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Micro franchising for the last mile delivery to the base of the pyramid in India: The case of TARAlife

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Abstract

It is argued that the micro franchise business model is probably the most effective way to combat poverty. This thesis aims to test the potential of the micro franchise business model as a last mile distribution strategy for TARA, an Indian social enterprise. TARA develops solutions for the underprivileged that face environmental and development challenges. The organization struggles to establish effective last mile distribution channels to make these solutions available to the people who need it most and have therefore caught interest into the new and promising development tool.

Since literature does not provide sound theoretical knowledge on how to develop a micro franchise, the first part of the thesis is concerned with the design of a micro franchise development framework. As a first step, TARA micro franchise objectives are defined and prioritized. Then, information is collected in terms of lessons learnt from organizations with similar objectives as well as the business environment in which the future micro franchise will operate in. Based on these findings, business decisions are made in terms of the overall strategy, the design of the TARA-franchisee as well as the franchisee-customer relationship. The TARA-franchisee relationship is defined in terms of seven key characteristics while the franchisee-customer relationship is determined by the Canvas Business Model.

The micro franchise model has shown to be a suitable model to ensure the last mile distribution in terms of coverage and sustainability. However, TARA is not quite ready to implement a sustainable micro franchise model. At this stage, it is not possible to define the “business in a box” model since the products currently sold by TARA do not exhibit large enough margins to ensure an adequate and secure income source for the franchisee.

List of figures

Figure 1: Starting point for TARA micro franchising considerations	2
Figure 2: Micro franchise objectives	22
Figure 3: Definition of micro franchise strategy	25
Figure 4: Micro franchise development framework	26
Figure 5: Jagriti distribution model	30
Figure 6: PAHEL distribution model	32
Figure 7: VisionSpring distribution model	34
Figure 8: Drishtee distribution model	35
Figure 9: Villages visited in District of Faizabad	38
Figure 10: Hofstede's five dimensions applied to India	39
Figure 11: Chemist in Baragaon	40
Figure 12: Federal structure of India	43
Figure 13: Key findings of lessons learnt and business environment analysis	44
Figure 14: Description of the Canvas Business Model	53
Figure 15: Application of the Canvas Business Model to TARA micro franchise	54
Figure 16: TARA micro franchise distribution model	60

List of abbreviations

BJP	Bharatiya Janata Party ("Indian People Party")
BOP	Base of the Pyramid
INR	Indian Rupee
ORS	Oral Rehabilitation Solutions
PANI	People's Action for National Integration
RMP	Registered Medical Practitioner
TARA	Technology and Action for Rural Advancement

Table of content

Acknowledgment.....	I
Abstract	II
List of figures	III
List of abbreviations	III
Table of content	IV
1 Introduction	1
1.1 Research objective	1
1.2 Scope and methodology.....	1
1.3 Definitions	3
1.3.1 Franchising.....	3
1.3.2 Micro franchising.....	3
1.3.3 Base of the Pyramid - BOP.....	3
1.3.4 Basic needs	3
2 From traditional to micro franchising	4
2.1 Key learnings from history of development aid	4
2.2 Literature review of micro franchising.....	4
2.3 Traditional franchising.....	6
2.3.1 Origin	6
2.3.2 Demarcation.....	6
2.3.3 Motivation	7
2.3.4 Advantages and disadvantages	8
2.4 Further distinctions	9
2.4.1 Product, business-format franchise & Co.....	9
2.4.2 Distinctions from franchise variations to a micro franchise.....	10
3. Development of the model	12
3.1 Key differentiation characteristics	12
3.1.1 Strategic choices.....	12
3.1.2 Requirements	16
3.1.3 Relationship.....	19
3.2 Development phases.....	21
3.2.1 Defining the objectives.....	21
3.2.2 Lessons learnt.....	22
3.2.3 Environment analysis	23
3.2.4 Define the strategy.....	24
3.2.5 Define the franchise model	25
3.2.6 Develop the “business in a box” model.....	26
3.2.7 Summary: The micro franchise development framework	26

4 Case study (I): defining the position	27
4.1 Introduction of case study.....	27
4.1.1 TARA	27
4.1.2 Previous studies on Aqua+	28
4.2 Objectives.....	29
4.3 Lessons from partner organisations and other Indian NGO's.....	30
4.3.1 Jagriti	30
4.3.2 PAHEL	31
4.3.3 VisionSpring.....	33
4.3.4 Drishtee	35
4.3.5 Interim conclusion: Lessons learnt.....	37
5 Case study (II): environment analysis	38
5.1 Cultural characteristics	39
5.1.1 Large – small Power Distance.....	39
5.1.2 Individualism vs. Collectivism.....	40
5.1.3 Masculinity vs. Femininity	40
5.1.4 Uncertainty avoidance	41
5.1.5 Long vs. Short-term orientation	41
5.2 Institutional characteristics	41
5.2.1 Legal framework.....	41
5.2.2 Health and education	42
5.2.3 Transportation and energy.....	42
5.3 Political characteristics	43
5.4 Summary: Key findings	44
6 Case study (III): modelling.....	45
6.1 Strategy	45
6.2 Franchise model	46
6.2.1 Strategic choices.....	46
6.2.2 Requirements	49
6.2.3 Relationship.....	51
6.3 "Business in a box" model	53
6.3.1 Customer segments.....	55
6.3.2 Value propositions.....	56
6.3.3 Distribution channels.....	57
8 Conclusion.....	60
Appendix	i
I. List of literature	i

II. List of internet sources	iii
III. List of auxiliary means	vi
IV. Interviews with TARA channel partners and two other Indian NGO's.....	vi
Topic guide	vi
Persons interviewed	vi
V. Field research in Faizabad	vii
Questionnaires	vii
Notes of answers.....	xx
VI. Declaration of originality.....	xxxvii

1 Introduction

The introductory chapter elaborates the objective of the research, explains the methodology applied and states the scope of the thesis. The last subchapter defines briefly four crucial terms necessary to ensure a common understanding.

1.1 Research objective

Micro franchising is a young concept that holds high promises for poverty reduction. This thesis elaborates the potential of micro franchising for TARA (Technology and Action for Rural Advancement), an Indian social enterprise based in New Delhi. TARA develops solutions for the underprivileged that face environmental and development challenges. One of these solutions is Aqua+ that combats the source of waterborne diseases. A few drops of Aqua+ are enough to purify a liter of water and make it safe to drink. Even though the product is an effective, feasible as well as affordable solution for the people chronically suffering from health problems caused by bad drinking water, TARA is not able to scale up sales. The biggest hurdle is to make the product accessible to the ones who need it most. For TARA, the concept of micro franchising holds the promise of a sustainable solution that can be replicated on large scale.

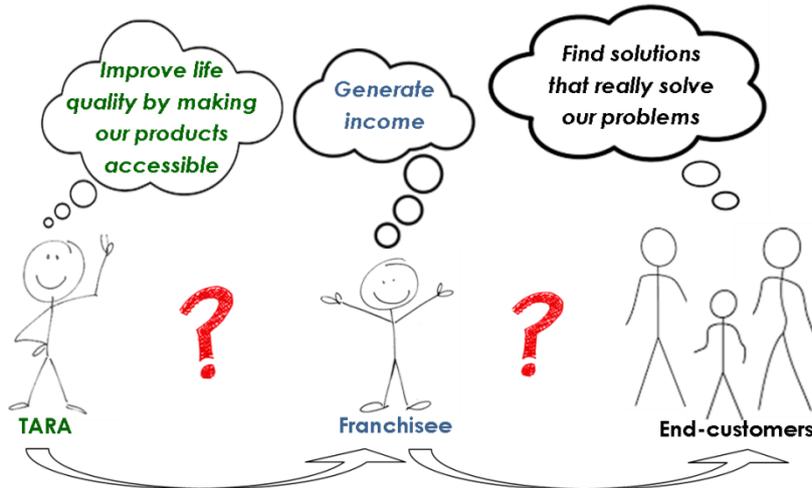
As it has become clear over the course of the research, literature on micro franchising, in particular, is rather scarce and scholars often draw upon the theoretical base of the traditional franchising model. Pioneers in the field of micro franchising have analyzed already existing development initiatives applying an entrepreneurial model. Taking on an inductive approach, some common success patterns have then been inferred. The most comprehensive summary is thereby the MicroFranchise Handbook by Stephen W.Gibson and Jason Fairbourne with 50 cases of already existing as well as potential micro franchise opportunities. Even though many interesting insights can be gained from these case studies, the debate is still at the beginning to understand how to implement the model to realise this potential.

This lack of micro franchise theory leaves any potential micro franchisor in an empty space when trying to grasp if a micro franchise is likely to show successful in his particular situation and if yes, how to structure the development of the micro franchise model. This thesis aims to fill this empty space for TARA and test the young and promising development tool in its capacity to serve as a model for the last mile delivery to the base of the pyramid (BOP). Furthermore, it is the ambition of the author to contribute to a better understanding of the potential but also possible pitfalls using the micro franchise model as a development tool and to provide a framework how to assess its suitability for any individual case.

1.2 Scope and methodology

This thesis compiles a framework, how to develop a micro franchise. This is done by drawing upon the literature on traditional franchising theory as well as gathering information about the singularities of the micro franchise model based on case studies analyzed by different scholars. In the second half of the paper, this framework is applied to the case of TARA. The following graph

Fig.1: Starting point for TARA micro franchising considerations



illustrates the starting point of TARA's consideration to applying the micro franchise model as a last mile distribution strategy.

TARA's motivation is driven by clear social cause; to increase life quality of the underprivileged. The prime motivation for any potential candidate to become a franchisee and run the

franchise is the prospect of generating income. Regarding the end-customers, the micro franchise model needs to meet their expectations in respect to the product value. To be able to assess if a micro franchise model fits within the specific case of TARA, two sets of interviews were conducted:

- In-depth or unstructured interviews were collected with four organizations having similar motives as TARA, namely Jagriti, PAHEL, Vision Spring and Drishtee. The objective was to collect information about the experiences of organizations that have undertaken projects comparable to micro franchise initiatives. In-depth interviews were the best methodology as the author wanted to grasp the interviewee's personal point of view on certain topics. This methodology combines structure with flexibility (Legard, Keegan & Ward, 2003, p.138). The key topics as well as the objective of the interview were explained at the beginning of the conversation. For the reason that the structure was flexible, the interviewee could cover the topics in the order and to the extent most suited to him/her. This structure allowed the author to be responsive to relevant issues and to explore the spontaneously raised topics by the interviewee to the full extent.
- During a field trip to Fiazabad, Uttar Pradesh, India, 30 structured interviews were conducted covering 19 households, 3 RMPs and 1 doctor, 2 chemists and 5 shopkeepers. These villages were chosen based on their potential demand for basic need products such as Aqua+ or Spirulina. Because TARA is well connected within this region, it is most suited for a pilot micro franchise. The objective was twofold: First to gain deeper insights about the nature of the potential demand of basic need products and second about the different already existing distribution channels. In respect to demand, focus was set on their needs¹ and awareness about them as well as the disposable income available to cover these needs. A few questions further aimed at investigating effective communication channels to reach potential customers. Structured interviews allowed conducting a high number of interviews within a short time period (Mc Leod, 2014). It was best suited within the context at hand as the author was looking for quantifiable information that can be generalized.
- Additionally to the structured interviews, two group interviews were conducted in the same villages in Faizabad. Within the group interviews, the scenario of a micro franchise in their

¹ The basic need analysed was limited to food, energy and health care since TARA's products target these needs. The need for safe drinking water was not explored in more detail sine previous studies on Aqua+ proves the huge existing potential demand.

community was discussed. The objective was to gain feedbacks to the introduced scenario and to draw conclusions in respect to the franchise's value proposition, awareness-raising as well as distribution strategy. Group interviews bring together a group of similar people and provide a forum to discuss a particular issue and react to each other's comments. This methodology gives the interviewees time for reflection so that they can refine what they have to say (Finch & Lewis, 2003, p.58). The two group interviews helped the author to understand the people's subconscious attitudes and views that a micro franchise model has to incorporate and respond to.

