

Business plan
Global Enterprise Experience 2008
Team 64



Growth for life

Alberto Marcuzzo, Italy
Angela Salisbury, New Zealand
Daniel Nzohabonimana, Rwanda
Emily Swan, New Zealand
Vittorio Perazzolo, Italy

Idea Summary

Imagine a thriving agricultural community where the latest scientific advances and practices are shared. Where farming supplies are accessed at lower prices and there is more productive land use. Our firm, Growth for life, aims to create this. We will be a dual micro finance and education company with a specialization in agriculture.

Our customers will be able to access classes and training, new technology and greater buying power through our company. Expanding throughout Africa, from a starting point of Rwanda, our business has high growth potential. It also has a strategic role in being able to help families of the poor earn a living and better use land to meet food shortages. This is a business concept with a chance to make a real difference to the lives of the countries we will operate in.

Nature of the market

Background

Approximately two thirds of the world population, often referred to as bottom of the pyramid people (BOP), live with less than \$US2 a day¹. This condition is getting worse, because of the sharp increase in food prices, as shown in the nearby graph².

This alarming trend requires an increase in food production. It is easier to address this in little exploited areas, such as those where the poorest live, than in already intensively cultivated ones. The best way to stop prices from soaring is to help the poorest to produce food on their own, so they can feed themselves and potentially, sell the overproduction.

The main difficulty behind this ambitious objective is that BOP people cannot afford to invest in a food production activity for three main reasons:

- They neither have the money, nor can borrow it. This happens because all the money is spent for surviving without any room for savings. Moreover, local moneylenders charge so much (even 600% a day).
- They neither know how to manage farming, nor can learn it. This happens because there is no education and nobody to learn from. BOP people live in a culturally isolated environment.
- They lack the necessary contacts to acquire the auxiliary goods (seeds, fertilizers and instruments) needed to handle a farming activity.

Our purpose is basically to help them fill the gaps.

Our service

Our service is made of three components: money, training and intermediation. The core service will be microfinance and it will be coupled by the other supporting activities.

Our local offices will initially provide micro-credit aimed at rural development. They will also help assess feasibility of customer's projects and help people provide the necessary notions to achieve good results. We can also act as an intermediary between locals and foreign suppliers of auxiliary goods.

Our service has the long-term objective to improve the conditions of BOP people. We aim to equip them to be self sufficient and working towards a position of trading.

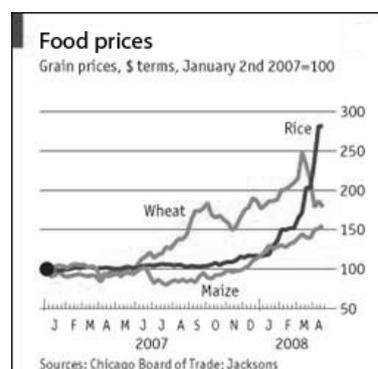
Location of the venture

Our front offices will be located in Rwanda, where the majority of people live with less than a dollar a day. In the long run, we aim to spread to other Sub-Saharan Africa and developing countries through franchising.

Our back offices will be located in Bombay, India: as it is near and has all the necessary infrastructures (harbor, telecommunication infrastructure and solid institutions). Another advantage of India is that this country is tackling the same problems and it is one step ahead.

Description of the market

Rwanda has the prospect of being an ideal country to start the business in. It is very poor, with more than 60% people living below the poverty line; moreover, it is the most densely populated



¹ United Nations Website(2008), retrieved from www.un.org

² The new face of hunger, *The economist* printed edition: Apr 17th 2008

country of Africa. These characteristics are what best suit our business model and potential to help as there are a lot of poor people concentrated in a relatively small country, being easier to reach and to manage.

The country keeps on importing most consumption and investments goods, thus making it appeal able to develop local production activities. Moreover, the country is well suited to foster agriculture because 45.6% of the land is arable.³ Finally, the country can rely on a relatively stable political environment.

