Claw for COREGUAJE

Global Enterprise Experience 2012

Team 29

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# Table of Contents

- Executive Summary ................................................................. 3
- Business Overview ......................................................................... 3
- Goals .......................................................................................... 4
- The Product ................................................................................ 4
- Value Proposition .......................................................................... 5
- Market Analysis: Natural health remedies ...................................... 5
- Business Strategy .......................................................................... 7
- Financials .................................................................................... 8
Executive Summary
This business plan has been created with the intention to prove the validity of the business concept of producing a natural health remedy product made from the plant Uncaria Guianensis, which is native to the areas of the Colombian Amazon. Claw for Coreguaje aims to be a profitable business, which benefits the developing country of the Amazon region of Colombia, and developed countries by providing a new product to the market. We have analysed the key constraints and benefits of the business, as well as providing strategies to differentiate ourselves from the rest of the market.

Business Overview
Claw for Coreguaje is a company that aims to foster a mutual benefit between the people of the Amazon and the developed countries through an herbal solution to improve and sustain health conditions. We aim to not only provide jobs for the Coreguaje Indigenous community, but to provide them with a sustainable future by providing knowledge and education on farming and cultivating their native plants. Claw for Coreguaje will provide jobs through the production and sales of natural and herbal health remedy products to developed countries, with the initial target market being the United States. Through the business, Claw for Coreguaje also aims to protect the Indigenous Coreguaje community and their Indigenous Intellectual Property, as they will be provided with employment, education, and profits from their cultivation of Cat’s Claw for the product.

The Coreguaje, an Indigenous community, is located in the Southwest of the Colombian Amazon. They inhabit along 21,600 hectares, which are characterised by high rainfall, which makes it an area of great fauna and flora. For most of the people who inhabit this jungle area, the use of sacred plants constitutes a key element in its cultural and social life. The Indigenous economy is largely based on agricultural activities. There are a variety of specimens grown, primarily grown for self consumption, including those used for medicinal remedies.

Uncaria Guianensis – Cat’s Claw
One of the plants that is used for medical purposes is the Uncaria Guianensis, or Cat’s Claw. Cat’s Claw is a large woody vine which is native to the Amazon rainforest. The plant grows up and around trees, and can grow up to 30 metres high. Many parts of the plant are harvested for medicinal purposes; the bark of the woody stem, the roots, and the leaves. The bark is most often used, and is the part of the plant that will be used by Claw for Coreguaje. The plant is known to have several different medicinal properties, such as anti-diabetic, anti-arthritic, and anti-inflammatory, and is also used in the treatment of ingestional disorders.

Convention of Biological Diversity
The Convention of Biological Diversity (CBD) has established a Working Group on traditional knowledge to lead and facilitate discussions between governments, local and Indigenous communities (LICs), as well as other stakeholders in traditional knowledge. This gives the Indigenous and local communities the possibility to contribute with their views, ideas and recommendations to solve or to discuss the related issues.

Article 8 of the CBD establishes the need for governments to respect, preserve, maintain and promote wider application of traditional knowledge with the approval and involvement of relevant LICs. For example, if users want to use traditional knowledge in research and product development, it would be required to get prior approval from the relevant LICs, and to negotiate mutually agreed terms to promote the equitable sharing of any benefits that might arise from the use of this knowledge.

Some governments have implemented Article 8 of the CBD by adopting national legislation, law reform and the creation of action plans, strategies and programs on biodiversity. Among other objectives, this ensures that the informed consent of the relevant LICs must be found prior to access and use of traditional knowledge.
Goals
Claw for Coreguaje has multiple goals for providing mutual benefit to the Indigenous community of the Colombian Amazon, and to developed countries:

Social goals:
• Reduce poverty levels by providing employment opportunities for members of the Coreguaje community;
• Help to protect the Coreguaje communities Indigenous Intelectucal Property by fostering their knowledge and use of Uncaria Guianesis and providing them with an income, rather than exploit it.