It is important to note that this thesis will not provide a ready-made implementation plan for a TARA micro franchise. As it turned out during the research, only a high level model can be elaborated at this stage. Once the criteria of a successful micro franchise can be achieved, this model can be advanced further until it is ready for a pilot micro franchise implementation.

1.3 Definitions

1.3.1 Franchising

"Franchising refers to a contractual arrangement in which one firm, the franchisor, licenses a business concept, operational system, or trademark to a second firm, the franchisee" (Kistruck et al., 2011, p.505). This agreement may last for a definite or indefinite period of time and its validity will be tightly bound to the franchisee conformity to the franchise agreement (Caves & Murphy, 1976, p.572).

1.3.2 Micro franchising

Micro franchise has been defined as a variant of a franchising business model. As in any other franchise model, in a micro franchise, one party acquires the right to operate a specific business model from a second party. However, there are several distinctions between traditional franchising and micro franchising: (1) Micro franchises operate within BOP rather than developed markets, (2) they tend to be much smaller than traditional franchises and (3) they exhibit different motives such as the improvement of the well-being of impoverished communities (Fairbourne, 2007, p.8,9).

1.3.3 Base of the Pyramid - BOP

Worldwide, the Base of the Pyramid (BOP) the 4 billion people that live in relative poverty. Their income is below 3'000 USD a year in local purchasing power. In India, the BOP has an income of less than 1.56 USD a day, which represents an overwhelming majority of the population. The BOP markets are generally urban (in India BOP accounts for effectively 100% of rural India), very poorly served and dominated by informal economy (World Resource Institute & IFC, 2007, p.3 & 26).

1.3.4 Basic needs

In several parts throughout the thesis, it is referred to basic needs. Even though it is a common term, it will contribute to a better understanding to briefly define the scope if it's meaning. Basic needs refer to all basic human needs of which people living in poverty are deprived of: nutrition, drinking water, sanitation, health care, shelter, education and information. The basic need perspective is a measurement of poverty that goes beyond monetary measurements such as income (UNESCO, n.d.).

2 From traditional to micro franchising

The following pages provide an introduction to the micro franchise debate. First, the emergence of the micro franchise concept is illustrated by drawing upon the experience of the history of development aid. In a second chapter, the literature review of the prominent scholars of this field give deeper insights in the embodiment of the micro franchise concept as a development tool. Finally, the key characteristics of the micro franchise model are emphasised.

2.1 Key learnings from history of development aid

Woodworth explores in his essay "Current international development tools to combat poverty" the traditional solutions for alleviating world poverty (2007, p.78-98). In the 60's and 70's, the West superimposed on the Third World their modernization strategies neglecting indigenous values and cultures. The methods introduced by the West to increase agricultural output for instance even produced negative outcomes such as short-term yields, rising cancer rates and depleted soil. After these modernization strategies were declared as unfruitful, satisfaction of basic needs became centre of all efforts. In the 80's, projects on a macro level to improve access to clean water, education and healthcare were funded by major donors such as the World Bank or the United Nations. This aid generally took place in form of economic investment in developing nations. However, the funded programs showed to be highly costly and hardly sustainable with considerable disappointing impacts. The money did rarely end up where it was intended. A new approach was adopted in the 90's. The West started to design smaller projects which could be implemented on a village level, would yield direct benefits to the people and could further be handled by the community itself. However well intended, many projects did not meet the specific need of the communities and were designed too far from ground realities. Subsequently, the new millennium brought a substantial shift from top-down implementation to a bottom-up approach. Needs and problems were newly identified at a grassroots level. The relationship between the donor and the recipient transformed dramatically into a partnership where each had a voice and each was involved in defining the problem and developing the solution.

As Fairbourne and pretty much any development aid scholar stated at one point at their carrier, "there is no silver bullet to ending poverty" (2007, p.5). Sachs' much cited "ladder of development" calls for different tools at the different stages on the latter (2005, p.18ff). However, it is certain that no matter on what stage, a solution such as micro franchising that incorporates the key learnings from the history of development aid has the most prosperous outlook for success.

2.2 Literature review of micro franchising

Within the last two decades, scholars have been advancing the concept of micro franchising as means to lift people out of poverty. Foundation of the debate is the view that the poor are not able to participate in the global market economy. De Soto shows the link between insuperable poverty and the exclusion of the poor from today's global market system in his book "The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else". For him, the disparity of wealth between the West and developing countries is far too big to be explained by simple factors such as the lack of secularism, the disabling legacy of colonialism or culture in general. The explanation lies

within the “Mystery of Capital”. Capital is the “lifeblood of the capital system” (2000, p.5). The poor do possess assets that could enable them to make a success of capitalism, however, these resources are held in defective forms; they are not captured by the legal system. Hence, they cannot be readily liquidated, traded, used as collateral for a loan or as a share against an investment. In the West where ownership rights are adequately recorded, businesses properly registered and formal procedure efficiently conducted, the assets possess all these representational abilities. Therefore, assets can lead “an invisible, parallel life alongside their material existence” and generate more capital (2000, p.7). Scholars such as Prahalad, Hart and Christensen advanced the debate from the business perspective arguing that the untapped multi-trillion dollar market at the bottom of the pyramid, consisting of more than 4 billion people, offers a huge potential for businesses. According to Prahalad and Hart, the perception of many westerner managers that the bottom of the pyramid is not a viable market is incorrect. They stress the importance of the informal economy that accounts for 40% to 60% of economic activity in developing countries. To exploit business opportunities at the bottom of the pyramid, companies need to adapt to new challenges that are different to the once they might have face in their home markets. New perspectives are required in the area of price strategy with strong focus on affordability, quality criteria taking into account the ground realities of the poor, sustainability by creating products with low resource intensity and profit generation with low margins but high volumes (2002, p.2-6). Some scholars do not only see market expansion into the BOP as an opportunity but as a necessity. Facing the challenges of the BOP market triggers new innovations that can lead to a competitive advantage. If Western businessmen/women remain in their comfortable and well known home markets, Indian or Chinese managers will tap into the BOP market and come up with new price strategies and quality standards that will outpace western products/services (Christensen & Hart in Magleby, 2005, p.18).

Within this context, micro franchising comes up as a promising concept that has the ability to empower the poor to participate in the formal economy as well as to enable businesses to exploit the potential at the BOP. In his illuminating paper “MicroFranchise as a Solution to Global Poverty”, Magleby argues that the “franchise business model is probably the most effective way to provide the uplifting and nurturing institutional support that oppressed people need in order to earn their way out of poverty” (2005, p.17). Micro franchises enable thousands of small, local businesses to leave the informal economy behind and to benefit from the franchisor’s official registered legal status. The franchise business model is a promising model for MNC to enter the BOP market. The question today is, if the prospects of micro franchise business models are that promising, how can it be realized? Jason Fairbourne, Professor at Brigham Young University and Director of the MicroFranchise Development Initiative, together with Stephen W. Gibson, Senior Entrepreneur-in-Residence, published a MicroFranchise Handbook addressing followed by further books such as the essay collection “MicroFranchising – Creating Wealth at the Bottom of the Pyramid” addressing this question. These papers illustrate the theoretical concept of micro franchising, its different forms, the advantages and disadvantages of the model compared to other contemporary development tools as well as examine different case studies. When developing a sound theoretical basis for micro franchising, scholars generally refer to literature on traditional franchising. Micro franchising is then distinguished from traditional franchising based on insights provided by case studies. Because of this approach, the following chapters will first examine the theory of traditional franchising and then carve out the key characteristics of the micro franchise model based on field experiences.

2.3 Traditional franchising

This chapter aims at introducing the general franchise model. Implementation and operationalisation greatly differ depending on the type of franchise, but statements about their origin, demarcation, motivation and advantages as well as disadvantages for the franchisor/franchisee have validity for all franchise models. The next two chapters will then go into more detail and deal with the development of specific franchise models over time, one of which is the micro franchise.

2.3.1 Origin

The concept of modern day franchising originated in the USA in the 1940s triggered by the need for rapid expansion of fast food restaurants. Next to the “fast food” sector, franchise systems are common in hotel and motel, automobile rental, and automobile and gasoline dealership industry (Caves & Murphy, 1976, p.572). Nowadays the concept is known and practiced not only in the US but in all parts of the world (Illetschko, 2011, p.10). The franchising business model is widely and increasingly used by entrepreneurs to expand their market and increase growth prospects. The concept has especially grown in popularity as a business for the globalizing environment to enter emerging, new or foreign markets (Alon, Mitchell and Munoz, 2010, p.4). Therefore, expansion of the franchise model took place at a considerable weaker pace in the developing world as it was predominantly driven by western companies. Generally, only the growing upper segment of the developing countries’ consumer market was targeted (Illetschko, p.20, 2011). Consequently, the major part of the franchising brands all around the world are of North American origin. Only within the last few years, local Asian and European brands are also emerging rapidly (Kavaliauske & Vaiginiene, 2011, p.324).

2.3.2 Demarcation

A sales representative model might be considered quite similar to a franchise model; The sales person acts in the name of the company, operates according to its guidelines and is responsible for delivering the product or service as well as receiving the payment. However, while the sales person can be considered comparable to an employee, the franchisee much more resembles an entrepreneur. A franchisee owns his business, manages his own profits and will most likely be more autonomous in decision making than a sales person. A franchised business model also carries considerable similarities with an agency business model. In an agency agreement, an individual, the agent, acts on behalf of a company, the principal. The agent represents the company vis à vis his customers and acts solely in the name of the company. In contrast to the franchise model, the responsibility of delivery of the product or service and collection of the payment remain with the principal. Furthermore, just as with the sales representative model, commission based reward system differ from the profits structure of a franchisee. A franchise agreement also needs to be distinguished from a multi-unit enterprise. While each unit in a multi-unit enterprise operates under a common legal status, each franchise in a franchise network acts as an independent liable firm. Additionally, a franchise agreement can be distinguished from a simple licence by the fact that the later allows the licensee to conduct the business in the way in which he/she wishes. Franchisees on the other hand generally have to follow strict guidelines. A technology licence agreement is even more simply distinguishable as it does not only differ by the role of control but also the role of trademark. Whereas it is the key feature in franchise networks, technology licence do not give any attention to it. In any case mentioned above, there is one common crucial difference between

franchises and other arrangements; even though owned by different parties, franchisees within the whole network are perceived as one and the same by the outside world (Caves & Murphy, 1976, p.572; Illetschko, 2011, p. 19; Sidkin, 2012, p.22).

