

BUILDING A FINANCIALLY STABLE AND SCALABLE SOCIAL VENTURE

- Mission/Opportunity/Strategies
- External Environment Analysis
- **Target Market and Marketing**
- Operations and Value Chain
- Organization and Human Resources
- Business Model and Unit Economics
- Metrics and Accountability

BUILDING A FINANCIALLY STABLE AND SCALABLE SOCIAL VENTURE

- The Importance of Market Analysis
- Market
- Marketing

CLASS TOPICS

- Carlson/Koch Chapter 6: Target Market Statement
- Market segmentation
- BOP market
- Top down v. bottom up perspectives
- Marketing Plans
- Report # 3: Target Market

Total Available Market, Served Available Market, Target Market

TAM = how big is the universe

SAM = how many can I reach with my sales channel

Target Market (for a startup) = who will be the most likely buyers



THE B.O.P. MARKET (Prahalad)

- Characteristics
 - Very low unit price
 - Very large, *potential* volume
 - Ease of access and ease of use are critical
 - Micro-financing *customers*
 - Brand sensitive
- Marketing Goals
 - Create awareness
 - Create trust
 - Create capacity to consume
- Marketing Lessons
 - Capital efficiency (advertising/channel creation is often too expensive)
 - Value-oriented (low price, high quality) “branding”
 - Local/cultural knowledge builds trust (Grameen Bank example)
 - Leverage networks/partnerships

Venture Development & Market Creation

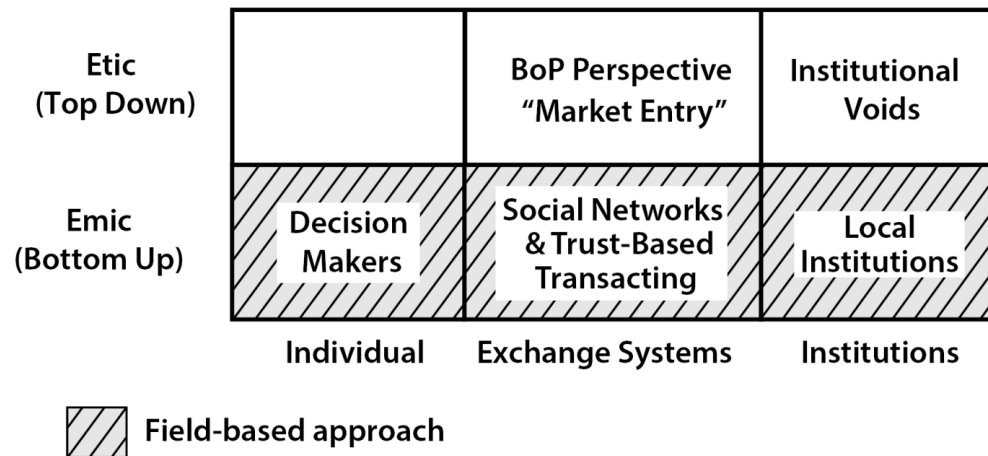
	Enterprise Development	Market Creation
Action Enabling	<p><i>Facilitate Enterprise Activities</i></p> <p><i>Market Intelligence</i></p> <ul style="list-style-type: none"> • Cultural context, competitive landscape • Consumer demand, supplier preferences <p><i>Market Access</i></p> <ul style="list-style-type: none"> • Connection to distributors, other platforms • Implementation support <p><i>Value Creation</i></p> <ul style="list-style-type: none"> • Assess poverty impacts 	<p><i>Facilitate Market Transactions</i></p> <p><i>Demand Creation</i></p> <ul style="list-style-type: none"> • Awareness raising, behavior change • Micro-credit, other sources of financing • Vouchers/subsidies <p><i>Supply Enhancement</i></p> <ul style="list-style-type: none"> • Advisory services for producers • Improved inputs • Aggregation of outputs
Capacity Building	<p><i>Enhance Enterprise Resources</i></p> <p><i>Financial Capital</i></p> <ul style="list-style-type: none"> • Grants, equity, debt, loan guarantee <p><i>Human Capital</i></p> <ul style="list-style-type: none"> • Talent development, technical assistance <p><i>Knowledge Capital</i></p> <ul style="list-style-type: none"> • Processes, tools, and frameworks <p><i>Social Capital</i></p> <ul style="list-style-type: none"> • Legitimacy, access to networks 	<p><i>Enhance Market Environment</i></p> <p><i>Value Chain Infrastructure</i></p> <ul style="list-style-type: none"> • Physical infrastructure development • Quality assurance and certification • Market transparency <p><i>Legal Infrastructure</i></p> <ul style="list-style-type: none"> • Policy changes and regulation enforcement <p><i>Institutional Infrastructure</i></p> <ul style="list-style-type: none"> • Banking, legal, property sector enhancement

