

Concept:

The SHAKTHI project aims to set up women entrepreneurs from SHGs [Self Help Groups] as retailers¹ selling branded consumer products, predominantly soaps and detergents in order to promote rural livelihoods. In the district of Nalgonda, where this effort has been studied, the project is a tripartite venture between Hindustan Lever Limited [HLL] India; the SHG groups in the district of Nalgonda, and their promoting organisation, Women Empowerment and Self Employment; Dept of Rural Development; Govt. of Andhra Pradesh [At the district level, DRDA]. The project involves identifying and setting up of women entrepreneurs from rural SHGs previously engaged in thrift activities, building their capacities as retailers, creating market information and feedback channels for the HLL products, and reaching rural consumers with quality product that is affordable from the HLL range of products. This study looks at the livelihood promotion learning and potential of the project.

Background of the three organisations involved:

The SHG movement in Andhra Pradesh:

In its most basic form the SHG is a self-help group, usually a group of like-minded/common affinity group of women within a geographic area. Initially promoted by non-government organisations as enabling collectives for women, with an intention of providing stronger bargaining positions, they mainly became instruments for thrift and credit activities. In a country where institutionalised credit is not available to a large proportion of the population, the SHG mechanism has been most effective in helping poor women save, and providing credit to its members; on a sustainable basis. In order to achieve this the SHG builds its own capacities and capital, with promoting agencies only playing a facilitating role in helping the SHG articulate and reach its goals.

The movement starting in the early 1980s has now spread across India, and is being perceived as a tool to empowerment through various initiatives."¹ Initial success has attracted considerable attention of development practitioners, policy makers, funders, academicians, researchers and even corporate bodies. SHG today has become a vehicle to pursue diverse developmental agenda and even profit motive..."²

¹ While on the field the women entrepreneurs were referred to as retailers. HLL later clarified that they are seen as distributors, and under the HLL umbrella.

² Background paper has developed by Sa-Dhan to facilitate the process of discussion at sub-committee meeting on SHG standards (13 May, 2003 Hyderabad).

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The government of Andhra Pradesh further has been actively promoting SHG as an institutional mechanism for poverty alleviation. Subsidies and benefits are provided to SHG members, such as gas and power connections. SHGs in some places participate in village development through gov't-sponsored programs. Banks and financial institutions are being encouraged to lend to rural areas through the SHGs, through the active intervention of institutions such as NABARD. Simultaneously the state provides matching grants equal to the savings of the SHGs, in order to improve their productivity and income generation capability. The SHG is being encouraged to think in terms of economic productivity and promote livelihoods for its members, and not limit itself to thrift.

The Dept of Women Empowerment and Self Employment:

The Dept of Women Empowerment and Self Employment; Dept of Rural Development; Govt. of Andhra Pradesh is the agency which co-ordinates and provides support to the SHGs in Andhra Pradesh. In this particular project the District Rural Development Agency [DRDA] of Nalgonda district has played a key role in co-ordinating and implementing the program as part of promoting rural livelihoods through SHGs.

Hindustan lever limited:

Hindustan lever limited [HLL] is a subsidiary of the multinational Unilever; a major player in the world wide soap market. HLL is the largest soap and detergent manufacturer in India with a \$2.4 billion in sales [2001] the largest profit centre is soaps and detergents, with food and beverages, personal products and specialty chemicals following.

HLL's mission outlines a broad philosophy of serving all Indians across all spectrums in order to '... with branded products and services which raise the quality of life'. To this end HLL has built research and development, distribution and marketing capabilities to the different markets.

HLL has built its brand around the issue of family health and safety from diseases, and hopes to increase its share in the market by using the platform of hygiene. Markets for soaps in developed countries are expecting to be stagnant, with most growth potential in developing countries. Lessons in marketing from India can also benefit Unilever in leveraging markets in other developing countries, on the same platform if health.