2.3.3 Motivation

There are different theories to explain why firms choose to offer their products or services through franchise units. Traditional franchise literature suggests three main theories, namely the resource scarcity theory, the agency theory, and the plural form theory. These theories illustrate the reasons, why establishing a franchisee is chosen above establishing an own business. None of the theories alone explain the franchise phenomenon entirely. However, considered together, these three theories give a comprehensive view of the motivations to franchise (Diaz-Bernardo, 2012, p.167 ff.).

The Resource Scarcity Theory was developed by Oxenfeld and Kelly (1969) and focuses on the limited financial or human resources available to the franchisor that hinders him/her to grow his/her business as desired. Franchising is hence a cheap and fast way to accelerate business growth. The franchisor does not only receive royalties from the franchisee, but more importantly, he does not need to provide the investments necessary to start and run the operations. In this way, the franchisees finance company growth but cannot influence strategic decisions as it would be the case with shareholders. According to this logic, business owners would be expected to not franchise in case they had sufficient access to capital. Critical voices, however, argue that this statement can be disproved by all the successful franchise system which, despite ample opportunities for financing franchise chains, remain intact. The Agency Theory, formulated by Brickley et al. (1991) proposes another motivation for the franchisor next to the possible lack of financial and human capital. Franchisor might also decide to franchise to create an incentive structure that makes the franchisee work at his/her best for the success of the business and thereby avoid the principal-agent problem. This concept states that where interests of franchisee and franchisor differ, the franchisee might act in his instead of the franchisor's interests. Since franchisees are risking their own investments, the motivation of the franchisee to make the business profitable is most likely much higher than the motivation of an employed manager. In the case where the agent (the manager) has no alignment with the property, the principal (business owner) can never be sure if he behaves according to his interests. As a result, he has to monitor and control his agents giving rise to significant costs. Since a franchisee is not an employee but an owner of the business, a franchising system promises to be an effective answer to this principal-agent problem as it aligns the agent's personal interests with the principle ones. Following the logic of the Agency-Theory, one could expect all franchise chains to become fully franchised to realise its full advantage. However, reality shows a different picture. Empirical evidence shows a mix of company-owned and franchised units in most franchise chains (Oxenfeld & Kelly; Brickley et al in Diaz-Bernardo, 2012, p.167,168). Most researchers have acknowledged that both theories exhibit considerable validity when explaining franchise decisions. Castrogiovanni, Combs and Justis additionally consider the shift of the influence of each theory on franchise decision over time. They suggest that resource-scarcity consideration prevail when the business is still in its infancy. In later stage of business development, however, the pattern changes and the agency considerations become predominant (2006, p.25).The Plural Organization Theory developed by Bradach and Eccles attempts to explain the fact why franchise chains generally apply different organizational control mechanisms, namely company-owned and franchised units, simultaneously. He concludes that such hybrid forms exhibit the opportunity to combine the

advantages of both structures which provides a crucial competitive advantage over systems that are completely franchised or company owned (1989, p.112).

2.3.4 Advantages and disadvantages

Franchising exhibits numerous advantages for both parties, the franchisor as well as for the franchisee. The most obvious advantage of a franchisor is the ability to expand business activities fast while at the same time keeping his costs and risks low as the franchisee invests his personal money, time and efforts. The franchisor can gain growth, capital, attract a wider pool of managers and gain local market knowledge (Gillis & Castrogiovanni, 2010, p.77). At the same time, the franchisor is able to protect the brand image of his/her product or service as control and decision authority remains in his/her hands. Through an increased market presence, the franchise business will be strengthened overall, such as through the ability to achieve economies of scale, to ensure a better market penetration or to establish operational independence allowing for local adaptations. The franchisee on the other hand has the advantage to start a business based on a successful and implementation-ready business model with a recognizable trademark and brand as well as training and operational support. A franchise tends to insulate the entrepreneur from many market shocks providing a certain degree of stability, security and predictability (Chatnani, 2010, p.31). The franchisee might profit from the knowledge of the franchise network as well as reduced costs through the scale of the business network. Furthermore, for an individual it tends to be easier to receive credit for a business idea that has shown successful instead for a new idea. With less hurdles and considerable support, the franchisee will be able to set up his own business while retaining the prospects of earning a better income than an employee by retaining some of the profits (Sidkin, 2012, p.22). In emerging or new markets, the franchisor additionally benefits enormously from the franchisee's knowledge of local business practices and culture, his/her social network and reputation/trust. Even though the advantages are numerous as just described, many pitfalls have to be avoided.

The franchisee's disadvantages are quite straight forward: he has to follow the guidelines and regulations that are inflicted on him. He will have to accept considerable restrictions how to run the business. Especially once the business is running and franchisor's support decreases, the obligation to make regular payments out the profits often becomes a thorn in the side of the franchisee (Sidkin, 2012, p.22). Some scholars counsel individuals to carefully evaluate their risks when interested in becoming a franchisee. The warning applies to the possible lack of support and information from the franchisor's side. Consequently, an interested candidate has to undertake several considerations before investing in a franchise. The franchise really has to represent a conclusive business model and not merely a loose concept. The break-even point needs to be achieved within a reasonable time period and returns must be acceptable. The business needs to have proven itself successful in relation to industry trends, competition and consumer preference and over a longer period of time. Finally, the challenges operating a franchise have to be understood by the future franchisee (Warren Hummer, 2008, p.34). Also, the franchisor faces certain disadvantages. Loss of control is certainly one of them. Furthermore, a franchisor has to carry the costs for monitoring compliance with guidelines and standards as well as providing support to his network. A most valuable asset to the franchisor is his brand. Therefore, he has to retain the option to terminate the contract if there is justified fear that a franchisee puts the business' reputation at stake. Furthermore, franchisors run the risk that their franchisees will use the knowledge gained through the franchise network and use it at a later stage as independent entrepreneurs against them to compete in the same market. Accordingly,

restrictions to use such information in a competitive manner must be carefully drafted ensuring legal effectiveness (Caves & Murphy, 1976, p.575). In the case of setting up a franchise in a new or emerging market, exercising effective control becomes an even more difficult challenge. In such a scenario, Sidkin suggests to interpose a master franchisee that is in physically but also culturally/ideologically closer to the franchisees. Such a sub-franchise would possess greater ability to exercise effective control. Backside obviously is the obligation to divided profit amongst an additional party (Sidkin, 2012, p.22). Because the franchisor has to first create the franchise business model and then support his franchisees, it is only attractive if the network is built for the long run (Illetschko, 2011, p.12 – 18).

2.4 Further distinctions

The increased application of the franchising model to different context and with different intentions has triggered a new generation of franchise models. Scholars widely refer to the distinction between product and business-format franchise. However, franchise population is much more heterogeneous than that (Castrogiovanni & Justis, 1998, p.173). While the last chapter has illustrated the key characteristics of a traditional franchise, this chapter focuses on the diverse landscape of implementation models that have developed over the course of time. There are multiple theoretical approaches how to distinguish different franchise business models. Many terms have arisen that name one or the other forms. However, case studies have shown to not always fit such pure configurations. Many franchises are hybrids that carry characteristics of different models depending on the suitability of the context they are operating in. This is the reason why the focus is set on carving out key differences between franchises instead of listing classifications found in literature. To arrive at this end, this chapter deals with different franchise models described in literature in general as well as with the micro franchise model in particular. As just stated, most franchises in reality, however, cannot be classified according to these rigid concepts. Therefore, it is attempted to nail down what concretely it is, that differentiates these franchisees. The goal is to come out with concrete key differentiating characteristics that facilitate later decision-making in respect to TARA case study.

2.4.1 Product, business-format franchise & Co.

There are different forms a business model might take. Scholars have found diverse approaches how to classify and distinguish different franchising model. A common demarcation of franchising applications is based on the operational approach and distinguishes between product/trademark franchising and business-format franchising. A product/trademark franchise grants the right to sell a product or service within a defined geographical territory such as a gas station or a car dealership. Suppliers engage in such a contract with individuals to mainly increase their units sold. Business-format franchising on the other hand goes much further and does not only provide the product/service to sell as well as a common trademark, but also advertising, service methods and delivery models with strict operational guidelines. Most of the existing franchises in present days can be classified as a business-format franchise (Illetschko, 2011, p.17ff). These two categories are helpful to conduct a rough classification, but there are much more supple demarcations within the business format franchise model. Gibson calls franchise models as “business in a box model” that enables the broad replication of different proven successful businesses (n.d. p.III). What is in this “box” can vary depending on the characteristics of the replicable business model. Sherman, for

instance, has classified different types of franchises based on the financial resources and business knowledge needed to acquire, set-up and run a franchise. It ranges from a sales & distributorships to large scale projects such as hotels (2003, p.414). Magleby adapted a differentiation model according to the variations in the business relationship between the franchisor and franchisee. He distinguishes next to product/trademark franchising and business-format franchising 14 additional kinds of such relationships. He classifies these models as Informal Business Format, Buyer's Cooperative, Producer's Cooperative, Owner Operator, Delivery Route, Manufacturer's Rep, Journeyman, Peacework Jobber, Independent Operator, Local Agent, Local Distributor, Local Purveyor, Local Promoter and Credit Franchisee (2005, p. 20 & 21). Next to financial and business knowledge emphasised by Sharma, there are five further characteristics that can be made out, on which Magleby bases his distinction. Brand recognition is one of them. It indicates the ability of the customer to affiliate the product/service sold by the franchisees with the brand of the parent company. A second characteristic is defined as franchisee autonomy. In this context, it is defined as the rights granted to the franchisee in the franchise agreement. In the words of Cochet, Dormann and Ehrmann, these rights define the extent to which a franchisee "is unconstrained to independently make decisions and to take action" (2008, p.52). Decision power and the action of freedom may concern areas such as product presentation and marketing, interior décor, opening hours, price strategy, quality requirements or site selection. Further distinguishing factors that can be made out in Magleby's classification is control and support. Control might be in form of requirements and monitoring or an incentive structure exhibiting penalties for wrong behaviour. Support, on the other hand, is concerned with the franchisor's efforts to help his franchisees to succeed. Finally, ownership distribution of the network between franchisor and franchisees is another determinant factor of their business relationship.

2.4.2 Distinctions from franchise variations to a micro franchise

For the micro franchise model, in particular, further differentiating characteristics have to be added. These conclusions are based on the literature of the experiences of Illetschko, franchise consultant in South Africa (2011, p.17-24). A different perspective on the following three characteristics mentioned in the previous part has to be taken; ownership structure, control and support. Different from traditional franchises, micro franchises are often set-up in remote, poorly developed areas. Connectivity, energy supply, public health care, schooling as well as economic development is deficient. Franchisee candidates are often equipped with very little financial resources and education. In order to enable such candidates who are nonetheless deserving candidates, to become franchisees, investment requirements and support structure need to be adapted. In most instances, the franchisee provides the initial capital to set up the business as well as all further costs for running the operations. By doing so, he owns the franchise business right from day one. A micro franchisee however won't be able to deliver such investments. Therefore, characteristics of different models such as a joint venture or a tandem franchisee may be integrated within the micro franchise business model. Furthermore, due to the poor connectivity of such areas, the implementation of support, as well as control, becomes a difficult task. Depending on the support and control mechanisms necessary to make the franchise a success, franchisors need to consider the influence physical distance and poor connectivity has on their ability to do so. Besides adapted capital requirements, support mechanisms and increased importance of franchisor-franchise physical proximity considerations, Illetschko's experience show the increased importance of franchisee characteristic

requirements. Educational background, professional and personal development of micro franchise candidates vary greatly from individuals that have enjoyed proper schooling and professional development opportunities. Because a franchisor cannot simply assume basic educational knowledge such as literacy, he needs to define carefully which characteristics are necessary for a successful franchise network.