Environmental goals:
• Provide education to the Coreguaje community on sustainable and effective farming and cultivation of their agriculture;

Financial goals:
• Introduce a new natural health remedy product to the markets of developed countries, such as New Zealand and Australia;
• Create a profitable company; a portion of the profits will go towards the Coreguaje community, and the remaining profits will remain in the product in developed countries;

Mutual benefit goals:
• Ensure the developing country, in this case the Coreguaje community of the Colombian Amazon, and the developed countries both experience benefits. The Coreguaje communities benefits are as above; education, employment and wages. They also experience benefits in the way of protection through the CBD.
• The benefit of the developed countries is the introduction and distribution of a new and natural health remedy that otherwise would not be available to the market.

The Product
Due to the many medicinal benefits of Cat’s Claw has, we intend to develop a product that helps improve arthritic conditions. This is done through the anti-arthritic and anti-inflammatory properties of the plant. Despite the many medicinal benefits of the plant, a focus on anti-arthritic remedies enables the business to focus on a niche market. The product will be developed with the Indigenous knowledge in how to prepare it, and create products that improve health conditions of those who consume it.

The product will be health capsules filled with the contents of Cat’s Claw, in which the consumer will digest in order to gain the health benefits. The capsules will be prepared according to the knowledge of the Indigenous Coreguaje people.

The Indigenous community will grow the plant in a designated area. The area needs to be designated as the plant needs to remain chemical free, and the final product will remain natural. This will give us an advantage over many competitors, as it is found that there is a tendency for consumers to look for more natural health alternatives for medicinal remedies.

As the plant is endemic to the Coreguaje community, as well as the medicinal uses, Claw for Coreguaje intends to ensure the product is traded within the framework of the CBD that attempts to enhance the fair and equitable sharing of benefits from biological diversity and the traditional knowledge of Indigenous groups. This should ensure that no issues surrounding biopiracy and Indigenous Intellectual Property would arise. Claw for Coreguaje also intends to employ some of the Indigenous Coreguaje community to cultivate and prepare the plant for export. As well as employment, the company will donate US$1 from every product sold to the Coreguaje community, to go towards agricultural education.
Value Proposition
Our value proposition consists of three main aspects:

Social value
As technique and knowledge will be provided to the people of the Colombian Amazon in order to farm the herbs required in the production of health remedies, they can have their living standards improved with minimum harm to their environment. Moreover, as a portion of the profit will go towards to preserving the local communities socially and environmentally, it results in value to their community in terms of education.

Claw for Coreguaje will provide developed countries with better health products, but also developing countries with opportunities in terms of education and economy. The poverty problem of the Indigenous communities can be eased by the income from Claw for Coreguaje, thus the jobs and living standards of the people can be improved. Furthermore, the Indigenous Intellectual Property is protected in the way that they will receive benefits.

Environmental value
Through Claw for Coreguaje, the environment can be conserved because the surrounding environment of the indigenous communities will be protected from being exploited, and some of the profits will be spent on conserving the surrounding environment in order to ensure the sustainability of local communities.

Economic value
Claw for Coreguaje creates a linkage between developing countries and the developed countries. Through the company, people in developed countries can help people in developing countries, so as to shoulder their responsibilities as global citizens. Simply buying the product can do this, as $1 of every unit sold goes to the Coreguaje community. This also adds economic benefit to the company overall.

The company will provide the communities with a source of income, which will enable them to develop their skills. In this way, developed countries can help in easing the poverty problem of developing countries and hence improving the living conditions of people in developing countries.

Market Analysis: Natural health remedies
While the plant Cat’s Claw offers many different natural health benefits to the consumer, our strategy is to focus the product on one particular niche market; anti-arthritis natural remedies. It is imperative with any business to identify and analyse the market. The following is Claw for Coreguaje’s market analysis for the health remedy product.

Target Market
There continues to be international demand for natural health products due to growing recognition of the positive effects of natural health products, both on the body and on the environment. The natural medicinal industry currently has a growth rate of more than 15 per cent.