³ The fortune at the bottom of the pyramid.....CK Prahlad

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Identification of opportunity and women entrepreneurs- the pilot stage:

A national-level organization MART has been employed by HLL to work in its program with the State Department for Rural Development's AP Rural Livelihoods program in Nalgonda district to identify market-driven private partnership opportunities. MART's expertise in linking poor to the corporate by identifying mutual needs that can be fulfilled by each other has been achieved through work done across the country. Mostly, they have been associated with efforts of backward integration tie-ups wherein the poor have produced goods required by the corporate for their operations. In this case however, instead of a manufacturing activity, they were able to tie-up retailing activity for HLL products like branded soaps and toothpastes.

MART did a scan of local opportunities and felt that tie-up with HLL for retailing their products is possible. After detailed discussions with HLL representatives and field visits by their senior staff, details of the collaboration were worked out. HLL, MART and DRDA were all involved jointly in the identification of the women entrepreneurs. In a few cases DRDA staff and Mandal officials also got involved in identification and selection.

MART had also made random assessment of the existing SHG federations along with DRDA staff which was used as input for designing the programme implementation. Initially, it was decided to implement the programme through federations, since this afforded a bigger scale on which to carry out the operations. But certain practical difficulties were noticed. Firstly, the federation was not willing to bear all the expenses incurred, as the expenses included building infrastructure for the retailing unit, and further the federation was unwilling to remunerate members who managed the business for their services; despite the fact that they were members and Office bearers of that particular federation itself. This was found unviable, as roles and remuneration for performance was problematic. Based on this experience, some of the members were encouraged to take up the activity implementation on their own, which started yielding better results. HLL, with the help of the DRDA, then identified individual entrepreneurs in the group who could invest and take up the activity for each village.

HLL representatives visited many villages in the area and identified villages covered with 1000 to 2000 populations, which were taken as stock point villages. Majority of the Stock dealers are Sangha Priyas, SHG leaders and Federation leaders. However, they identified only such people who had the capacity of their own capital to invest for the activity, which precluded participation of members who were not so well off. Almost all

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the members selected as retailers are those who are either the animators or the group leaders or active members of the SHGs.

Through group meetings, entrepreneurs from within the SHG were chosen for the activity. The implementing agency HLL and DRDA provided joint trainings to the selected entrepreneurs. They linked ten entrepreneurs to banks for financial support. The HLL team in Nalgonda independently built brand for the projects through local resource people, and in schools, after completing a survey of the area in terms of usage and access to the HLL products. They also actively found small shops who could directly buy from the women entrepreneurs in order to increase turnover, coming up with a model where the investment and margin to the women could stay the same, while increasing income using the increased turnover. HLL professionals also gave hand-holding support to the women entrepreneurs till they were able to continue the activity on their own, which on an average took about a year.

HLL's strategy to reach rural markets:

Prior to this project HLL had already set up its own distribution network, with towns of population more than 3000 through HLL stockists who stock the company's products which include soaps detergents and some beauty products for women. Project Shakti sets up women entrepreneurs from self-help groups to take up marketing of these products in villages with populations of less than 3000. Small shops that stocked and supplied HLL products along with other consumables and provisions for the village were previously servicing these. HLL strategically chose villages of populations between 1500 and 2000 to pilot its distribution through the SHG as the stock point. Villages less than 1500 population were seen as satellites that could be serviced by nearby stock points. In the district of Nalgonda, there are a total of 1021 villages in the required population range and of these currently only 10-15 are yet to be covered using this strategy. 231 stock points have already been created, with women entrepreneurs from the SHG movement taking up the responsibility of sole distribution and sale of HLL products. Since the SHGs themselves reach a lot of households in each village, in effect most of the households in each village are reached, and as the movement itself grows and accesses more women, organically the product too will reach these women.