The main difference from any version of business-format franchise mentioned in the previous chapter to a micro franchise is the overall business objective. Business performance does not constitute the sole focus of attention anymore. Depending on the theory applied (see chapter 2.3.3), traditional franchise models are driven by the goal to provide missing financial or human capital to grow the business or to establish the right incentive system for the franchisee to make the business successful. In a micro franchise, a social mission adds to the business strategy. This type of franchising is a new tool specifically designed to answer some of the current and most profound dilemmas of the development debate. Since maximising business performance and achieving social mission often contradicts, micro franchise networks clearly need to state their priorities. A further crucial difference between the micro franchising model and traditional models is the initiation and development process of the business model. Traditionally, the “parent”-company provides a franchise opportunity replicating the company’s existing and proven business model. A micro franchise system, however, is generally created by an organisation that has not been involved in business practices to the same extent than private market companies. To realize the potential of micro franchise as a development tool, development organisations create an entirely new, replicable business model for the base of the pyramid (Chatnani, 2010, p.33). Hence, while traditional franchise models are a copy of a proven business model, micro franchise models additionally need to be distinguished according to the probation time of the business model.

3. Development of the model

Within this part, an elaborate, step by step guide is developed to define a successful micro franchise business model. It is divided into two chapters: the first constructs the framework to make later decisions about the intensity of regulation. The second chapter elaborates the broader context within which these decisions can be made and outlines five steps to reach to the final business model.

3.1 Key differentiation characteristics

In this chapter, a framework is elaborated based on the differentiation characteristics that scholars have used to group franchisees into different categories. The key characteristics elaborated here are namely; ownership structure and initial financing, brand recognition, autonomy, control, support, franchisee characteristic requirements and expansion plans for business model. Each franchisor has to defined how pronounced these characteristics are within his/her own franchise model. This approach allows a flexible classification that is able to take into consideration particularities of any franchise system. The goal of this chapter is to decide which key differentiation characteristics a TARA micro franchise should display. There are trade-offs between many of the characteristics. For instance, if a strong brand is desired, the franchisor cannot at the same time grant a high degree of autonomy and dispense of effective control mechanisms.

3.1.1 Strategic choices

a. Brand

Luangsuvimol and Kleiner account the “phenomenal success” of the franchising system in the United States to their ability to franchise under a nationally recognised trade name providing standard quality and uniformity of the product or service (2004, p.64). While brand quality is surely central for international franchise networks such as Mc Donald or Body Shop, it is not that clear what role a brand plays in a micro franchise network. An organization planning to establish a micro franchise needs to get a clear picture about the value and costs of establishing an own brand and make its decision accordingly.

A brand is broadly defined as the way a customer perceives the company. A brand represents the company and its promise to the customer. It transmits the customer information about the product or service benefits and uniqueness. If the quality of a product is easily assessed, brand becomes less important. Furthermore, if competition is low, branding to emphasise uniqueness becomes less relevant. However, if trust in the product or service and its benefits is not simply given, brand development can create vast advantages. If a brand is consistent and easy to recognise, it can create trust and a sense of familiarity among the customers and facilitate their buying decision. Once customers have experienced a brand, they know what to expect from any purchase of the same brand. Additionally, a strong brand crates clarity about the company’s mission and vision valuable to the staff’s orientation as well as to future strategic choices (Boundless, n.d.). According to Asare, Kang and Alejandro, brand reputation of a franchise increases customer loyalty and creates competitive barriers. A strong brand also attracts qualified candidates who want to invest in a

promising franchise. Therefore, a highly reputed brand exhibits a strong relationship with franchise system growth (2010, p.8).

The advantages of a successful brand are evident. However, how to create a strong brand is quite difficult. When Tata Motors of India bought Jaguar and Range Rover from Ford, they spent more for the brand name than anything else combined (Goodson, 2012). If buying a well-known and credible brand is that expensive, creating such a brand is certainly challenging and requires a sophisticated strategy. A brand can be more than just a reference point for the customer or a mean of differentiation from competition. A brand can become a mean for identification. A successful strategy will address the desire to belong to a certain group, the aspiration for a certain lifestyle or the wish to express certain values. Goodson, founder of StrawberryFrog, describes a sophisticated brand strategy as a strategy, which comprises a cultural movement; "In the world of marketing and advertising, everyone strives for one thing - to stand out from the crowd. But how about instead of separating ourselves, we bring this crowd together? We unite them in a common cause. We share their interests. We ignite their passions. And in doing so, we create a Cultural Movement" (Goodson, n.d.¹). Traditionally, marketing starts with a product or a service. A cultural movement, however, starts backwards; it starts with an idea. This idea relates to the developments that are taking place in the real world and the true concerns and passions of potential customers into a brand. This idea is then translated into a brand. In order to make this cultural movement work for the brand, it needs to be relevant to what the brand stands for. The same language has to be spoken and the same messages have to be reflected throughout the product portfolio/service offerings. "A Cultural Movement begins from the inside out, from the heart of the brand and its parent company who have to live and breathe it. If a product doesn't reflect the Cultural Movement you're trying to spark and isn't actually true and authentic to the message, it won't work" (Goodson, n.d.²).

An organization planning to micro franchise that sees advantages in establishing a brand for them has to balance it with the cost associated with it. Two aspects, namely the resources needed to develop and communicate the brand as well as the prerequisites in the structural set-up of the whole franchise network, have to be considered. First, brand development and marketing strategy requires substantial know-how and finances. Two questions are to be answered: First, can the know-how - such as market knowledge, customer preferences, creativity and marketing skills - be leveraged within the organization and its partners? And second, how can the marketing costs communicating the brand be distributed respectively decreased (e.g. through technology)? The other aspect to consider is how far the micro franchise network can and should be organized and structured so that a common brand can be transmitted in the first place. King, Grace and Weaven write; "the franchise brand's success is reliant on its franchisees to work collectively as part of the franchise network, just as a sporting team's success is reliant on its individual players working collectively to achieve team goals" (2013, p.1308). The role of the brand within a micro franchise network is hence decisive for the decision in how far franchisees are supposed to work as a single unity or are free to work as individuals. The more the franchisor wants to create a single brand throughout the whole network, the stricter he has to implement standardization mechanisms and manage franchisee behaviour by controlling adherence to the franchise agreement as well as supporting and facilitating its implementation.

b. Autonomy

The degree of granting the right amount of autonomy strongly depends on the desire to harmonize the business, model. If brand recognition has to be achieved on the highest level, as described in the previous chapter, franchisees can consequently be granted less autonomy to make their own decisions. A detailed operational manual defining each aspect of the business from marketing strategies to opening hours and work uniforms ensures an identical buying experience in any franchise. A low level of franchisee autonomy not only encourages the positive effect of standardization but equally minimizes negative effect of potential costs arising from the principal-agent problem. The risk of free riding on the chain's brand name and reputation such as through underinvestment in advertising becomes especially apparent (Cochet, 2008, p.51). Potential free-riding risks need to be assessed individually to infer the right level of autonomy. Four factors enforce or reduce the incentive for franchisees to act primarily in their self-interest instead of the network's interest. (1) High levels of satisfaction with past business performance reduces the risk of opportunism. By leaving sufficient rents downstream while at the same time penalizing opportunistic behaviour by termination or non-renewal of the contract are strong mechanisms to ensure franchisee compliance. (2) The nature of the business also plays a strong role, namely intra-chain competition and non-repetitive buying behaviour. Geographic proximity of different franchises lead the franchisees to adapt a rather competitive than a cooperative approach (2008, p.56). Establishing an area agreement is an adequate tool to avoid such competition. Such an agreement provides a franchisee with an exclusive territory in which the franchisor cannot add other franchise outlets. Although providing franchisees with territorial exclusivity could in the short term limit franchise growth, Asare, Kang and Alejandro have showed in their study that area agreements, in the long run, foster franchise system growth. Franchisees feel more secure and less pressure from competition and are hence more willing to invest in their franchise (2010, p.10). Another example is the buying habit of their customers. If they are non-repetitive, franchisees have less incentive to not free-ride. The size of the franchise network decides thereby about the costs of free-riding. The bigger the network is the smaller the costs for each franchisee to free-ride (Gómez et al., 2011, p.713). (3) As illustrated in the previous chapter, principal-agent problem only poses a serious risk, if the franchisor's goals differ from the franchisee's primary concern, which is his profit. For instance, if the franchisee's financial situation is difficult, it will be likely that short-term profit will enjoy a much higher priority than long-term sustainable profitability. If the franchisor's key objective might not even be sustainable profit but of social nature, the danger that opportunistic behaviour will jeopardize the overall objective. (4) Furthermore, the degree of autonomy that can be given depends on culture and norms guiding cooperative behaviour. Each society exhibits different characteristics which may have the potential to foster or hinder certain business activities. In a situation, where the franchisor and franchisee operate within different societies acting according to different social norms, granting autonomy becomes riskier and might end up in unexpected, unwanted corporate behaviour. Altinay and Okumus closer examined what triggers or hinders relationship development between franchisor and franchisees in international franchise network. He concluded that cultural distance was the key factor (2010, p.941-944).

Introducing low levels of autonomy, however, comes not without costs since a lot of potential gets lost. To grant franchisees the autonomy to make their business decisions increases adaptability of each outlet to the local market. Franchisees often bring additional expertise and responsiveness to

the ground realities than the parent company. For their specific knowledge to be leveraged, franchisees need to have a certain level of autonomy for independent action. Furthermore, individuals who size a franchise opportunity often do so in order to become their own boss. Franchisee satisfaction and their motivation to deliver performance is hence strongly correlated to the autonomy they enjoy. If they have a say in the business, their efforts to success will increase substantially (Cochet, 2008, p.51). According to Dada, Entrepreneurial orientation, with its three core dimensions of risk-taking, pro-activeness and innovativeness, is a key ingredient for firm success. In the context of franchise networks and the desire to reach some kind of standardization, entrepreneurial behaviour of franchisees may not always be desired. Understanding the extent to which entrepreneurial orientation is desirable in a particular franchise system, poses a crucial task (Dada & Watson, 2013, p.806).

c. Expansion

One of the main advantages mentioned to acquire a franchise is to buy a proven business system and to therewith reduce risk of failure. However, many micro franchises are developed with the desire to instantly franchise and expand the business so that the social mission can be realised as fast as possible. The franchising organisation needs to strike a balance between developing the model carefully until it has a proven success record and franchising it quickly to unleash the benefits for the franchisees and their communities.