Market trends

The country's GDP shows great promise (5.8% in 2007). The government is struggling to promote private sector activity and infrastructure, thus our activity would benefit from these efforts and should not be hindered by the government.

Demographic trends

Rwanda's rate of population increase is one of the highest in central Africa and is far above the actual productive capacity of the environment. Family-planning programs are virtually nonexistent. Approximately half of the population is under age 16; infant and child mortality rates are among the highest in Africa.⁴

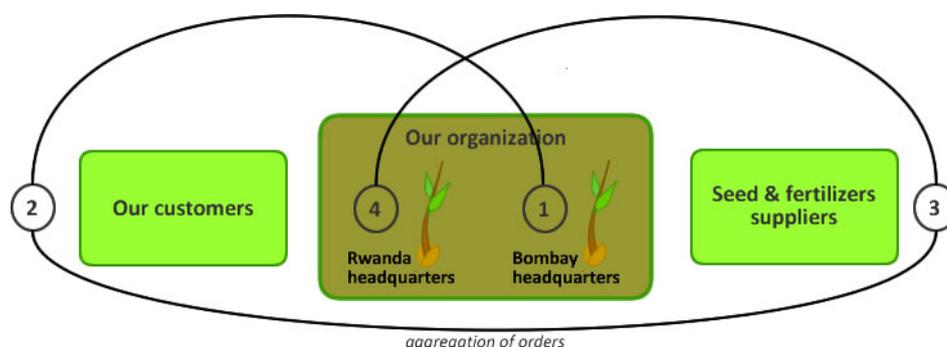
Current competitors

There are already companies that offer micro finance services, but none of them are focused on agriculture development. This fact is welcome because it witnesses the feasibility of a micro finance business, but also leaves open a niche we can specialize in and profitably start a new venture.

Description of the service

The service we offer is basically providing micro credit to would-be and existing farmers. We will adopt the same principles that lead all micro finance projects around the world:

- lending to small groups: this is the easiest way to pool risk
- using a graduated loans system: the more reliable a borrower proves to be, the higher the loans he will be eligible for in the future.
- high interest rates (40%): this is necessary because we will not be able to count on collaterals and we have to preserve our profitability from default risk and administrative costs due to small size loans. This interest rate will be significantly smaller compared to those requested by local money lenders. Refer to the figure below:



³ Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/rw.html>

⁴ <http://www.britannica.com/eb/article-40764/Rwanda>

Uniqueness of the service

Our distinctive trait lays in the complementary services we offer:

- Training.

We will transfer knowledge from more advanced countries to Rwanda. India, where our headquarters are located, is perfect for this task: indeed, it ranks among the first three countries⁵ in the production of wheat, rice, other cereals, fruits and vegetables; so India has plenty of skilled people.

- Intermediation.

Since India is one of the biggest producers of agricultural goods, it is the perfect supplier of seeds, fertilizers and instruments. Moreover, since India is a developing country, its prices should be lower than those of western nations. That being said, once reached a sufficient number of customers, we plan to aggregate our orders, thus obtaining bargaining power over our suppliers.

Advantage over competing services

Our advantage comes from positioning our business as a hub: our customers will have the advantage of a single point of reference for all the activities related to their business. They also become strongly involved in the business units proving less able to shift to other organizations. Our potential competitors will face huge entry barriers due to the tight relationships established, as well as our knowledge base. The nearby picture exemplifies this type of relationship.

Concerning our suppliers, we will choose them with particular care because we think they will be part of our competitive advantage since there are several varieties of the same seed, it is necessary to choose the one that best fits the soil.¹ Moreover, giving the soaring oil prices, it is important to choose natural fertilizers, thus avoiding becoming subject to oil price fluctuations.



Alternative use of our service

Our service has the desirable characteristic of being easily replicable in other fields of business, as advised by the Hamel and Prahalad 1994⁶: Such a community concept could be transferred to breeding, crafts industry and other productions.