Recognizing that the returns on sale to individual customers was not very remunerative on the capital investment, HLL undercut its own stockists in the semi-urban areas that provided stock to the local shops in villages where SHG entrepreneurs took up stock points. Typically a stockist in a semi-urban town provided the stock to local shops in nearby villages at 92% of retail price, allowing for an 8% margin for the local shop

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owner. The semi-urban stockist himself was supplied stock at 88% of retail price, allowing him a margin of 4% when he sold in bulk to the local shop owner. HLL, in parallel supplied stock to the SHG dealer/stock point at 89% of retail price, with a condition that she could supply to the same local shops in the area at a 3% margin, the transport cost being borne by the company. The advantage to the local shop owner was that he was able to get stock at 92% of retail cost, which was the same as from the semi-urban stockist, but he did not have to pay transport cost, as the woman entrepreneur in his own village delivered stock at his doorstep as and when required. This tie-up was encouraged by the HLL professional in order to increase the volume of sale at the stock point and improve returns to the SHG dealer on her capital. The monthly sale is a function of the number of times the initial working capital input was rotated in a month. Depending on the dealers' skills, 30% to 70% of monthly sale came from volume sale to small shops. The rest of the sale was mostly to SHG members, who could avail a 5% reduction on the retail price, leaving a margin of 6% to the dealer on direct sales. The dealer herself was committed to sell only HLL products, except in non-competitive segments like biscuits or women's imitation jewellery or groceries.

Since the company bore the cost of the transport, local shops chose to order from the SHG dealers' stock point as against the nearby stockist. The SHG member got a reduction of 5% on the product and also some credit period that worked for her. Out of three dealers visited, two sold only to SHG members in her village, while one also had non SHG customers. The lack of transport cost also encouraged the SHG stock points to re-order in small lots as and when stock was needed, increasing the monthly sale, and returns to the stock point, without needing additional capital injection.

Revenue model for the SHG leader, support provided by HLL-Scaling up:

While originally the activity had been seen as a livelihood intervention by the SHG, it was found that individual entrepreneurs from the group were much more effective in setting up and running the enterprise. Typically either a prominent woman with visibility in the village or a functionary of the group took up the activity after some training from HLL. The woman also had the ability to raise the necessary capital that ranged from 10,000 to 50,000. In one case the woman was the chief animator of four SHGs herself, and had a captive consumption in her SHG members. Her village has a population of around 1500, of around 300 families most of who are SHG members. Her customer

⁴ HLL clarified that the average consumption on these goods in each family would be Rs.100 per month

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base is of 116 families who on an average buy between Rs.50-Rs.3004 worth of soaps, detergents, and some cosmetic products such as talcum powder. There are four larger shops which stock most of what the village needs in terms of provisions or consumables. The infrastructure costs included a stock room, which doubled as the outlet. Products other than the HLL included sarees, insurance policies, provisions, stationary and locally made food items in small quantities. In the second case, the woman had additionally invested Rs.50,000 in sarees, which she sold along with HLL products. In the third case, the entrepreneur had an elastic stock range, borrowing and buying provisions for sale during the festive seasons. In all the stock points women are encouraged not to sale competitors products in the HLL range of products.

While the woman entrepreneur had to invest in stock, HLL guaranteed an exchange on products that had not sold in over a month. Since perishability was not a concern for soaps and detergents, this mitigated the risk of investment in unsaleable stock. In order to further supplement the entrepreneur's income, the distribution function to local shops of HLL products was also done through this stock point, adding to her income. This was done by HLL at the cost of undercutting their own stockist in the nearest township; by providing free transport at the same cost of product to the shops that placed orders through the stock point. A professional from HLL, who actually made and maintained contact with local shops, also supported the woman entrepreneur during the initial stages.

Each individual family in the village earning 1500-2000 on an average spent between 100 to 300 on soaps and detergents. Branded products like HLL were more expensive, especially as locally made non branded products were available. Most local shops stocked both products; but SHG members were given a 5% discount on their purchases from the SHG stock point. The SHG member was also treated as valued customer by the woman entrepreneur and given some credit as the woman entrepreneur generally knew her circumstances, and could wait for payment. This incentivised the shift of the SHG members to the HLL-SHG stockpoint, even in the face of cheaper product being available in the local shops.

The SHG mechanism ensured that there were no defaults on the payments. Products such as fair and lovely priced at Rs.26 per tube also sold, due to the exposure of these customers to the television ads which promoted the product. Assuming a break-up of 50-50 of the total turnover between sale to the shops at 6% margin and to the SHG members and other customers at 4% margin, an average of 5% turnover is made as profit by the individual entrepreneur. On an average this amounted to between Rs.1500 to Rs.2000 rupees return on an investment of Rs.20, 000. On HLL's commitment to the

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local economy, sourcing of locally produced limes, sweet oranges for their food and beverages section has been tentatively discussed.

