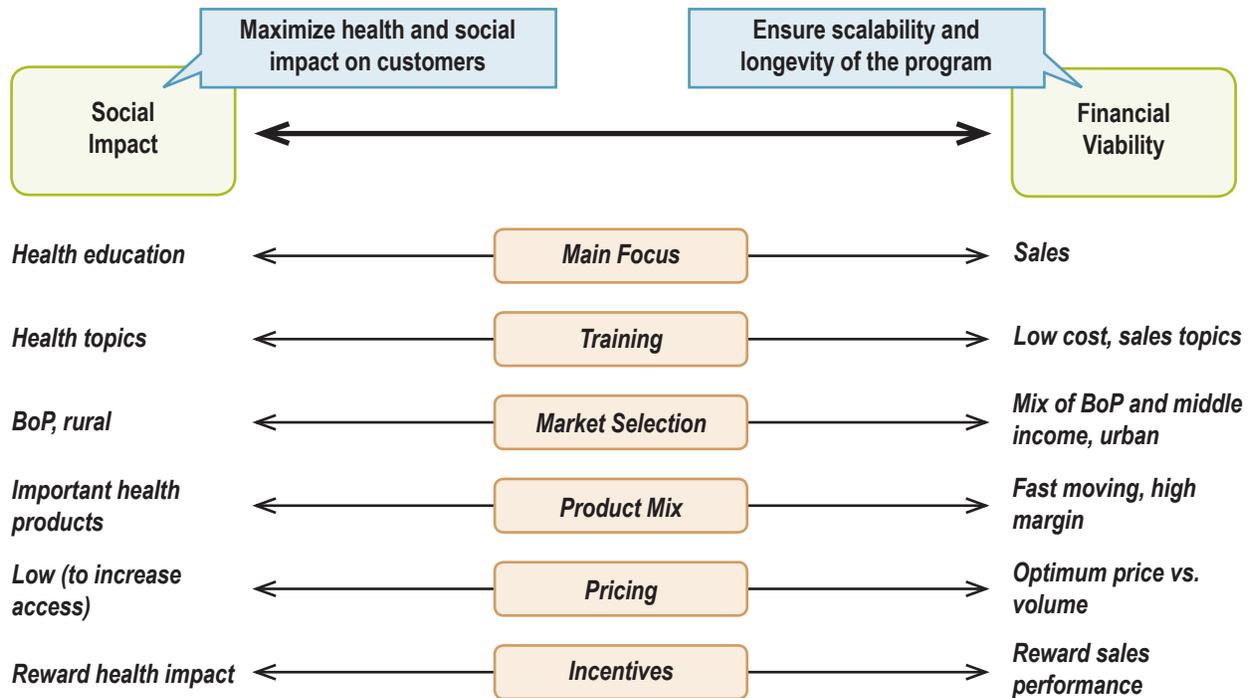
In practice, this becomes an enterprise with a product, agent, and customer profile that is substantially different from what we typically observe in direct sales agent models in health today.

The underlying fundamentals of the health sector restrict the viability of agent networks, especially when targeting rural BoP markets. Compared to other types of products, health products often require more consumer education, have more complex sales processes, and, particularly with preventive health products, have diffuse benefits that are not immediately observed by the consumer. These factors increase the selling costs for health products and reduce the financial viability of agent networks. However, the strategic choices made by many enterprises that use

¹²As of June 2012, there are few direct data on whether health agent networks are delivering improved social outcomes compared to, for instance, government health activities or the private markets left alone. However, Living Goods is working with the Poverty Action Lab to do a rigorous evaluation of social impact, with results expected in 2013.

agents tend to favor social impact over financial viability across multiple dimensions (see Figure 8).

Figure 8. Factors Affecting the Financial Viability of Direct Agent Models in Health



This is again not unique to agent models—the tendency to optimize social impact ahead of commercial viability is observed across many social enterprises that are delivering market-based solutions. It is also not surprising given the mission-based nature of most inclusive enterprises, especially those that seek to achieve improved health outcomes. However, there is room to advocate for a more balanced approach, where increased social impact is traded for longer-term financial survival that ultimately allows ongoing social impact. An overview of how enterprises that deploy direct sales agents can alter strategic choices to this end follows.