In developed countries, there has been a shift from synthetic to herbal medicine, which significantly pushes the importance of the natural health remedies in the market. People in many developed countries such as USA, UK, Australia, Germany, are giving preference to herbal medicine and consider it as the ideal product for to improve their health issues. Moreover, increasing realisation of the side effects of allopathic medicines, coupled with the growing awareness about the medicinal benefits of herbal products is pushing up the demand for natural health remedies. This is shown in a new report by Global Industry Analysts estimates the global herbal supplements and remedies market will reach US$93.15 Billion by 2015.

Projected target customers of Claw for Coreguaje’s natural product consumers aged between 20 - 90. As mentioned, the strategy of the company is to target a niche market; anti-arthritic. The product will be capsules which can be used as treatment for osteoarthritis conditions in middle-age and elderly consumers. The capsules made from the plant intend to help arthritis sufferers’ function better and reduce pain, which is what the Coreguaje community uses the plant for. The initial target market will be primarily focused in the United States. This is because the market for anti-arthritis remedies in the US is large; the estimated US
risk and barriers

Being the pioneer in producing Uncaria Guianensis provides Claw for Coreguaje with advantages, but also with risks and barriers. Customers are cautious when they choose a new product, especially medicinal remedies. Therefore, there is a risk that consumers may not feel assured in taking this natural remedy. If the marketing campaign does not reassure the consumers' belief in the benefits and effectiveness of the product, the company may suffer the risk of overstocks. Another risk is rights to the plant; if the product proves to be successful, then other companies will be after the same plant, which would reduce our stocks. In order to combat this, if the value of the plant rises, we could consider obtaining rights to using the plant for commercial use.

Barrier to entry in the market of herbal health products is not so extreme. According to AHBA (America Herbal Product Association), the existing barriers to entry includes:

- Facility registration required; submit online; no cost
- Basic understanding of federal and local laws is needed (FTC; USDA; DOT; OSHA; etc.)
- NO requirement for facility inspection
- NO requirement for product registration
- NO requirement for pre-approval of claims
**Business Strategy**

Our overall business strategy is to recruit and train approximately 50 people from the area of the Colombian Amazon, preferably the majority from the Coreguaje community. The labour force will be divided into three categories; 40 unskilled workers, 40 skilled, and 10 management.

**Marketing**

The biggest challenge Claw for Coreguaje will face is getting the people in the developing country, the Colombia and the Amazon, to agree to work, and let us use their land for cultivating the plant. In order to build a good relationship, we will need to develop a sound understanding of their culture. This can be done in many ways, and in particular by using the CBD to bridge a cultural difference gap between the company and the workers. Once we have them on board and have our perspective employees, we can begin marketing the product. Marketing strategies could include:

**Campaigns:**
- This is done by organizing seminars and events at the level of the Colombia and the Coreguaje community, and also at the level of the developed countries. Seminars for the people living around the habitat, giving them information regarding the health benefits of Uncaria Guianensis, and how it can benefit them if they were to cultivate it for the product.
- Seminars for the developed countries would be aimed at the target market, and can show the health benefits of the product, in accordance with naturopaths or doctors recommendations.
- A marketing campaign will bring awareness to the consumer about the $1 contribution towards the Amazon for every unit sold.

**Partnerships and Alliances:**

As the market for natural medicinal remedies, including anti-arthritis, is so large, there are many different partnerships or alliances we could form. Some include:
- Form a partnership with health organisation’s like WHO, UNESCO, and the Arthritis Foundation in the US to gain their help and knowledge.
- Form an association with the Journal of Natural Pharmaceutical. This can include advertised in their peer-reviewed international journal.
- Form partnerships with health stores, which will sell the product.