Building brand and promotion, market creation and competition

A combination of awareness campaigns, both face to face and media; mostly television, incentives to distributors and customers, special Shakti camps as well as reaching to schools created market reach, and supported the distributors and built brand in the target group.

A Pracharini who is a local woman who works with HLL to build brand gave further support to the product through brand promotion. These promotion agents organized events where they demonstrated the better quality of their product in promoting hygiene. One other area of market creation and branding was through the local schools. While most of the older women used soap and detergent, products like the one rupee sachets of shampoo and dental products needed to build a consumer base. In order to build awareness of the brand and utility of the product demonstrations were held at schools specifically targeting children and youth, strategically turning them into consumers.

The HLL professional monitored the sale volumes in each village, providing handholding till the stock point entrepreneur was confident and stable. Starting with six professionals the team is now down to two in Nalgonda, with the others moving on to new areas where stock points are to be started up. To quote the HLL marketing executive in charge of the project in Nalgonda: in response to queries on the growth potential in the villages "all we need to do is make the product available, and people buy". This is probably a function of the large media campaign. The brand equity of the product is high, and access to television is one of the main criterions that the company keeps track of in its partner stock points; 70% of households own televisions.

Another huge investment in brand was done through the I-shakti project which was conceptualized as the internet service point offered in conjunction with the stock point. Information on health, agriculture, personal care, etc are offered on an online basis on the HLL site. A tie-up with WIPRO allows the users to access adult literacy programmes on demand. Children's games are also available on registering with the stock point entrepreneur. This strategically involves children as well as youth, who use this information to access examination results and job prospects in distant towns.

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A matrix is thus formed, as strategy across ages and sex, as well as for covering the geographic area, divided into urban, semi-urban and hamlets. Currently the sale from the district of Nalgonda; not including Nalgonda town is 23 Lakhs, with a target of double the figure in the next year. Initially starting work with a team of 7, now HLL is able to service the entire district with two field staff, supervised by the area manager for Andhra Pradesh. The HLL staff, who initially needed support from DRDA in starting the venture, are now confident of their ability to work in rural areas; and are independently negotiating with the women, without the intervention or mediation of either the SHG, or the DRDA.

Impact on entrepreneur, SHG, local economy and HLL:

The tripartite project has had cost and investment implications to all the partners concerned. The SHG movement has been hugely invested in by the department of Andhra Pradesh. Empowering of women has been a critical agenda, and support from DRDA-VELUGU has been constant over the past ten years. Infrastructure, capacity building, production and marketing support, loans and subsidies have been provided in order to build the institution of the SHG and its credibility and effectiveness. Each SHG has also invested in itself, in terms of time and resource; most of the leaders are women who have seen the SHG through the teething troubles of credit activity. Their entrepreneurial skills have been built through the SHG activity, supported by the various NGOs and government projects that have been ongoing for the past many years.

HLL has piloted and taken to scale the SHG retailer model from a couple of villages in Nalgonda to the entire district and there on to entire state of Andhra Pradesh as well as neighbouring states. Investments in manpower, capacity building for the women entrepreneurs, brand building locally as well as through the media have been made, with the intention of increasing reach into the rural market. Innovative ways of reducing costs have been used, using local networks as well as local resource persons such as the Pracharini for campaigning. Existing networks of distributor points have been harnessed in order to further reduce cost and gain effectiveness.

Comments on some parameters for impact:

- 1 Livelihood promotion through SHGs: The SHG movement has been able to build the entrepreneurial skills of rural women SHG leaders, but livelihood activities are still incipient.

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1 Scalability and Expansion for HLL: HLL has piloted and taken to scale the idea from a couple of villages in Nalgonda to the entire district and to entire state of Andhra Pradesh and neighboring states also. HLL's systematic investment in building networks and capacities to reach rural households shows a formidable strategy in dealing with dispersed and small consumers.