Product

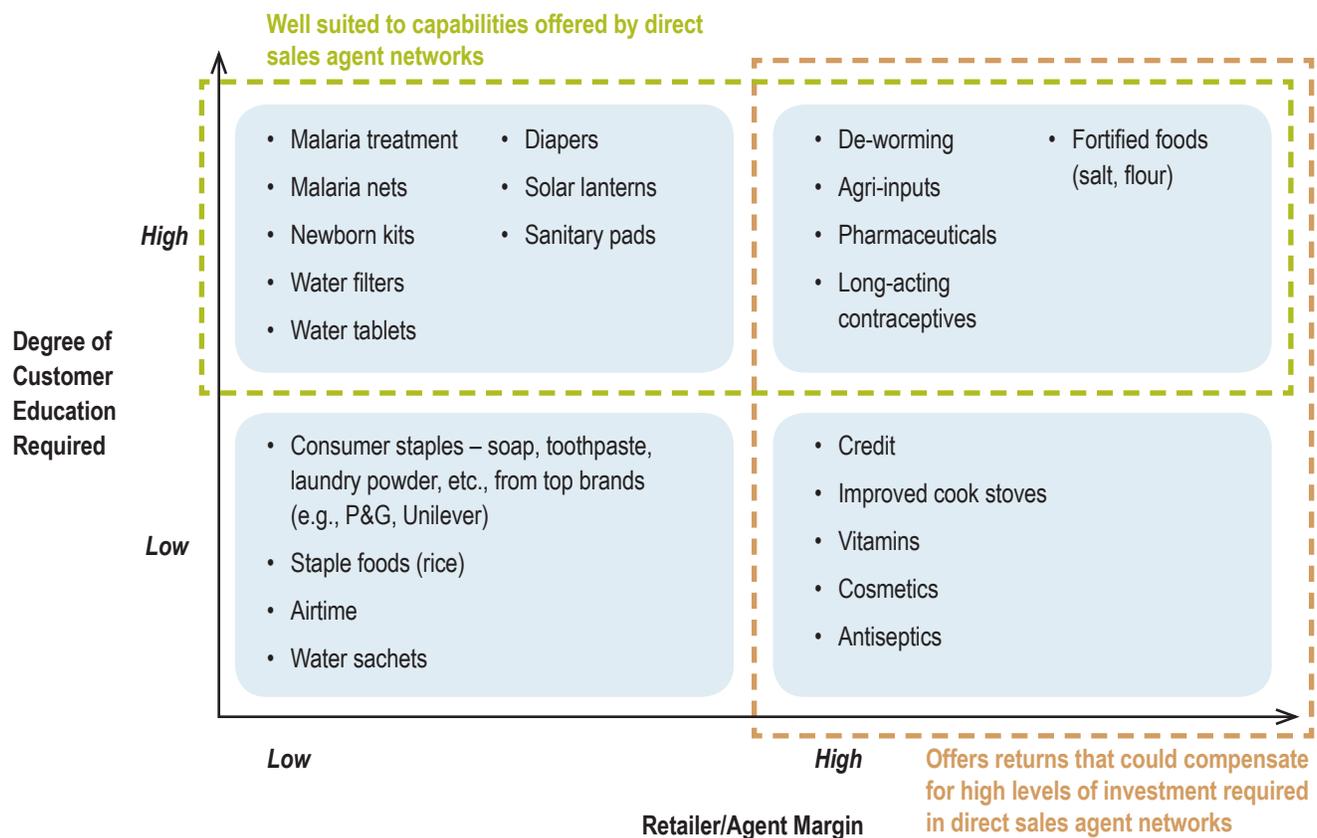
A 2007–2008 look at market-based solutions to poverty in India by Karamchandani et al. (2009) revealed a trap that inclusive enterprises often fall into: confusing need with demand. Entities offer products and services with clear social impact potential, only to find lackluster uptake from consumers not necessarily interested in such offerings. Agent networks in health are created to push socially beneficial products to a market with

limited knowledge of their need for such goods, and certainly no demand for most of them. As a result, the basket of health products frequently represents top aid donor priorities, rather than top consumer priorities.

To optimize **product mix** for viability:

- Balance door openers (e.g., cosmetics) with margin champions (e.g., vitamins) and health necessities (e.g., malaria treatment) so that there is a better mix of money-making, quick sell, and pull items versus just push products critical to health impact (see Figure 9).
- Build a profit-driven basic product basket for day-to-day sales, and supplement it with targeted demand-generation campaigns to support the addition of specific health products (e.g., oral rehydration solutions, bed nets) to the basket at particular points in the year.