A study of Asare, Kang and Alejandro showed that age of the franchise system is positively related to the franchise system's financial performance, survival and growth (2010, p.1-11). Older franchise networks have more experience, a well-developed and -adapted business model and have a more successful track record. Furthermore, mature franchisors have learnt which criteria are especially important when selecting franchisees and how to manage their relationship with them. Asare, Kang and Alejandro hence advise managers of young franchises to not rush business growth. They better spend initial time to build a strong foundation. This means they first have to improve their business model, build an attractive track record and establish and improve their brand reputation.

Accordingly, organisations planning to establish new micro franchise system need to take their time to first run the business model by themselves. Depending on its success, further time for adaptations need to be foreseen. Like this, franchisors are able to already integrate key elements that support the success of franchising into their model. Businesses that were decided to franchise before a good probation phase might encounter heavy restructuring and adaptations. An organization that has a proven successful business ready before franchising on the other hand, was able to adapt the model to suit its future franchisees best and to equip them with the best possible tools to overcome any adversities. Furthermore, if franchisees need to request a micro credit to finance their venture, they are expected to receive their credit much more easily when they are able to plausibly illustrate the high probability of success.

3.1.2 Requirements

a. Franchisee characteristics

A franchisor needs to be clear about the characteristics his franchisees need to have. Only then he can investigate if the potential franchisees fulfil his requirements before signing the contract. The franchisor may require the candidate to make an assessment or inquires about the person through other people in his professional and social circle.

Franchise studies have identified the importance of wide-ranging criteria in franchise partner selection. Different selection criteria were defined such as personal data (e.g. gender or age), financial capability, formal education, market knowledge and experience as well as personality characteristics (Altinay & Okumus, 2008, p.929). A micro franchisor, in particular, will be confronted with a largely unskilled candidate pool many of which are used to operate in an informal market and do not have large resources at their disposal for initial investments. Setting up huge financial capability or high management experience criteria is hence rather futile. However, a micro franchisor has to think about basic educational requirements in terms of literacy or calculus and relevant experience according to economic local ground realities. Furthermore, great importance for a micro franchisor is attributed to personal characteristics. Often, micro franchisees lack finances and relevant market knowledge but it is their potential that will make them succeed. The three basic categories, educational background, relevant experience and personality traits are further defined in the following paragraphs.

Educational requirements are quite straightforward depending on the complexity of the business activity. If a large amount of knowledge needs to be acquired to be able to start as well as run the business, it will be vital that franchisees can read. This may be the case if identifying the customer's needs as well as appropriate counselling plays an important task. Furthermore, if computer-based tools to manage the business accounts are used, affinity to calculus will certainly be helpful. On the other hand, if candidates with a weak educational background can be trained to become a franchisee, it adds great value to the business model since deserving candidates otherwise not being able to compete can be rewarded and empowered. Especially considering the fact that women generally have less access to education, educational requirement should be kept as low as possible. To illustrate; In India, the net attendance ration of secondary school participation is ten percent less amongst women, 58.5% for men and 48.7% for women (UNICEF, 2013).

Some franchisors requirements are less concerned with the educational background, but much more with previous business experience and local network. Candidates might be preferred that are able to exhibit previous selling and networking experience. Other franchisor may even require franchisees to already have operated a successful business within their local market (Castrogiovanni & Justis, 1998, p.173). In such a scenario, a franchise could be offered exclusively to individuals, who already operate a business in the same sector. The advantages for the franchisor are evident; proven entrepreneurial skills, industry knowledge and established network. Illetschko calls such a franchise a "Conversion franchise" (Illetschko, 2011, p.17-24). In many cases, candidates for a micro franchise often lack previous work experience at all since few jobs and formal employment opportunities are given at BOP markets. Previously unemployed franchisees are often surprised by the level of efforts and commitment that is expected from them and are unable to deliver. They also lack awareness of how a micro franchisee role differs from that of an employee. In many cases, they are interested in

becoming a micro franchisee not because they are innovative and want to run their own business, but simply because they are looking for employment. Often they don't want to be their own boss but to still have a boss tell them what to do (Kistruck et al., 2011, p.511). Micro franchisors hence need to undertake a more rigorous search and selection process for more suitable franchisees. Seeking a proactive, opportunity-seeking behaviour, franchisors have to explicitly look out for indicators such as activeness of daily routine, assumption of responsibilities or creativeness in problem-solving.

Not only characteristics in terms of education and experience determine success of the franchise, but also franchisee personality. Dant, Weaven and Baker have examined the linkages between franchisee personality traits and franchisee-franchisor relationship quality (2011, p.281 ff). They believe that franchisees do not only follow a rationale incentive structure but that their decisions are strongly influenced by their personality traits and their perception of the relationship quality. In franchising literature, scholars have equated an efficient operational relationship between the two parties with business success and survival. Dant, Weaven and Baker have identified four personality traits that directly influence a franchisee-franchisor relationship. (1) Extraversion: High level of extraversion relates to an individual that is outgoing, energetic, assertive and dominant in social situations at the workplace. Such individuals are more likely to make impulsive decisions and to engage in risk-taking behaviour. For the franchisor, such a franchisee is more likely to deviate from defined contractual provisions and to challenge and question the leadership position of the franchisor. Furthermore, such individuals are expected to rather cope with work situations in an emotional rather than a rational way. With such a partner, the establishment of mutual understanding of values and goals as well as cooperative problem solving becomes more difficult. (2) Agreeableness: People with high agreeableness are friendly, cooperative and considerate. Such individuals are likely to develop positive inter-personal relationships and seek support from social networks. Manipulation, deception and conflict between the partners are hence less common. The higher an individual scores on agreeableness, the stronger and better the franchisee-franchisor relationship can be expected. (3) Conscientiousness: High conscientiousness indicates that a person behaves dutifully with respect to set goals and is motivated to achieve them. Hard working, well organized, and responsible are key characteristics. Especially in an independent work function, high conscientiousness is a promising success factor. (4) Emotional stability: Emotional stability is another crucial franchisee characteristic for a successful franchise relationship. It refers to how well an individual can accommodate stressful situations, resolve conflicts and adopt effective problem-solving strategies. Furthermore, a franchisee with high emotional stability is expected to be a more effective leader and to hence be better capable of managing a semi-autonomous franchise unit.

b. Financial investments

The ownership structure, as well as requirements on initial financing, have to be adapted to franchisee's economic situation. While in developed markets, individuals wishing to acquire a franchise generally have some savings aside or can borrow the necessary money, micro franchise candidates encounter themselves in a much less favourable situation.

Ownership structure can be distinguished according to two different perspectives; point of time of ownership (1) and distribution of ownership (2). (1) Ownership structure is traditionally quite straight forward with the franchisee owning the business to 100% right from the start. However, to ease the pressure of setting up the business, the franchisee may postpone full franchisee ownership of the

business. This may be done by adapting the financing strategy of a joint venture or a tandem franchise. In a joint venture, the franchisor grants the franchise to a second party for a specific territory. The franchisor puts up most of the capital required and hence retains considerable shares of the business. The franchisee works for a very low salary but is entitled to a disproportionate share of the profit. This profit is then used to buy shares of the business at a pre-arranged price so that the franchisee becomes the sole owner within three to five years. At this point, the joint venture agreement changes to a standard agreement. In other cases, deserving candidates might not only lack the capital required but also managerial skills in the form of both, knowledge and experience. Illetschko, calls it a "Tandem Franchise" (2011, p.17-24). The franchise is set up as a joint venture but instead of a disproportionate share of the profit, the franchisee gets management support and mentoring at a level that exceeds standard franchisee support. At a later stage, just as the franchisee in a traditional joint venture model, the franchisee buys the remaining shares from the franchisor until he owns the whole business. (2) Instead of delaying the point of time where a franchisee becomes the sole owner of the business, ownership of a franchise might as well be distributed amongst a group of people for an indefinite period of time. The success of the concept of Self Help Groups within the micro financing context is a suitable example to illustrate this point. According to the reserve bank of India, SHG are a group of people "mostly micro-entrepreneurs having homogeneity in their socioeconomic background, who join hands together to contribute regular savings to a common fund and meet their emergency needs on mutual help basis" (Karimzadeh et al., 2011, p.2). If each person would save in separation, the money would not reach a significant amount that could really cover an emergency situation. Only the collective action, the joint efforts, commitments and sharing of responsibility makes the undertaking successful.

Generally, franchisees are faced with a number of financial obligations. First, franchisees are expected to pay an initial franchisee fee or an upfront fee. It pays for the right to use the franchise business model to receive initial training and support. Second, the franchisee is responsible for providing for all capital investment arising from the setting up of the business including equipment, vehicles or furnishing. Finally, the franchisee has to cover expenses before the business will give stable returns covering all the expenses and leaving the desired profit for the franchisee. In the meantime, he has to pay salaries, rentals and other expenses that are part of running a growing business (Illetschko, 2011, p. 17-16). Clearly, raising such funds is not feasible for a micro franchise. If the franchisor does not offer the option of a joint venture or a tandem franchise, he needs to offer a financing scheme. This may take the form of micro loans, grants (transfer of money with no expectation of repayment) or revenue-sharing/consignment system (some initial set-up costs are covered by the franchisor where the franchisee pays them back with a share of profit) (Lehr & Christensen, 2011, p.72-76). Such options may be provided by the franchisor himself if he has sufficient resources, or through third parties such as micro finance institutions, other social foundations or even the government. If the business has proven to be successful, franchisees will find it much easier to get a micro credit from third parties as if they would want to start their own business without any previous records of success.

3.1.3 Relationship

a. Control

Control defines a necessary tool for the franchisor to enforce a desired corporate behaviour which has been agreed upon in the franchise agreement. Franchisors have to secure themselves against franchisees' decisions and corporate activities that harm their business. Brand name misuse poses the main concern. Thereby, the franchisee consumes the benefits of a well-established and reputed brand without fulfilling the conditions required to uphold the brand such as fulfilment of quality standards or publicity activities (Azevedo, 2010, p.32; Vázquez, 2008, p.1279). Scholars have differentiated several forms of control: Relational forms of governance (Cochet, 2008), outcome-, behaviour- and socialization- based control (Vázquez, 2008) as well as formal and real authority (Azevedo, 2010). The following compilation and advancement of these control mechanisms allows a structured approach when deciding about such issues.

Formal authority, a terminology used by Azevedo, encompasses the right granted to the franchisee to make decisions by means of a contract. For the franchisor, a trade-off between cost of collecting information and decision power comes into play. If the franchisee has the authority to make decisions, he/she will exert more efforts to collect information than would otherwise lie upon the franchisor if he was to make a decision himself. Either the franchisor spends resources on collecting information to be able to make the appropriate decision himself or he accepts a certain loss of control (2010, p.32ff). Contractual arrangements at the beginning of a franchise relationship set the base for the franchisor's area of control. Legal control as defined in this thesis not only defines and limits the areas in which the franchisee can make independent decisions, but also states standards and procedures franchisee need to adhere to as well as concedes the franchisor to which degree he/she might interfere and control the franchisee. For instance, the franchisor has the right, to inspect the outlet at his wish without prior notice. Each relationship must be assessed independently with respect to the effectiveness of such legally bounding ground rules. Furthermore, legal control can only be an effective control if the legal system within the region is effective. In any case, each franchise network needs to have a clear written statement about (1) where the franchisee right to decide ends, (2) which standards and procedures have to be fulfilled as well as (3) which rights the franchisor cedes to him/herself to implement further control mechanisms.