1 Creating livelihood opportunities by Corporates: Using the SHG as a base to enter the rural market, HLL has used awareness campaigns, incentives, special Shakti camps, reaching to schools in order to increase the consumption of its products. Initial investment costs have been reduced with use of local resource persons for campaign and through using existing HLL distributor networks in small towns as stock suppliers. This in turn has created an opportunity for the women entrepreneurs from the SHGs to earn Rs.1500-3000 depending on turnover. The women also have an opportunity to link to the larger HLL resources, which if committed to the delivery channel of the SHGs to expand into the rural market, increases stability and has possibility of growth in income for the women. On the down side, lack of documentation of the investment made in creating the SHG or the women entrepreneur by the Government of Andhra Pradesh or concerned NGO has led to an under valuation of the channel created. In consequence, the Corporate does not recognise the investment as such and therefore does not contribute its share by paying for its use, to the Government of Andhra Pradesh or to the SHG.

1 Risk management: Since the product was non-perishable, and was interchangeable with cash, the investment of the women entrepreneur was protected. HLL was willing to exchange left-over stock for more saleable stock at any point of time, which reduced risk of the entrepreneur being left with dead stock. The investment risk was HLL's which it amortised over its larger holdings, in the interest of increasing brand penetration in the rural market

1 Sustainability and revenue model: Market/future market has been created for continuation of the business however at the moment the costs are partly covered by HLL (transportation costs). 231 active members/leaders/facilitators of SHG movement in the district are engage. Using these entrepreneurial skills developed these individuals have a greater scope for long term business.

1 Impact on the SHG movement: Not conducive to building affiliation for the group, as the combination of investment and entrepreneurship which needs to be put in does not offer enough margins for the returns to be split between the

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two inputs. This forces the individual entrepreneur to raise her own capital, and the SHG does not earn anything out of the enterprise.

1 Coverage and Growth: Possibility of growth in number of livelihoods promoted does not seem to be very large. Despite huge investments made by HLL in building brand, investments made by the state in the SHG entrepreneurs, the total number of entrepreneurs whose livelihoods have been promoted in the district of Nalgonda is 231, without more then 10-% potential in growth in number. Any increase in income for the woman entrepreneur depends on the local economy improving, which the project does not directly address. While the model effectively accesses the individual rural consumer as market for the HLL product, by increasing usage of branded hygiene/cosmetic items; not much is put back into the local economy. Out of Rs.28 Lakhs sale in the district of Nalgonda through SHGs, the injection back into the local economy through the entrepreneurs is Rs.1.4 Lakhs.

1 Collaborations-leverage and Flexibility: The project exhibits excellent collaboration between WE&SE, APRLP, SHGs and HLL. Started with federation of SHGs-SHG as stock points, in the interest of scaling up business the stock shops were managed by members as individual retailers. By investing in this model while HLL is able to build brand, there is no MOU or formal agreement either with the entrepreneur or the Dept of Women's Empowerment/Government of Andhra Pradesh through which it is bound to support the woman entrepreneur from the village. If for instance HLL was to start charging transport costs, it would wipe out the margin for the SHG entrepreneur.

1 Cost of the subsidy: HLL invested in its own brand, in a well thought out and implemented strategy which made maximum use of its own media investments in advertisements targeting the market segment where it wanted to grow, while growing the capability of its own human resource in reaching the rural market. The financial bottom line in this case is being measured very carefully, in order for it to be sustainable in the long term for both the woman entrepreneur and the HLL Company. The same rigour does not seem to exist within the government body, where no evaluations on 'social' or financial bottom lines are being made, either in terms of cost of investment in the SHG itself, or the fallout on the movement because of breaking up the activity and offering it to individual entrepreneurs within the SHG. Other social indicators too need to be studied, such as the effect of converting rural consumers from using local products to branded ones, improvement in general health conditions because

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of the use of the said branded products, as being advertised on the media; and the cost benefits of the same; given the large investment made by the government into the SHG movement. While consumption patterns are being affected, production patterns and equity within the production value chain stay low, which is a cause for concern. Livelihood promotion activities that increase cost of living in rural areas without sufficient benefits cannot be tenable in the larger social framework of livelihood promotion as a means of empowering women.

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