Figure 9. Determining Best Product Mix to Ensure Viability – Examples



Note: Must be considered on a case-by-case basis, based on volume x margin expected.

Source: Monitor analysis

- Test aid priorities (for example, emphasis on combating diseases such as HIV/AIDS, malaria, and tuberculosis) against market realities (for example, gaps in family planning products) to avoid missed opportunities to change health outcomes.

Product pricing, as alluded to earlier, is another area that offers room for adjustment. It may be difficult to realistically assess ability and willingness to pay and apply this to price setting, but the viability of agent networks can be improved by not significantly undercutting market prices. Pricing in this archetype needs to be set to reflect a better balance between affordability and cost coverage, and likely requires providing doorstep delivery prices at least on par with what store-based retailers are offering.

Agent

This primer highlights the multi-role responsibility that a health agent assumes, while also showing that in successful models, there is often clear separation of distribution, education and marketing, and sales tasks. In the basic viability archetype, carefully consider the **configuration of the agent network**:

- Distinguish between educators/marketers and sales agents. A smaller marketing-only agent corps can sometimes prepare the way for the sales force, whose productivity is enhanced by spending less time with each household. Training costs are minimized as the sales agents require less extensive training support. To deploy the marketing corps effectively, consider if customer education can happen in aggregate. For example, the use of public demonstration days is a common practice used in health education. The marketing agents or demand activators can be shared across other tasks in a given sales territory, and do not need to be dedicated full-time to the particular health agent network. A variation of this has been tested by Living Goods. In 2012, Living Goods introduced a new agent level called a better living promoter. These agents sell mostly the same products as the standard agent network, with the exception of treatments for malaria and respiratory infection. Thus, the better living promoters require less training and monitoring, reducing costs with deploying and supporting new agents and moving Living Goods closer to financial sustainability.
- Provide mass market demand stimulation investment, for instance, via radio. This becomes feasible if the network is operated and supported directly by the health goods manufacturer (or a consortium of manufacturers) with the gross margin to invest in this task. Most manufacturers have budgets set aside for trade promotions and demand generation, although getting multiple manufacturers to contribute to the same independent network's effort can be difficult.
- Consider the use of super agents or agent aggregators to manage large agent networks. Decentralizing the maintenance of these

In successful models, there is often clear separation of distribution, education and marketing, and sales tasks.

networks can, as Avon has demonstrated, reduce the costs associated with agent turnover and recruitment.

Given the impact of **training costs** on its agent network business, Living Goods and HealthKeepers are experimenting with ways to decrease this investment. Living Goods has shortened monthly in-service training courses, plans to use video technology to increase its training reach, and hopes to introduce training via mobile phones. Similarly, HealthKeepers has reduced initial training from five to three days, and coordinates training events with product collection by agents from hubs, which also allows for ongoing training reinforcement.¹³

In terms of **agent selection**, there may be savings in outsourcing this function. HealthKeepers works with “finders”—existing community health workers—to source agents. Finders are paid a success fee for recommending an individual who is certified and retained as a HealthKeeper. Agent networks often find it difficult to recruit and keep qualified numbers of agents at scale. Usually, the first cohort is rigorously screened and often fulfills its objectives. Subsequent recruits, however, prove more difficult to find and retain (see the HealthKeepers case study). Such churn reduces the size of the agent network and increases training costs, so there is a cost saving in selecting agents who are retained in the network over time.

Some of these difficulties originate in the targeting of whom to employ as an agent. Entities deploying agents need to move away from using only agents drawn from the BoP. Previous research suggests that it is difficult to achieve social impact on two fronts in any sector (i.e., deliver both health impact and agent livelihoods). To attempt it in health adds complexity to an already tricky task. On the one hand, there is a substantial benefit to having community members sell to their peers, and such agents have an instinctive understanding of the lives of their customers. However, for low-income agents, cash flow variability and consumption patterns often result in performance volatility, with their sales peaking in months in which big-ticket items are needed for their households, or when income from traditional sources (such as farming) is limited. The extent of poverty in this segment also means that a BoP agent often has little to no working capital available to support her business activity. Added to relatively low levels of knowledge and skill, this increases the investment in time, training, and capital required from any organizing entity.