Depending on the risk of contract breaching, further control mechanisms need to be set in place. To ensure compliance of the franchisee to desired corporate behaviour, a franchisor may introduce explicit control mechanisms. Vázquez introduces the concept of behaviour- and outcome-based control (2008, p.1277ff). They are summarized here under the term explicit control since the franchisor's goal is to ensure a predefined and articulated behaviour or outcome. Performance assessments are popular tools and evaluate either the behaviour or the outcome of those behaviours. Performance assessments analysing behaviour involves monitoring of franchisee activities on a regular basis and subsequently high levels of franchisor direction and intervention. Subject of evaluation are the franchisee's resources and efforts that he brings into the chain. Audits (announced or unannounced visits to franchise units) as well as mystery shopping are effective mechanisms, therefore (Gómez, González & Vázquez, 2011, p.713). Behaviour-based control can only then be applied, when knowledge of the transformation process - which activities lead to the desired outcome - exists. Outcome performance assessments, on the other hand, are not concerned with the

methods a franchisee applies, but with the results that have been achieved. It implicates relatively little franchisor involvement in franchisee's day to day business activities. The suitability of this control mechanism strongly depends on the ability to measure outcomes accurately. Such performance measure might simply be operating figures such as sales numbers. Another option is to conduct client surveys to measure direct results such as customer satisfaction (p.715).

Not only explicit control mechanisms such as monitoring and evaluation of the franchisee's activities or results may be applied to achieve desired functioning of the franchise network, but also implicit control mechanisms. Focus lies thereby on the characteristics of the franchisor-franchisee relationship. One of such mechanisms is relational forms of governance introduced by Cochet. Relational forms of governance describe norms of behaviour and unwritten codes of conduct. Cochet defines three elements; norms concerned to resolve conflicts, norms that facilitate cooperation based on the understanding that the outcomes from joint efforts exceeds those achievable guided by self-interests and the prevalence of trust between the two parties (2008, p.54). Another term used within this context is controlled by socialization. It defines the degree of franchisee loyalty to the overall network through identification with the organization and its goals. To achieve this, Vázquez suggests utilizing "franchisor people" as franchisees (2008, p.1284). However, such a sense of identity can also be created among franchisees, who have not been previously affiliated with the company's work. To attain such a high level of identification, franchisees need to be selected according to specific characteristics that will enable them to identify themselves with the organizations. Education and training about company values and culture will then raise the level of understanding. To give them a sense of inclusivity, franchisor's involvement and support could exceed the bare level of business concerns and provide franchisees a strong network for support in private matters. Building up shared relational norms as well as a high level of trust and identification with the organization, requires considerable resources and time.

b. Support

Training and ongoing support in the form of knowledge sharing, provision of key partners or management advices are key advantages for purchasing a franchise. At the same time, franchisors need to train and support their franchisees to enable them to understand their guidelines and run the franchise accordingly. Hence, the more franchisors want to guide the corporate behaviour of their franchisees, the more support they need to provide. Franchisors providing quality support are rewarded by better job performance, strong commitment, high satisfaction as well as increased knowledge transfer that foster business development (Bowley, 2007, p.341). Studies have shown that franchisor support correlates strongly with franchise system growth (Asare et al., 2010, p.10).

In the first stage of the franchisor-franchisee relationship, support is provided in form of training. Conveying the organisation's mission and persuading franchisees to pursue the organisational goal poses one part of a quality training program while operational procedures and tool application represents the other. Bowley summarises the core elements of training as followed; identifying needs, planning, delivery and evaluation. He warns that often, especially in small organisations, training evaluation does not receive its deserved attention since the success of a training program is highly dependent on evaluation of training quality and subsequent improvements (2007, p.341). One way of measuring training quality is to capture the participant's reactions on the enjoyment of training, its perceived usefulness and difficulty. Furthermore, training does not only need to be

considered valuable from the franchisee's side, but it must lead to changed attitudes, improved knowledge and/or skills. Finally, the transformation of the learnt into the desired results represents the last step of a successful training program (Kirkpatrick in Bowley 2007, p.342). Luangsuwimol and Kleiner emphasises the special importance of training considering the challenge of increasing diversity of the labour force. The topic of diversity needs to be integrated and regarded when training the franchisees (2004, p.70).

Depending on the complexity of the franchise business and the level of skills of the franchisees, ongoing support after the first training phase has to be provided. Especially, as it is often the case in micro franchise when deserving candidates but with little relevant knowledge and experiences are selected as franchisees, ongoing support remains crucial for the franchise success.

3.2 Development phases

Each franchisor has to decide about the importance and prioritization of the seven key characteristics described in the previous chapter. The following chapter puts these findings in a broader context. To be able to make any decision about one of these key characteristics, it is indispensable to first define its objective, collect key experiences of similar ventures and analyse the conditions posed from the environment the micro franchise is supposed to operate in. Only then, the franchise model can be developed by first defining the intensity of integration and then developing the model in more detail with the help of the canvas business model.

3.2.1 Defining the objectives

The goal to create a social benefit is at the heart of a micro franchise. However, the strong focus on the social mission potentially masks the franchise's ability to grow. The ability for the franchise network to grow and thereby to broaden its social benefits to impoverished communities is strictly dependent on the franchisor's profitability and survival. Unless fund supplies are not growing proportionally to franchise network growth, a franchisor has to concede prime concern to economic sustainability (Kistruck et al., 2011, p.506). Hence, as a very first step, a franchisor has to get the prioritization of the franchise's objectives straight; what is the social mission, what is the economic value created, how is the survival of the franchisor and system growth ensured and which trade-offs between social mission achievements and profitability have to be made? All these questions have to be answered.

Chatnani identifies the overall objective of micro-franchises as to promote economic development by developing sound business models that can be replicated by entrepreneurs at the base of the pyramid. By becoming more successful and reach economic self-reliance, life quality of the poor will improve (2010, p.33). The primary goal of such a franchise is hence the creation of income for the franchisee. However, there might be other, competing objectives. Fairbourne has described three models with different aims in terms of social mission and sustainability (2007, p.10). He differentiates between three models, social (micro) franchise, sustainable micro franchise and for-profit micro franchise (Fig. 1). The primary goal of the first model is to deliver services and product that otherwise would not be accessible to the base of the pyramid. These might be services/products that are usually provided by the government such as healthcare and education or simply to improve access to the communities to basic need products through new distribution channels. Financial sustainability is none of the primary concerns. These resources are still obtained through donations and grants. The

sustainable micro franchise on the other hand aims at achieving a triple bottom line: profit creation for the micro franchisee, attainment of financial sustainability for the organization as well as provision of goods and services at equitable costs. The third model goes even a step further and aims at attaining profit for the investors. Depending on the franchise system, additional goals might play an important role such as the empowerment of marginalized groups or educational campaigns aiming at changing the people’s behaviour. In any case, goals of a franchise need to be clearly defined as well as prioritized since not all objectives can be achieved simultaneously.

	Social (micro) franchise	Sustainable micro franchise	For profit micro franchise
Objectives	<ol style="list-style-type: none"> 1. Deliver products/ services at affordable prices to BoP 2. Create jobs 	<ol style="list-style-type: none"> 1. Create income for franchisee 2. Provide goods/ services at an equitable cost to BoP 3. Sustainability 	<ol style="list-style-type: none"> 1. Not only sustainability but create enough profit for the micro franchisor to pay investors 2. Provide goods/ services to BoP
Advantages	<ul style="list-style-type: none"> • Easier to create margins • Lower price for consumers 	<ul style="list-style-type: none"> • Less dependency on funds 	<ul style="list-style-type: none"> • No financial burden for micro franchisor
Disadvantages	<ul style="list-style-type: none"> • Dependency on continuous flow of funds (donations and grants) 	<ul style="list-style-type: none"> • Harder to create margins • more difficult to set-up (funds) 	<ul style="list-style-type: none"> • Additional pressure for quick returns • Risk of losing sight of social mission

Fig.2: Micro franchise objectives (own illustration based on Fairbourne, 2007, p.10)

3.2.2 Lessons learnt

New ideas, models and tools aimed at fostering development of the world’s underprivileged have come up within a specific context; a continuation of existing research, small deviation of common agreements or even within a paradigm shift. Some new ideas may start at a regional level and spread slowly while others come up around the same time at different locations in the world and have a fast spread. As the history of development aid has shown us (Chapter 2.1), Micro franchising has been driven by a shift from a top-down to a bottom-up approach, from an exclusive and hierarchical to an inclusive and cooperative project implementation, from short term relieve to sustainability and from small, regional projects to the development scalable solutions. These developments have taken place all over the world. Stephen W. Gibson and Jason Fairbourne with research by BYU students have compiled 50 introductions of already operating Micro franchises (n.d.). These businesses operate in India, Bangladesh, Kenya, Philippines, El Salvador, Brazil, South Africa, Honduras, Nigeria, Mexico and many more. Some even expanded operations in several countries. In whatever part of the world an organisation plans to set up a micro franchise system, there are plenty of already existing entrepreneurs struggling and overcoming the same hurdles, which the franchisor will encounter. In

the very first planning stage, it is of great value to initiate an exchange of this sort. Therefore, social organisations with similar aspirations within the region can be approached.

3.2.3 Environment analysis

In a second step, the environment of the franchise network is to be analysed. The micro franchise business model has been developed to be successful in a BOP market rather than developed markets (Kistruck et al., 2011, p.506). Hence, this analysis is especially important to recognize potential pitfalls when drawing upon the traditional franchise model that is intended to be implemented in a developed economy. The analysis encompasses cultural, institutional and political aspects.

a. Cultural characteristics

Management concepts prevalent in business literature have been developed within a particular cultural context. They are filled with certain worldviews, behavioural norms and cognitive thinking. Hofstede demonstrates in his article "cultural constraints in management theories" that there are no such things as universal management theories (1993, p.82). Especially the domain of franchise theories such as internationalisation of franchise networks is dominated by US-based studies (Doherty, 2007, p.782). The validity of such theories has to be tested again when applying them in a different cultural context. When establishing a franchise network in India one has to be very well aware of the cultural differences and not let one's thinking be misguided towards the desired conclusions. Cultural differences can best be described using Hofstede's five dimensions. Hofstede defines culture as "the collective programming of the mind which distinguishes one group or category of people from another" (1993, p.89). The position of a country on these dimensions allows certain conclusions about how the society operates. The first dimension is Power Distance. In a society with small Power Distance people are considered to be relatively equal. Large Power Distance, on the other hand, indicates large inequalities among people. The second dimension is labelled Individualism. It describes the degree to which people prefer to act as individuals rather than as members of groups. Societies that have a low degree of Individualism have a high degree in Collectivism. In a collectivist society, a child learns to respect the group to which it belongs and to distinguish out-group and in-group members. People expect protection from their group and in return, remain loyal to them. Masculinity and its opposite pole Femininity represent the third dimension. Society placed rather on the Masculinity side tend to respect tough values such as assertiveness, performance, success and competition much more than soft values such as quality of life, maintaining warm personal relationships, service and care for the weak and solidarity. The fourth dimension is Uncertainty Avoidance. People in societies with high Uncertainty Avoidance prefer structured situations, where clear rules define behaviour. Such rules may exist in written form or are known through tradition. Such societies tend to be rigid and whatever is different is considered to be dangerous. In societies low on Uncertainty Avoidance, people are more "easy-going", flexible and curious towards new situations. Finally, the fifth dimension is Long-term versus Short-term Orientation. Long-term oriented societies show stronger values that are oriented towards the future, such as thrift and persistence while short-term oriented people are stronger focused on the past and present. Values such as respect for tradition and fulfilling social obligations are in later societies more prevalent (p.89-90).

b. Institutional characteristics

In traditional franchising, economic challenges are posed by competition, market conditions and market forces. Micro franchise's primary challenge, however, is to deal with local institutions (Kistruck et al., 2011, p.510). The term institutions combines any elements that provide for the legal framework, for society's basic needs such as hospitals and schools and enable economic activity such as transportation, water and electricity utilities, capital markets and communication. Legal framework is thereby defined as formalized laws and regulations such as property rights, contract law and civil rights and the supportive legal apparatuses that monitor and enforces compliance.