Markets for Underserved Communities

Jain and Koch

FIGURE 1

**Conceptualizing Markets For Underserved Communities:
Integrating The Theoretical Perspectives**



Takeaways from Underserved Markets Research

- *Developing* v. serving markets
- Must understand markets on their own terms
- Field-level approaches that combine top-down and bottom-up approaches are likely to work best
- Technology, financing, *enabling policy* are points of leverage . . . can complement bottom-up efforts
- Tension between *scaling* v. *customization*

How Marketing is Different for BOP Customers/Beneficiaries?

- Must convince of *value* v. convince to buy
- Media are different
 - Word of mouth
 - Importance of voice/visuals
 - Signage, radio, video, cell-phone v. TV, print, and Internet
- Low price is essential (but not often a differentiator)
- Harder to find/create a channel (use existing if possible)
- May need different marketing for different stakeholders
- Sometimes easier to create brand
 - Possible advantage of “first mover” and of “reference” customers

Shared Value: Types of BoP Beneficiaries

- **Direct (Primary):** Clients/users (target of mission statement)
- **Indirect (Secondary):** *Economic buyers* or mission funding sources
- **Related (Tertiary):**
 - Macro (economy, environment, health)
 - Micro (family, community)
 - Agency (government, NGO)
- **Example: Poor as producers**
 - BOP is the *direct beneficiary*
 - TOP “buyer” is the *indirect beneficiary* (public goods)
 - BOP economy is the *related beneficiary*
- **Example: Grameen Shakti (off-grid clean energy)**
 - *Direct beneficiaries:* families without light
 - *Indirect beneficiaries:* government funding agencies
 - *Related beneficiaries:* rural or urban communities
 - *Environment:* reduced CO2 emissions

Why Marketing is Important for a *Social Business*

- Defines *beneficiaries* and how to reach them
- Selecting strategies to increase *penetration (impact)*
- Facilitates *fundraising* and financial sustainability
- *Social marketing*
 - Convincing beneficiaries of value
 - Creating the market
 - Lasting behavioral change

Which Strategies Work Best

Rangan, Chu, Petkoski (HBR, June 2011)

1. Provide appropriate & affordable products/services <i>directly</i> to poor	<i>Low income</i> (\$3-\$5 a day) 1.4 billion people
2. <i>Enlist individuals or small businesses</i> to provide efficient reach and coverage	<i>Subsistence</i> (\$1-\$3 a day) 1.6 billion people
3. <i>Engage community</i> as part of supply chain (co-produce value)	<i>Subsistence</i> (\$1-\$3 a day) 1.6 billion people
4. Form commercial (exclusive) <i>partnerships with governments and NGOs</i>	Extreme poverty (below \$1/day) 1 billion people

SEGMENTATION OF TARGET BENEFICIARIES

Bases for Segmentation (significant subgroups from needs analysis; data is available or can be easily collected)

- *Geographic (physical/political boundaries)*
- *Demographic (beneficiary traits – e.g., age, gender)*
 - Socio-economic (class, income)
 - Psychographic (lifestyle)
 - Behavioral (consumption styles, patterns)
- *Product/service needs (features)*

SEGMENTATION OF TARGET BENEFICIARIES

- Segment Size Estimation
 - Build-up (induction) . . . micro-analysis
 - Factor/percentage (deduction) . . . macro-analysis
- Defining the Segment (*niche*)
 - Identifiable
 - Relevant size
 - Accessible
 - Measurable benefit