In addition, for most BoP sales agents, the product or service they are contracted to sell is typically only one of many income-generating activities they may pursue. Most have two or more sources of income, especially in rural areas. So there are often competing, and sometimes higher-value, uses of time—for instance, the harvest. As a result, as in most direct selling industries, churn rates tend to be high. BoP agents or distributors, like small producers, favor fast cash payment cycles that may not be achievable when selling socially beneficial goods or services. This is a

¹³While not observed in either model, the use of “super agents” in pharmaceutical and device industries could be used.

caution for inclusive enterprises. Using BoP agents can compromise the impact achieved on both commercial and social goals, given the factors cited here. It may make sense to build an agent network not drawn (or at least not exclusively) from the BoP to maximize the access objective.

Irrespective of the origins of the agents, in addition to financial incentives (agent margin) and moral incentives (status in community, ability to help community members), agent networks are exploring ways to **retain agents**. HealthKeepers, for example, is working to introduce a micro-savings component to turn their agent network into a savings-oriented, self-directed, self-help group to counteract agent turnover. The addition of a micro-savings scheme is likely appealing to HealthKeeper agents due to their lack of access to formal banking services and typical low levels of saving.

Customer

Based on the SHOPS research, successful inclusive businesses almost never exclusively target the BoP. A **customer mix** of BoP and BoP-adjacent consumers can boost the viability of the model. Going a step further, there is likely promise in a model that serves both urban and rural customers. Toyola sells to poor rural households while also targeting urban retail stores, a less volatile group of customers. In a similar move, HealthKeepers has started targeting licensed chemical sellers (frequently informal drug stores in rural and peri-urban areas) as a customer for and reseller of family planning products. A mix in customer base allows for wider reach of health messages. HealthKeepers is trying to reduce the cost of reaching customers by stationing agents at points where customers would aggregate (gas stations, truck stops), and encouraging customers to visit their local agent at her home.

Living Goods looks to the explosive growth of mobile phones as a way to achieve demand generation without adding significantly to operating costs. It recently ran a mobile-based communication campaign to promote cook stoves, and saw an uptick of 300 percent in subsequent cook stove sales. Backed by this positive experience, Living Goods is planning a number of different seasonal campaigns.

Based on SHOPS research, successful inclusive businesses almost never exclusively target the BoP.

Basic Commercial (“Viability First”) Model

The basic commercial (“viability first”) model requires:

- Product mix variations
- Pricing that reflects doorstep premiums
- Different agent network configurations, with role separation
- More cost-effective training methods and delivery
- Lower agent selection costs and less emphasis on using exclusively BoP agents
- Incentive scheme innovations to counteract agent turnover
- Diversified, lower cost-to-reach customer base and greater demand stimulation efforts

2. Subsidized (“Impact First”) Model

There is a strong potential social case for direct sales agent models, given their efficacy in providing BoP access to socially beneficial products and services. Targeted support from external players can improve the viability of the model, while recognizing that such a model will never be fully commercial.

In practice, the direct sales agent model receives deliberate and targeted external support for aspects related to the agent network manager, the agents, and the customers.

Product

This archetype uses a product basket optimized for health outcomes, similar to what Living Goods and HealthKeepers currently offer, and assumes that pricing needs to be maintained at a discount compared to urban shops to promote uptake and ensure affordability.

Agent Network Manager

A fundamental issue in health-oriented direct sales networks is that the agents need to sell a mix of products from soap, to oral rehydration solutions, to bed nets, and contraception. However, there is rarely a single manufacturer that produces all of the required product categories, and this requires anyone who wants to sell directly into these segments—including manufacturers themselves—to assemble a group of products from multiple manufacturers. This is difficult for social enterprises with low purchasing power relative to larger distributors and wholesalers, and difficult even for manufacturers who may find it necessary to cut deals with other competitors. Yet this consumer-oriented mix of products is one of the keys to success, and higher volumes can lead to lower unit prices to pass on to end consumers in the BoP and elsewhere. So assembling the required product basket is an important task that must be addressed in any model or archetype.

To address this gap in the marketplace, and avoid the thin margins a direct sales agent network typically would be subject to when serving as wholesalers, donor attention and funding could support:

- Bulk procurement by aggregating buyers (different sales agent networks) and providing working capital.
- Organizing consortia of manufacturers to ensure that agent networks have access to the full required public health-oriented (and other) product sets at lowest wholesale cost. This set of activities with a consortium could include the following in agreements with manufacturers:
 - Discounted pricing
 - Private label arrangements
 - Agreement to contribute a portion of manufacturer trade promotion funds to this new sales agent channel as a way of extending manufacturer sales reach and having their products sold with a broader array. These trade promotions could be organized based on outputs.