Kistruck et al. evaluated different characteristics particular to BOP market (2011, p.510-516). Most predominant characteristic poses the great extent of deficiency of local institutions. Formalized property rights hardly exist in BOP markets. This in turn, makes access to capital more difficult since no security in form of own assets can be provided. It also creates insecurity about investments and hence decreases incentives to do so. Furthermore, contracts are used to set expectations rather than as a guarantee that partners will actually conform to contractual arrangements. Enforcement is simply too expensive given the uncertain and protracted nature of legal processes and the relatively little money that is involved in most of the cases. Also, public infrastructure in terms of streets, bridges, communications or energy, if they exist, lack dependability. Often communities organize themselves to maintain certain infrastructure, but they remain poorly developed. Limited physical mobility, restricted technological possibilities, uncertain energy supply, undeveloped capital markets and limited access to skilled labour are the main challenges a micro franchise has to deal with operating in a BOP market. Depending on the degree of infrastructure shortage, these challenges have severe consequences for establishing effective control, providing regular and inexpensive support, receive financing in form of loans and the ability to develop a brand. Another characteristic of BOP markets is that they are not only significantly different from developed markets, but also between and among BOP markets themselves. Western shaped business models and strategy do not only need to be adapted to institutional and cultural realities of BOP markets, but also need to be re-evaluated when opening up the same business in another region of the BOP market. Additionally to the institutional framework, micro franchises have to deal with low purchasing power. According to The Economic Times of India, 60% of rural Indians live on less than 35Rs a day, which corresponds to a bit more than 0.5 USD (The Economic Times, 2012).

c. Political environment

Any businessman needs to have knowledge about the political set up he is operating in. Political authorities are allocated on four different levels; central, state, district and communal. The different Institutions and their responsibilities are important things for a franchisor to be aware of. Even more important for businessmen setting up operations in remote, less state-penetrated areas, is the local order influenced not only by the constitution but also by religious, tribal or historic realities.

3.2.4 Define the strategy

Strategy is a term widely used and applied to relatively distinctive circumstances. Definitions differ in respect of the area covered as well as the degree of detail a strategy addresses. Common element, however, is that a strategy always defines a certain direction or scope that organizations choose to achieve whatever it has set out to achieve. In reality, defined strategies often showed to remain very

much within the theoretical sphere and never really move on to concrete implementation. The question of operationalisation has therefore strongly influenced the discourse and has been more and more incorporated into the strategy definition itself (Kunz, 2006, p.48-50). The goal of defining the strategy for the following case study is to provide a direction in terms of the overall objectives as well as high-level principles of how to achieve them. Therefore, the definition of the strategy will not go into further detail and remain on a very high level. To facilitate the strategy development, the following three questions will be answered:

	<p>Who are we?</p> <ul style="list-style-type: none"> • Identification of the nature of the organization • Formulation of overall objectives • Identification of target market
	<p>What do we do?</p> <ul style="list-style-type: none"> • Definition of the organization's activities to attain its objectives • Formulation of the key principals guiding each decision • Identification of what makes the organization attractive to its clients
	<p>How do we do it?</p> <ul style="list-style-type: none"> • Definition of key preconditions that have to be created to enable the organization to meet its objectives • Outline of clear tasks that have to be operationalized to create these preconditions

Fig.3: Definition of micro franchise strategy (own illustration based on Kunz, 2006, p.48-50)

3.2.5 Define the franchise model

In the previous chapter, seven key characteristics were defined according to which a franchisees can be differentiated. These include brand, autonomy, expansion, franchisee characteristics, financial investments, control and support. The franchise primary objective, key learnings from similar ventures, the cultural, institutional and political environment as well as the overall micro franchise strategy sets the base to make any decision about these parameters.

These parameters are strongly interrelated and confront the franchisor in many cases with a trade-off. The following example will illustrate this point. It is assumed that cultural environment of a possible TARA micro franchise is characterised as hierarchical. People accept and even seek orders from their superiors. Additionally, experience of other micro franchise ventures have shown that the majority didn't choose to become franchisees in order to be their own boss but to find a secure employment. The franchisor hence has to define his business model as little autonomous. He cannot grant a lot of decision power to his franchisees when they are actually looking for guidelines to follow and furthermore are lacking entrepreneurial spirit. He is better advised to set up clear guidelines and regulations. This will have the consequence that he cannot choose to provide only marginal support and implement little control. If the franchisor wants the guidelines to be implemented, he has no other choice than to teach his franchisees about the guidelines and to introduce certain control mechanism to ensure their implementation.

3.2.6 Develop the “business in a box” model

Franchisee’s motivation is based on a very different rationale than the one of the franchisor. It is based on pure profit calculations instead of the fulfilment of a social cause to which the franchising organization has itself devoted. The “business in a box” model needs to be able to fulfil the expectations of the franchisee in respect to income generation. If the organization is not planning to subsidize the franchise, it will hence need to ensure its profitability.

The term “business model” is defined by Osterwalder and Pigneur as follows: “A business model describes the rationale of how an organization creates, delivers, and captures value” (2009, p.14). The tool selected for the TARAlife micro franchise “business in a box” model is the business model developed by the very same scholars; the Canvas Business Model. A business model should not only be about how to make profit, but it should provide a framework how a value proposition can be successfully scaled up to a profitable business (MaRS, 2012, p.5). Therewith lies the strength of the Canvas Business Model for the TARA case study; it provides a comprehensive framework to map the micro franchise core substance. Furthermore, the Canvas Business Model takes a purely profit-driven perspective which is suitable for franchisees that aim to be sustainable.

3.2.7 Summary: The micro franchise development framework

The following graph illustrates the five steps just described to reach to the final micro franchise business model: (1) Definition and prioritization of the business objective, (2) collection and integration of lessons learnt from similar ventures, (3) analysis of the business context, (4) based on these findings, define the overarching strategy and finally (5) development of the franchise model and (6) the “business in a box” model based on the Canvas Business Model.

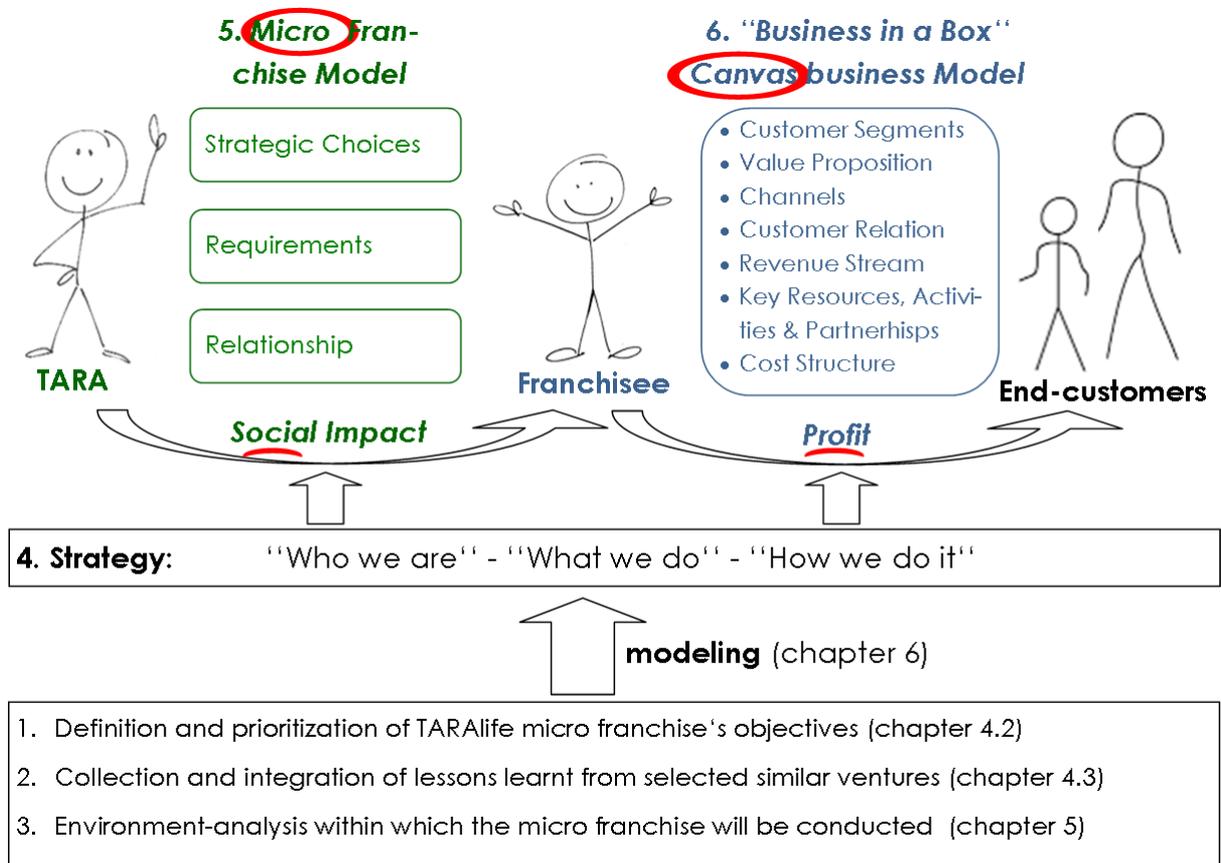


Fig.4: Micro franchise development framework (own illustration)

4 Case study (I): defining the position

The framework elaborated over the last few chapters is now applied to the TARA case study. This part provides an introduction into the case and then proceeds to the first two steps of the micro franchise development framework: definition of TARA's objectives and collection of key learnings from four similar development initiatives.

4.1 Introduction of case study

This chapter provides the introduction to the case of TARAlife. First, TARAlife and its strategy with respect to the distribution of Aqua+ is introduced. Since TARA has already conducted several studies on the topic, existing studies are briefly outlined and their main conclusions summarized. This research ties in from this point and tries to advance the discourse in the right direction.