DATA SOURCES FOR MARKET SIZE

BASE OF THE PYRAMID

- IFC Global Consumption Database
www.datatopics.worldbank.org/consumption/
- International Monetary Fund
- World Health Organization
- International Data Corporation
- Other

US MARKET

- www.SBA.gov (Business Data and Statistics)
- www.census.gov (Census Bureau)
- www.fedstats.gov
- www.economicindicators.gov
- Other

STIMULATING ADOPTION BY BENEFICIARIES

3 Elements of a Marketing Plan

1. Market Positioning (beneficiary needs, reason to consume)
2. Competitive Analysis
 - May want to develop *Competitive Alternative Table* specifying benefits of your venture relative to alternatives (see Exercise 6.2)
3. Go to market strategy 4Ps
 - Product/Service
 - Price (including cross-subsidy models such as Aravind)
 - Promotion (including word of mouth and “brand promise”)
 - Placement
4. Forecast/Goals
5. Monitoring/feedback

BENEFICIARY ANALYSIS “MATRICES”

1. Market Segmentation

<u>Segment</u>	<u>Bases</u>	<u>Size</u>	<u>Needs</u>
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2. Competitive Analysis

<u>Alternative</u>	<u>Characteristics</u>	<u>Size</u>	<u>Relative Position</u>
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3. Go-to-Market

<u>Product /Service</u>	<u>Pricing</u>	<u>Placement</u>	<u>Promotion</u>
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4. Forecast

<u>Timing</u>	<u>Product/Service</u>	<u>Beneficiary</u>	<u>Estimate</u>
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COMPETITION

- Types of Alternatives (Competitors)
 - Non-consumption (do nothing)
 - Alternative suppliers (same/similar product)
 - Private sector
 - Public/government sector
 - NGOs or non-profits
 - Alternative product (same or alternative supplier)
- Influencers
 - Suppliers
 - Agencies (government and NGO)
 - Complementary product/services and partners
 - Funding sources
 - Opinion leaders

MARKETING PLAN

Go To Market Strategy: 4 P's

<p><u>Product/Service: Addressable Market Positioning</u></p> <ul style="list-style-type: none">• Reason to consume• Differentiation	<p><u>Pricing (usually a combination)</u></p> <ul style="list-style-type: none">• Subsidized, cross-subsidized, or free• Cost-based<ul style="list-style-type: none">▪ Marginal cost recovery▪ Fully loaded cost recovery• Market based• Value based• Tiered (by need/ability to pay)
<p><u>Promotion</u></p> <ul style="list-style-type: none">• Word of mouth• Partner• Advertise• Brand (product, enterprise, cause)• Web	<p><u>Placement (channel)</u></p> <ul style="list-style-type: none">• Direct• Indirect (Partner)• Web (+ direct or indirect shipping)

Beneficiary Analysis and Sustainability/Scalability

Sustainability

- Does the target market segmentation provide sufficient detail on the “reason to consume” characteristics?
- Does the marketing plan reach and convince the target market to consume the product/service?
- Does the size of the target market support sustainable finances (via contributed or earned income)?

Scalability

- Can the target market be expanded rapidly with either additional products or additional beneficiaries?
- Is there sufficient differentiation/competitive advantage?

Application of Beneficiary Analysis to Your Venture – Report #3

1. What is the Total Available Market?
2. What is the “target market” size for direct beneficiaries? What is the market positioning and competitive advantage for direct beneficiaries?
3. Market Segmentation and Adoption:
Market subsegments and customers reasons for adoption
4. What is the marketing plan (the 4Ps of your *go-to-market* strategy)?
5. Does your beneficiary analysis (questions 1-4) support sustainability and scalability of the organization? (Use criteria from previous slide)

Application of Beneficiary Analysis to Your Venture – Discussion #3

1. What is the “target market” size for direct beneficiaries? What is the market positioning and competitive advantage for direct beneficiaries?
2. What is the marketing plan (the 4Ps of your *go-to-market* strategy)?
3. Does your beneficiary analysis support sustainability and scalability of the organization?