Agent

Agent training is a key influencer of the success of agent-based models attempting to deliver social benefit to the BoP, as agents must educate customers on products that have lower inherent demand. However, training requires a significant financial investment (see Figure 6). In fact, in the HealthKeepers and Living Goods models, the cost of training per agent is often higher than the gross profits generated per agent for the enterprise. Although the agents themselves often emerge as profitable, the investment in training hurts the economics of the model at the level of the enterprise, preventing long-term financial viability. Grant or concessional funding from donors to cover the cost of training for agents is a meaningful application of external support to improve the viability of direct sales agents. In fact, the SHOPS project's modeling of the costs of Living Goods suggests that if third-party donors were to cover the costs of agent training, the enterprise would break even financially, despite using a basket of products sold below market price and targeting rural, difficult-to-reach BoP markets.

Agent training is a key influencer of the success of agent-based models attempting to deliver social benefit to the BoP.

Customer

To sell push products, investments in large-scale demand generation campaigns must be made. Like training, this represents a further meaningful application for external subsidies since the required “air cover” supports important public goods and public health outcomes. In many cases, a private enterprise cannot undertake a behavior change campaign isolated from broader activities including government or donor-led messaging. In fact, in such cutting-edge market-based solutions, there is often no incentive for a single enterprise to take on the market creation and behavior change tasks, as they are often creating a demand environment that will accrue both public benefit and returns to many providers.¹⁴

There are several examples of past market creation and behavior change campaigns that were successful: (1) a government-led, anti-HIV media and grassroots campaign launched in Uganda in the 1980s that stressed “ABC”—abstinence, being faithful, and using condoms, and (2) the previously-referenced USAID and Shell Foundation Clean Energy for Household Cooking Project in Ghana, in which television, radio, and newspaper ads focused on health, economic benefits, and the price of improved cook stoves (see the text box, “Making Direct Sales Agent Models Work: Toyola Energy in Ghana”). Other past campaigns, like handwashing in India, have shared the cost between public agencies and private firms.

Another option to support agent networks includes public-private partnerships, where governments serve as anchor buyers or contracts are established to fund the delivery of health products and services that cannot be provided by the government itself due to capacity constraints.

¹⁴See Koh et al., 2012 for a discussion on the dilemma of market creation in public goods, in this case in the drip irrigation sector.

Subsidized (“Impact First”) Model

The subsidized (“impact first”) model may entail:

- Optimizing product mix for maximum public health benefit
- Below-market pricing for doorstep delivery
- Bulk procurement facilitation
- Manufacturer agreements
- Manufacturer incentives
- Shared manufacturer trade promotion support
- Agent training subsidies from donors or government
- Public-private partnerships (government-funded delivery)
- Demand stimulation support from donors or government

3. Agent and Store (Hybrid) Model

Franchising works best as an accelerator for growth of proven successful businesses.¹⁵ Agents as microfranchisees may be more viable if linked to, and anchored by, a successful base business.

In practice, this becomes a hybrid between an informal store-based and informal non-store-based channel: direct sales agents are added to extend the offering of an existing health-based business. In this archetype, a clinic, store, or group of stores, most likely in health-related services and products—like licensed chemical sellers—offer rural reach franchises to local agents to deliver and sell products or services to outlying areas. In doing so, they extend the sales and service coverage of a given clinic, shop, or group of shops.

Agent Network Manager

There is sufficient evidence to suggest that franchising typically follows initial business success and then builds on an established business base (Deelder and Miller, 2009). The implication for agent networks could be that a hybrid model, which sees agents attached to a store, clinic, or other physical point, may hold promise.

In Mali, Pesinet is a nongovernmental organization that provides detection and treatment of early childhood diseases via home health monitoring and remote diagnostics. This model works in part because the network of field agents screening young children for treatable conditions is informally linked to local government community health care centers. Pesinet pays a monthly fee to the clinics, which enables it to offer the use of clinic facilities and medical staff time to customers at discounted rates. For this service, plus home health monitoring, customers pay a low monthly subscription fee to Pesinet.

The SHOPS study shows that there is significant potential for inclusive businesses to reach scale by tapping into existing informal store-based channels. Such channels, ranging from spaza shops (informal convenience shops found in South Africa that stock items such as bread, pre-paid electricity, and mobile airtime, usually run from homes) to local clinics and agrodealers (small retailers serving farmers by selling agricultural inputs and other products used in small-scale farming), offer a large installed base of outlets serving BoP consumers. Many large African businesses, such as mobile phone networks or banks (e.g., Standard Bank) have built service delivery networks that center on these informal shops.

