

Sakhi Retail Private Limited (SRPL)

www.sspindia.org/SSP-SB-SakhiRetail.html



Rural retail distribution network for innovative products in India

History of organization: In the aftermath of the earthquake that shook Maharashtra, India in 1993, NGO Swayam Shikshan Prayog (SSP – “Self Education for Empowerment”) was established in the region of Latur to help the reconstruction process in close collaboration with the community, with a specific focus on involving women. Over the years, following demand from women members, it helped them create Self-Help Groups (SHG) and set up an MFI (SSK) to serve their needs. In 2005, SSP had organized a vast network of women, which prompted British Petroleum to request their help on designing and prototyping an improved cook stove that would fit the Indian rural market. The Oorja stove was launched in 2007, and SSP was again asked for help on distribution. In 2008, BP decided to exit the BP Oorja venture. In 2009, SSP decided to create Sakhi Retail (SRPL), a distribution network for the Oorja stove and other innovative, socially beneficial products, with the dual goal of making such devices available to underserved populations, and to offer a new income stream and build the entrepreneurial skills of low income, low literacy women, the Sakhi ladies.¹⁵

Product/service offering and value proposition: SRPL offers products that are otherwise not available via local women who can also provide advice on these products. Products sold today on the SRPL distribution network include biomass pellets for Oorja stoves (\$1 per 5kg), Oorja stoves (\$19 for the basic model), Honeywell solar water heaters (between \$350 and \$750 depending on the model), Unilever’s Pureit water purifier (\$20 for the basic one), d.light solar lanterns (between \$10 and \$30 depending on the lantern), and other innovative products (Aquatabs, Godrej’s ChotuKool mini-fridge, organic fertilizers, cattle feed supplement etc). All technology products come with a 6-month manufacturer warranty, and clients can access a technician at the warehouses in case of product problem. No credit is provided for them, however SHG members can access credit via their organization.

Value chain: 7 employees and 3 warehouses support a door-to-door delivery distribution network of ~400 Sakhi ladies operating in 700 villages in Maharashtra. Warehouses purchase products at a price negotiated between the suppliers and SRPL. SRPL delivers products directly to the Sakhis, who then market and sell to end-customers, conducting demonstrations and if necessary door-to-door for new products, and then selling from their home. Sakhis, as micro-franchisees, purchase their own inventory (~\$200 initial investment, financed through a loan for close to 40% of them). The margin from sales (-10-20% of retail price, depending on the product) is shared between the Sakhis (60%) and SRPL (40%). Customers can also buy products directly at warehouses, which have been transformed into showrooms since 2010 (actually mostly richer urban customers purchase higher price products such as solar water heaters directly from warehouses).

Results: SRPL reached 70k+ households at its peak, through the 850 Sakhis it had initially trained. Among these clients, more than 60% did not know the product before buying it, while another 20% learnt about it at a marketing event or SHG meeting organized by the Sakhis, showing that Sakhis are effectively convincing users to buy. They themselves report having improved their business skills through SRPL.

In 2011-12, SRPL downscaled and closed 4 of its 7 warehouses, victim of its own success as most Sakhis had saturated their area with successful products (solar lights and cook stoves). Following these closures, around 100 Sakhis remained active in FY 2011-12. SRPL is now refining its business model before scaling back up, in particular by adding “pull products” (ie products already in demand such as sari and jewelry) to its product range to ensure a sustained income to its Sakhis and to SRPL. In FY 2009-10 and 2010-11, it generated over \$250k, with sales down to \$55k (incl tax)

¹⁵ Sakhi ladies are not chosen among the poorest of the poor, they are usually more at the “Top of the BoP” in terms of household income level, with a good standing in their community.

in FY 2011-12, following these closures and an unfavorable regulatory context regarding solar water heaters.¹⁶ In addition, SRPL generated \$16k in consulting revenues from companies willing to enter the rural market, and plans to expand this practice to 40% of its revenues in the coming years. In October 2012, SSP, the sister NGO of Sakhi Retail, was awarded funding of more than 1 million USD by USAID/India's 'wPOWER' program (with the objective of empowering women to engage in economic growth opportunities related to clean energy) to create 1,000 Sakhis and reach 200,000 customers in the states of Bihar and Maharashtra. Having proved with the experience of the Oorja stove that transforming competent women into a local sales force can achieve very high penetration for beneficial products even without financing mechanisms, SRPL now has the opportunity to use its 3 years of funding to refine its mix of products and sales force organization to make its Sakhis as well as SRPL financially viable without the need for further grants.

Exchange rate: 1 USD= INR 50

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¹⁶ Solar water heater sales went down from close to \$50k to only around \$10k, due to new incentives reserved to India-manufactured solar water heaters, which was not the case of the model promoted by SRPL.