**Sales**

Claw for Coreguaje will be a manufacturer only in the initial stages of the business, not a distributor. This is in order to keep distribution costs down, and to utilise the knowledge and brand of the stores selling the product. Advice from WHO will be sought as to the best way to penetrate the market. An outline of the sales strategies is as below:
- Sales can be through already established natural health stores, both in store and online. This can be done by Claw for Coreguaje setting up our own kiosk or stand within the stores in order to differentiate from the other products within store. Each store would be able to add their own retail price onto the product, but the product would sell for no more than US$18 per unit.
- Our competitors sell 100 capsules (1 unit) for US$20. Therefore, we will sell 100 capsules (1 unit) for US$12 to the stores who will stock the product. This allows for a margin of up to US$6 per unit for the stores.
- A website will be established (www.claw-for-coreguaje.com) where consumers can see: information about the plant and the product, the ingredients, the benefits and possible side effects, the usage in the health industry, testimonials, stockists, and general information about osteoarthritis. The website will also provide information and evidence of how the $1 per unit contribution is being used effectively in the communities of the Colombian Amazon, and general information about the people and culture inhabiting the area where the plants originate.

**Educational Impact**

There are two ways in which we are going to be educating and impacting people through this product, which...
are:

- Empowering the people of the Coreguaje community and beyond with the knowledge on how best to yield, prepare, and reproduce the plants to enable and sustain the effectiveness of the products.
- Educating the target market that will use the herbal products on the benefits of natural products, and also on how to use the product and the positive effect the product has on osteoarthritic issues.

**Development**

Part of the business strategy employed is how to give back to the community where we got the plant for the products. And there are two ways we suggest we give back to the people: US$1 per unit plan, and fully sponsored professional training plan. Below are the details of each plan:

- US$1 of every unit sold of the product is given back to the society. Ultimately, it is up to the developing community to decide what the money contributes towards, but we propose it goes towards education in the area of agriculture and health.
- Sponsored professional training is a plan that is aimed at sending the harvesters of the plant, who would have worked for at least one year, on training on how to enhance and improve their skillset. This contributes towards sustainability also, as it means the employees will continue to gain knowledge and skills, which will benefit the company and the workers.

**Financials**

The following financial analysis has been based on the assumption that Claw for Coreguaje will begin operations in July 2012, with the product estimated to be ready by January 2013. It is also based on assumptions, as below:

To aid in economic recovery, the Government of Colombia has employed new monetary policies to encourage Foreign Direct Investment into the company. Claw for Coreguaje will be utilising these to our advantage with an investment of US$1.5 Million into the country, plus directly being responsible for 50 jobs, the company can be considered for Free Trade Zone benefits, including a decrease of tax from 33% to 15%.

Claw for Coreguaje’s cost model is that each unit will cost US$1 of Raw Materials, US$0.50 shipping, and US$1 packaging costs. Factory overheads where the product will be produced are US$10,000 during the initial set up stage with it increasing $5,000 for each additional 10,000 units.

The revenue model is US$12 per unit of sales, minus $1 for community contributions, bringing it to US$11 per unit.

<table>
<thead>
<tr>
<th>Cost</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Materials ($1 per unit)</td>
<td>$0</td>
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<td>$720,000</td>
</tr>
<tr>
<td>Shipping per unit ($0.5 per unit)</td>
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<td>$360,000</td>
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<tr>
<td>Packing ($1 per unit)</td>
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<td>Factory overheads</td>
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<tr>
<td>Amazon donation ($1 per unit)</td>
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<td>$720,000</td>
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<td>Capital Expenditure</td>
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<td>$0</td>
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<tr>
<td>Payroll</td>
<td>$504,000</td>
<td>$693,000</td>
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<tr>
<td><strong>Table 1: Estimated costs for the first three years.</strong></td>
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<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
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<tbody>
<tr>
<td>Revenue</td>
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<tr>
<td>Expense</td>
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<td>$1,785,000</td>
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<tr>
<td>Net Profit (loss)</td>
<td>($624,000)</td>
<td>($225,000)</td>
<td>$1,896,000</td>
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<td><strong>Table 2: Summary of the financials for first three years.</strong></td>
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