If done well, attaching agents to health channels, such as patent medical vendors in Nigeria or licensed chemical sellers in Ghana, can offer several benefits: (1) it may allow the existing businesses to extend their reach to the underserved, through cross-subsidization across customer sets, (2) it can take advantage of scale economies in purchasing, if it is not just purchasing from manufacturers for direct agents but also for an installed base of clinics and shops, and (3) it allows for a division of labor where

¹⁵Deelder and Miller, 2009 suggest that McDonalds only opened its first franchise 15 years after opening its first store.

clinic operators or shop owners can provide some of the services required to succeed in the channel, leaving the direct sales agents to specialize and even refer back to the anchor, as the Pesinet example indicates.

Successfully attaching sales agents to existing health channels requires training, support systems, and a sensible division of labor. First, the agent needs specific training in the health product. A second necessary factor is having systems or procedures suitable to support the hybrid model. For example, when a large bank decided to use spaza shops as ATM points for rural customers, it had to provide these shops with terminals and technology to enable this. When Coca-Cola rolled out its manual distribution centers in East Africa, where small distributors—attached to larger sales hubs—would handle last-mile distribution to small retailers, the initiative was backed by sales systems and activity guides to support the model. Neither of these examples is related to health, but they demonstrate that a hybrid model will require supporting systems. Third, the sensible division of labor and services requires thought about the role of the store-based channel versus the role of the agents attached to the store to maximize the specific strengths of each of these components.

Direct sales agent networks continue to offer significant promise to achieve social impact within the BoP in a more commercially viable way.

Attaching agents to physical anchor bases like clinics and shops also allows for other possibilities such as providing important services that may require sharing the cost of (relatively) expensive equipment, such as chronic condition monitoring equipment for tuberculosis or diabetes.

Many other attributes of this archetype could be adapted from either of the first two archetypes, depending on whether the objective is commercial viability or whether it centers more on social reach.

Recommendations for Donors, Social Enterprises, and Manufacturers of Health Products

Direct sales agent networks continue to offer significant promise to achieve social impact within the BoP in a more commercially viable way—if this is the objective of such enterprises. The following are high-level recommendations for donors, social enterprises, and manufacturers of health goods in each of the proposed agent model archetypes. While the majority of these recommendations cover actions donor agencies can and should take, there are equally important implications for manufacturers who are interested in using direct sales or direct pay opportunities to reach the BoP and adjacent segments.

Donors

- Take costs out of the direct agent model by supporting training, demand generation, and behavior change communication.
- Assist with setting up aggregation platforms that would allow different agent network managers to benefit from bulk procurement across multiple products and services from multiple manufacturers.
- Continue building the evidence base of models that work to facilitate replication and transplantation of successful enterprises.
- Build and fund the evidence base of the health impact of direct sales agents to maintain momentum behind innovation and experimentation in this field.

Social Enterprises

- Actively look for ways to better balance business imperatives and social impact in terms of product mix, customer segments targeted, price, and other tradeoffs.
- Scan the landscape for partnership opportunities that will enhance scale and viability of agent networks, including in recruitment or by pairing with anchor clinics or stores.
- Manage and reduce training costs and agent turnover.
- Experiment with different ways in which donor funding can lower operating costs inherent in direct sales agent models (see donor recommendations above).

Health Product Manufacturers

- Consider product assortment joint ventures with other manufacturers to optimize the health basket product mix for reaching into the BoP and BoP-adjacent segments.
- Take cues from the performance of current health product baskets in the design, development, and adaptation of products for the BoP.
- When considering expanding reach into new or underserved segments, explore partnerships within or outside the sector with existing (at scale) agent networks.
- Make channel trade promotion funds available to help stimulate demand in agent network schemes.
- Apply available corporate social investment funds to invest in agent networks.
- Look to establish partnerships with donors where clear alignment of objectives exist.