Management team

Our organization will be split in three functions:

- Microfinance. This function will be managed by the people behind Grameen Bank in Bangladesh: these people are confident in this kind of business given their extensive experience in the field.
- Training. We will place side by side expert Indian farmers with few Rwanda citizens able to understand English. These people may communicate through the Internet, thus resolving distance related issues. Visits as appropriate and continual education of our staff and customers, will be a priority. Scientific and efficiency advances are important to our agricultural focus, so these will be closely monitored.
- Intermediation. Our offices in Bombay will place the cumulative orders to Indian suppliers and will send what is needed on ship and across land as necessary. There is potential to be able to

⁵ Pocket World in Figures, 2008 edition – The economist

⁶ Hamel, G. and Prahalad, C. K. (1994), *Competing for the future*, Harvard Business School Press, Boston

make bulk orders of agriculture material and resources also. In this way, our large buying quantities may justify a lower per unit cost, which we can pass onto our customers who are developing their businesses. This is a further way to be a 'one stop shop' for all agricultural activity and development in the local communities.

Objectives and goals

Short-term objectives

Our main short-term objective is to set in motion projects conceived by locals. Prior to this, we must set up our business in the two countries:

- In India we need to enroll our experts in micro finance and agriculture; we have to establish relations with local suppliers of seed, fertilizers and instruments; we have to find a place to locate our offices in.
- In Rwanda, first of all, we have to create our sales force: this process is likely to take a while, because we will have to find cultured people able to speak English and to train them. These people are our main local asset, because they will act as intermediary between local would-be entrepreneurs and Indian experts; in other words they will represent our interface between Rwanda and India. Afterwards, we need to build our local infrastructure, begin to get known and start word-of-mouth advertising.

Long-term objectives

Our main long-term objective is to foster local agriculture: within 5 to 10 years our loans should have backed local projects towards their fulfillment. Obviously, within that time horizon we should have recouped our investments and started to profit.

In the long term, we should be able to reach such a critical mass that will allow us to coordinate the orders from our customers making a centralized procurement, thus acquiring a strong bargaining power with the suppliers.

Once this first milestone has been reached, we plan to expand our business model in surrounding countries, shifting part of our supporting activities (training and seeds supply) in Rwanda, thus further promoting its development. We will also be able to take advantage of economies of scale as our specialist knowledge; standard functioning model and training program will be replicated and thus made more efficient.

Venture strategies

Marketing strategy

- Product: as told above, our product is basically made by loans, with the further presence of a training and intermediation component.
- Price: we will charge a 40% interest rate. We must communicate three messages concerning the price: first, no activity of a certain dimension can be undertaken alone, without solid financial support; second, we have to emphasize the fact that our interest rate is nothing compared to that of local money lender; third, we have to reassure our customers that we will grant a short respite for the payment, giving them time to effectively launch their activity. In greater detail, the customer will be required to make compulsory repayments (with interest) from the second year after the issuance of the. Education and training support, our auxiliary functions, will help to maximize the customers ability to repay by helping them to succeed in their ventures.
- Distribution: our distribution network is designed to minimize the number of passages between our customers and the suppliers.

- Communication: In whatever society, the heart of the commercial activity takes place in the market-place: here we plan to advertise our activity and meet our future customers. The other communication means (print advertising, radio and television) may be used in developed markets. Exploring the installation of advertising signage both inside and outside local Buses or mini buses is another avenue, such is done in many Western countries. This could be a 'moving billboard' and potentially be an effective way of communicating the brand and message as one to 'get your business idea moving'. See the pictures of a typical bus in Rwanda and minibuses at a transport depot, as example. There is broad opportunity for signage.

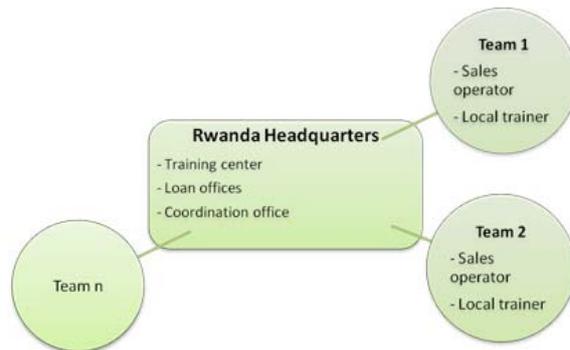


To create brand recognition, we will promote our brand. From the beginning: our sales force will dress with the same uniform with our brand clearly visible; every borrower will be required to display our brand on his own field: this should create a mental association between a rich and fruitful field and our organization.