ABOUT THE STUDY

The research that underpins this primer profiled 439 enterprises across 14 sectors and nine countries in sub-Saharan Africa, including 65 in the health sector. These enterprises predominantly sought to engage customers or business associates in the \$2-a-day (or less) segment of the population. Although some enterprises also operated in other income segments, the research objective was to investigate the effectiveness of inclusive businesses at the base of the economic pyramid. The research involved extensive field work, including site visits and interviews with the enterprises and their customers, suppliers, agents, investors, and subject matter experts. The research team surveyed nearly 50 large African and multinational corporations to increase understanding of their approaches to low-income markets. Additionally, the research team spoke with more than 50 impact investors in North America, Europe, and Africa to ascertain factors guiding their decisions to invest and the barriers they encounter when attempting to deploy capital to help reduce endemic poverty. The primer draws upon Monitor Group studies of BoP-oriented business models in emerging markets, including a similar study in India (Karamchandani et al., 2009) and a recent report (Koh et al., 2012) that looked extensively at the role of donor funding in helping build markets and market-based solutions.

Direct Sales Agent models fall into the category of market-based solutions with promise, but that have not yet been proven to be large-scale, of high social impact, and commercially viable. As part of an in-depth look at this model, the research team completed three detailed field-based case studies of enterprises employing direct sales agents, including **Living Goods** (Uganda, direct sales of health products), **HealthKeepers** (Ghana, direct sales of health products), and **Toyola Energy** (Ghana, direct sales of improved charcoal cook stoves).

The analysis benchmarked in less detail a number of relevant examples and models, including mobile phone airtime agents in four countries and Avon and Natura cosmetics direct sales agent networks.

Research activities included:

- *Field visits*—the project team visited nine African countries (Ghana, Kenya, Mali, Nigeria, Senegal, South Africa, Tanzania, Uganda, and Zambia) between 2009 and 2011.
- *Stakeholder interviews*—with the management of each enterprise studied, as well as wholesalers, retailers, sales agents, and consumers. Supplementary interviews covered subject matter experts and relevant government representatives.
- *Economic analysis of business models*—the project team unpacked revenue and cost components of the initiatives, analyzed the interrelationships between different parts of the initiatives, and calculated key financial metrics to benchmark against examples of BoP engagement at scale.
- *Follow-up visits and interviews*—with key staff at HealthKeepers and Living Goods in mid-2012.

REFERENCES

Bharti Airtel. 2010. *Bharti Airtel Annual Report 2009–10*. Accessed March 9, 2013, <http://www.airtel.in/annual-report/annualreport.html>.

Bloomberg Businessweek. “Avon Products Inc.” Accessed May 2012, <http://investing.businessweek.com/research/stocks/financials/financials.asp?ticker=AVP:US>.

Central Intelligence Agency. 2011. *The World Factbook*. Accessed March 9, 2013, <https://www.cia.gov/library/publications/the-world-factbook>.

Deelder, W. and R. Miller. 2009. *Franchising in Frontier Markets. What's Working, What's Not, and Why*. Geneva: Dalberg. Accessed June 2012, http://dalberg.drupaldesign.dk/sites/dalberg.com/themes/dalberg/images/frontiers_markets_content_print_marks.pdf.

GSMA. 2009. *Taxation and the Growth of Mobile in East Africa*. Accessed March 9, 2013, <http://www.gsma.com/publicpolicy/wp-content/uploads/2012/03/taxationandthegrowthofmobileineastafrica2007.pdf>.

International Telecommunication Union. “ICT Data and Statistics.” Accessed May 2012, <http://www.itu.int/ITU-D/ict/statistics>.

Karamchandani, A., M. Kubzansky, and P. Frandano. 2009. *Emerging Markets, Emerging Models: Market-Based Solutions to the Challenges of Global Poverty*. Cambridge, MA: Monitor Group. Accessed June 2012, http://www.mim.monitor.com/downloads/emergingmarkets_full.pdf.

Koh, H., A. Karamchandani, and R. Katz. 2012. *From Blueprint to Scale: The Case for Philanthropy in Impact Investing*. Mumbai: Monitor Group and Acumen Fund. Accessed June 2012, <http://www.mim.monitor.com/blueprinttoscale.html>.

Kubzansky, M., A. Cooper, and V. Barbary. 2011. *Promise and Progress: Market-based Solutions to Poverty in Africa*. Johannesburg: Monitor Group. Accessed June 2012, <http://www.monitor.com/Expertise/Geographies/Africa/tabid/87/ctl/ArticleDetail/mid/675/CID/2011230515191415/CTID/1/L/en-US/Default.aspx>.

Lalawani, N., and M. Kubzansky. 2009. *Stretching the Fabric of MFI Networks*. Cambridge, MA: Monitor Group. Accessed June 2012, <http://www.mim.monitor.com/downloads/whitepaper-MFI-networks-screen.pdf>.

Living Goods. Accessed June 2012, <http://livinggoods.org>.

Lyman, T., M. Pickens, and D. Porteous. 2008. *Regulating Transformational Branchless Banking: Mobile Phones and Other Technology to Increase Access to Finance*. CGAP Focus Note No. 43. Accessed June 2012, <http://www.cgap.org/publications/regulating-transformational-branchless-banking-mobile-phones-and-other-technology>.

MTN Group. *Integrated Business Report for the Year Ended 31 December 2008*. http://www.mtn-investor.com/mtn_ar08.

—. *Integrated Business Report for the Year Ended 31 December 2009*. http://www.mtn-investor.com/mtn_ar09.

Nelson, J., E. Ishikawa, and A. Geaneotes. 2009. *Developing Inclusive Business Models: A Review of Coca-Cola's Manual Distribution Centers in Ethiopia and Tanzania*. Harvard Kennedy School and International Finance Corporation. Accessed June 2012, http://www.hks.harvard.edu/m-rcbg/CSRI/publications/other_10_MDC_report.pdf.

Proparco. November 2009. *Private Sector Development*. Accessed March 9, 2013, http://www.proparco.fr/webdav/site/proparco/shared/ELEMENTS_COMMUNS/PROPARCO/Revue%20SPD%20vraie/PDF/SPD4/RevueSPD4_Mobile_Phone_UK.pdf.

Safaricom. *Group Annual Report and Accounts for the Year Ended 31st March 2011*. Accessed June 2012, http://www.safaricom.co.ke/images/Downloads/Annual_Reports/2011_Annual_Report_FINAL.pdf.

—. 2009. *Safaricom Industry Update*.

Scott, L., C. Dolan, M. Johnstone-Louis, K. Sugden, and M. Wu. 2012. "Enterprise and Inequality: A Study of Avon in South Africa." *Entrepreneurship Theory and Practice* 36, no. 3: 543–568.

Tigo. *Annual Report and Accounts 2008*. Accessed March 3, 2009, <http://ar08.millicom.com/Overview/index.html>.

Trading Economics. "Rural Population (% of Total Population) in Sub-Saharan Africa." Accessed May 2012, <http://www.tradingeconomics.com/sub-saharan-africa/rural-population-percent-of-total-population-wb-data.html>.

Vodacom. *Vodacom Group Limited Annual Report for the Year Ended 31 March 2009*. Accessed March 9, 2013, http://www.vodacom.com/reports/ar_2009/pdf/full.pdf.

World Bank. "Poverty & Equity: Sub-Saharan Africa." Accessed May 2012, <http://povertydata.worldbank.org/poverty/region/SSA>.

—. "World DataBank." Accessed May 2012, <http://databank.worldbank.org>.

Zain. *Annual Report 2008*. Safar, Kuwait: Zain. Accessed March 9, 2013, <http://www.zain.com/media/images/resumes/Zain2008AnnualReportEnglish.pdf>.

Zibi, G. 2009. *The Future of African Mobile Profitability—Stupendous Value, Mobile Darwinism and the Next Phase of Growth*. Cambridge, MA: AfricaNext Investment Research.

Acknowledgments

The authors acknowledge the generous financial and intellectual support of the sponsors of the Monitor report, especially the Bill & Melinda Gates Foundation, which provided anchor funding for the work, and the SHOPS project, which created an opportunity through this primer to focus and build on the findings of the study with respect to health. The authors also thank the 65 health enterprises that participated in this work. Special recognition goes to the management teams of Living Goods (especially Molly Christiansen), HealthKeepers (Daniel Mensah), and Toyola Energy (Suraj Wahab), whose helpful collaboration during the initial research phase was critical in shaping the findings. The ongoing generosity of these individuals in providing updates on the progress of their respective organizations helped to further shape understanding and was vital in the development of this primer. The authors also thank Alexandra Mandelbaum, Marcelo Bello, Alison Riep, and Ashley Middleton—the Monitor team members who conducted the field research—for their tireless dedication to the effort. Additional thanks are extended to Caroline Quijada, deputy director of the SHOPS project.

For more information about the SHOPS project, visit: www.shopsproject.org



Abt Associates Inc.
4550 Montgomery Avenue, Suite 800 North
Bethesda, MD 20814 USA
Telephone: 301.347.5000 • Fax: 301.913.6019
www.abtassociates.com