Human resources strategy

In India, we will base our main headquarters: here will be located the management, the accounting function, the public relation offices (to deal with investors), the procurement office (which will receive orders from the Rwanda headquarter and place them) and the trainers offices (with experts in the agriculture field).

In Rwanda, we will have a secondary headquarter which will coordinate the teams, and (at least initially) seven teams located across the territory. The central office will take care of training the members of the teams and coordinating their actions, moreover it will provide the loans. The teams will be composed of three people: two will travel around the country seeking new customers, selling our service, giving them help and checking the progress of their projects; the other member will act as trainer, providing all the necessary advices to foster the productivity. To better understand our organization, please refer to the below picture.



We will also look to enlist the employment of local workers to promote and work with the business on a temporary basis. Perhaps by means of a mentorship service, where successful loan borrowers and business people are employed or offer to council up and coming ones. In this way, knowledge is transferred and a sense of ownership from the local community is promoted.

Financial data

Initial Expenditure

The initial investment will be made by Grameen Bank in Bangladesh. The initial investment would include purchase of technology (Computers, internet connection) in both Rwanda and India, staffing costs, rent buildings and purchase of fittings, cost of researching into agricultural to obtain sourcing information and capital to lend out. As would be expected in a business of this nature profits will not be seen in the first two years.

Financial strategy

The typical problem faced by micro finance companies (and one reason that there aren't more of them) is that the poorest people are unlikely to have collateral that can be used to guarantee their loans. This usually means that the proportion of debts that go un-recovered is high. We hope to combat this by ensuring that with each loan proper agriculture training is given and access to affordable agriculture goods is available. Because of this combination of services and a significantly lower rate of interest than alternatives we expect the amount of bad debts to be 10%.

The administration costs are high in micro finance as it costs more to issue many small loans than less larger ones. Because of this, we have set our interest rate at 40%. This is high enough to cover our costs and allow the business to be profitable while still being affordable for our market. We plan to start small in our first years of business, and then use profits to invest and expand. In the first year we plan to issue 500 loans at US\$200 each. To allow time for borrowers to launch their activities we will not be expecting repayment in the first year but within 2-5 years. The chart below shows a simplified version of our expected cash flows. For simplicity, it shows the business as issuing loans in its first year only (Although in reality we will continue to issue loans in subsequent years) and all loans being repaid by the end of the second year.

Statement of Cash Flows

	Year 1	Year 2	Year 3
Rent on Buildings	1,000.00	1,000.00	1000
Purchase of fittings	200.00		
Technology	1,000.00	200.00	200
Staff Salaries	3,000.00	3,000.00	3000
Staff Training	1,000.00		
Insurance	500.00	500.00	500
Research	1,000.00		200
Loans Out (in the form of cash and agriculture resources)	100,000.00		
Total money out:	\$ 107,700.00	\$ 4,700.00	\$4,900
Interest Received			86,400.00
Principle returned			90,000.00
Money in	\$ 0.00	\$ 0.00	\$ 176,400.00
Profit	-\$ 107,700.00	-\$4,700	\$ 171,500.00

Overall strategy for growth

In the long term we aim to expand using the same business model in other villages throughout Rwanda and then further expand into other parts of Sub-Saharan Africa. In the future, as productivity increases, we hope to be able to export excess food produced in each village. If and when the production exceeds demand in a village, a further roll of our business will be to enable effective exporting through finding a buyer and transportation.

Funds from the establishment of the initial Rwanda base will be further used as investment seed in the expansion of the business. We aim to be self sufficient in our ability to finance growth and continual reinvestment is central to this.