4.1.1 TARA

Today, 97 million Indians lack access to safe water (WTO, 2012). Water quality has a strong impact on health. The list of related diseases is long, spanning from infectious disease out-breaks such as Cholera to non-communicable diseases such as Arsenicosis. Furthermore, lack of safe drinking water is a significant contributor to health problems in general (WHO, n.d). Parikh, Professor of Economics and Chairman of Integrated Research and Action for Development, has identified the three root causes of India's water crisis; population growth, insufficient and delayed investment in urban water-treatment facilities and dwindling groundwater supplies due to over-extraction by farmers (Luthra & Kudu, 2013). These three root causes are not expected to soon be transformed into a counter trend. India's population is expected to overtake China as the most populous country in the world in 2025. Also, despite Indian Prime Minister Narendra Modi's re-launched "Save Ganga Movement", large-scale government investments in water treatment is not in sight and farmers' need for water will certainly rise as well. TARA has picked-up on this problem. In 2010, Antenna Technology, a Swiss foundation and partner of TARA, provided the organisation with the WATA technology to produce liquid chlorine, which is branded under the name of Aqua+. Aqua+ is sold in 50ml bottles at a price of 42 INR. One bottle is enough to purify 500 litres of water, a quantity that meets the needs of a five headed family for one month. TARA has set up a new for-profit company called TARAlife Sustainability Solutions Pvt. Ltd. in 2014 with the objective to scale-up sales. TARAlife has adopted the strategy to distribute the product through channel partners. By the end of 2014, TARAlife has entered a cooperation with around 18 NGOs all over central and northern India. TARAlife sells Aqua+ to these organisations and they then undertake the last mile delivery to the end customers according to their own strategy (TARA, 2014).

Another pressing BOP basic need that TARA is tackling is malnutrition. After 66 years of independence, India has along with Nepal and Bangladesh the world's highest rate of malnutrition. Every year, 1.3 million children die because of malnutrition in India. Almost 50% of children below five are underweight and stunted while 30% of the adults are undernourished. Estimates exist that malnutrition causes diminished productivity resulting in more than 10% income losses for individuals and an overall decrease of 2 – 3% of GDP (Indian National Science Academy, 2011, p.1-3). Deaton and Drèze issued a study in 2008 on nutrition in India. They found that even though India was growing in prosperity, real food consumption did not. On average, the Indian population even cut

back on its calorie and protein consumption in the last 25 years (2008, p.18 & 69). Besides deficiency in calories and protein, deficiency of micronutrients (MN) – vitamins and minerals – is rampant in India. MN deficiency refers to “hidden hunger” as it is not as easily identified and combatted (Indian National Science Academy, 2011, p.1). Antenna Technology together with its partner TARA is now in the process of developing a remedy; Spirulina. Spirulina tablets or candies are produced from the Spirulina algae which is rich in Protein and Vitamin A. In a diet with little animal products such as cheese eggs or milk, the body does most likely not receive enough protein. The same accounts for vitamin A deficiency, when some vegetables and fruits are constantly missing. A daily dose of one to three grams of Spirulina over a period of four to six weeks has the potential to cure children of five years or younger of their mild and moderate malnutrition (Antenna, n.d.).

In the past, TARA has developed other products aimed at improving life quality for rural India, namely cooking stoves and solar lamps. At the moment, TARA is in the process of developing sanitary napkins. However, questions on its competitiveness with already existing low budget options first need to be considered more carefully.

4.1.2 Previous studies on Aqua+

Before beginning production of Aqua+, TARA decided to first conduct a market study to better understand demand, product design needs, pricing and distribution channels. Based on these insights, the objective was to come out with a water purification solution that is reliable, accessible and affordable. For this end, trials in 10 slums in New Delhi were conducted. The study revealed that the BOP target customer had the following four main characteristics: low levels of literacy and high gender imbalances, low disposable income and risk taking ability as well as urgent need of water purification while at the same time awareness therefore was lacking. In 2011, TARA introduced the product. It continuously kept on capturing consumer’s satisfaction. They have gained deep insights into consumer perception and behaviour. They developed product design, pricing strategy and partnerships with organizations with strong grass-root connection (TARA, 2014, p.3).

In December 2012, TARA gave a market research institute the mandate to analyse triggers and barriers of repeat purchase of Aqua+ and to find ways, to better position the product within slum dwellers (Ipsos, 2012). The analysis revealed that slum dwellers underrate the risk of unsafe drinking water. Some people use methods such as boiling water, cloth filtering or sedimentation for water purification. Mistrust of the effectiveness of Aqua+ poses a big hurdle to make people adopt this method. According to the Aqua+ users, key trigger for them is the health of their family members, especially children. Ipsos identified four challenges. (1) Slum dwellers have shown to be quite rigid to change. They tend to accept their situations as given facts and don’t believe that they were able to bring about a change for the better. Combatting this rigidity and bringing people to adopt new methods is one of the core challenges TARA has to face. (2) People are often confused about the need for clean drinking water and the benefits of Aqua+. Clear and persistent communication becomes in such a scenario very important. (3) Ipsos found, that in many cases slum dwellers refrained from buying Aqua+ not because they think it may be bad, but because someone in their social circle has advised against it. Therefore, activism on ground has to be strong to break such prejudice. (4) Besides all the mentioned challenges, it has to be taken into account that water access is a major challenge itself. Slum dwellers consider the availability of water, clean or not, already as a struggle. If water supply is a concern, considerations for safe drinking water become secondary. On

the supply side, Ipsos explored five possible supply channels, namely retailers/wholesalers, private water tanks, local NGOs, RMPs and Slum Level Entrepreneurs, and suggested a multi-channel strategy.

Additionally, TARA has worked with several students and mandated them to look deeper into different areas related to Aqua+. In summer 2014, a group of five students of the Yale School of Management were conducting a study to find solutions and possible approaches for the dissemination of Aqua+. In particular they identified several distribution channels: international NGOs and multinationals, self-help groups or micro-entrepreneurs selling Aqua+ right at the well, the water pump or by going door-to-door (TARA, 2014, p.20). Also, students from the University of St.Gallen have conducted several case studies to better understand the challenges involved in scaling up sales of Aqua+.

TARA is driving a strategy to sell Aqua+ through channel partners. However, sales are not taking off as desired and the organization has kept on searching for new distribution models. All studies have indicated a high potential for a direct distribution channel. Some channels have been suggested: RMP's, chemists, shop owners or local entrepreneurs. While some distribution strategies have been suggested, there is the need to overtake a more practical perspective and develop a framework how to approach, develop and prepare implementation for any such strategy. The research at hand attempts to develop such a framework for a micro franchise distribution model.

4.2 Objectives

TARA has encountered considerable hurdles to finding effective ways to deliver their products to the people who need it most. The primary goal is to establish a model that serves as a direct distribution channel to the end customer accounting specifically for potential customers in rural areas. At the same time, a TARA micro franchise aims at supporting communities by providing them crucial products needed for their personal development. The objective is not to sell Coca Cola bottles or chocolate bars in the last corner of the country, but to distribute products that improve people's standard of living. A pre-requisition for the long term success of the micro franchise network is its financial sustainability. According to the classification of chapter 3.2.1, the objective is not to establish a social nor a for-profit, but a sustainable micro franchise. Financial sustainability is given when the franchisee earns an appropriate salary while fulfilling the financial franchise requirements such as royalty and fees. Hence margin needs to be created for the franchisees, but not for the franchisor or master franchisor. While he might use funds for initial development and set up costs, the objective is that he will be able to carry out his support function without any extra costs. The advantage of this model is that its success is not tied to funding opportunities of the organization. A sustainable micro franchise network is much more likely to grow and increase out-reach all over India and eventually even to other countries. The business model also aims at combatting unemployment by offering an attractive, stable and reliable source of income. It poses an alternative to micro credit and enables deserving candidates with little entrepreneurial spirit but adaptive and motivated to achieve something in their life. This objective, however, has to be given second priority in case it does not support the primary objectives.

4.3 Lessons from partner organisations and other Indian NGO's

This chapter offers some insights from already existing distribution models to facilitate the construction of a viable model for TARAlife. A strong focus is set on the last mile distribution channel chosen by the organizations. It will foster understandings of how to structure a TARA micro franchise so that it will reach the end customer effectively. Next to the selection of distribution methods and partners, topics such as social marketing, support to channel partners as well as control mechanisms were also discussed to facilitate later strategic choices. Jagriti and PAHEL, the first two organizations, interviewed, are channel partners of TARAlife. The other two organizations, VisionSpring and Drishtee were chosen based on their success and experience with the micro franchise concept.

4.3.1 Jagriti

Jagriti was established in 2000 as a not for profit organisation working in rural villages in Haryana, Himachal Pradesh and Punjab. Its objective is to address the problems of the rural, semi-urban and the urban poor people. Through skill development, microfinance and market based initiatives, Jagriti enables them to generate a source of income in a sustainable and self-reliant manner.

Jagriti has started to purchase Aqua+ from TARAlife in August 2014 and has initiated distribution in a few villages. Jagriti aims to increase its presence with Aqua+ to 50 – 60 villages in 7 districts. The distribution model is depicted in figure 5. Jagriti selects a person living in the village who distributes Aqua+ amongst the families. Up to now, Jagriti has found 15 entrepreneurs. Within the first two months, they were selling the product from a local store. However, this approach very fast showed ineffective as not enough customers could be acquired. Instead, a model based on door-to-door selling is now implemented. Generally, each entrepreneur is selected for one village. However, if he is willing to travel, he is encouraged to visit families from other villages nearby. Jagriti ensures a regular quality supply of Aqua+, marketing material, initial product training as well as ongoing managerial support and advice through weekly meetings. The entrepreneur, on the other hand, bears the full responsibility to manage the relationship between him and the end-customers. Based on the training and material received from Jagriti, he promotes the product, answers professionally any questions from clients and receives feedbacks. For initial awareness creation, entrepreneurs and Jagriti sometimes work together by commonly organizing community meetings where the benefits of the product are presented and demonstrated. The business model allocates margins for Jagriti as well as the entrepreneur. Jagriti buys one bottle Aqua+ from TARAlife for 24 INR and sells it for 38 INR earning a profit of 14 INR. The max price is set at 42 INR a bottle which leaves the entrepreneur with 4 INR margin for each bottle sold. At his wish, he might grant discounts or follows any other price strategy to increase customer base.

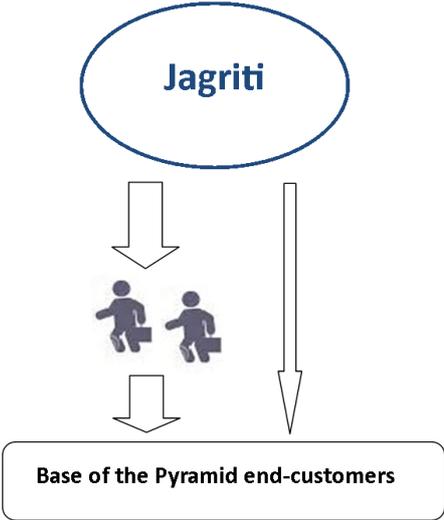


Fig.5: Jagriti distribution model (own illustration)

Finding the right partners is essential for the distribution model to work. Jagriti started off by relying on their established network of Self Help Groups (SHG). A core project of Jagriti is to link women to Banks for managing their savings and providing credit support for consumption and/or income

generating activities. Each group consists of 10 women who commonly open an account and start saving. Jagriti has established around 300 SHG's. The focus should however not rest only on the members of this group. SHG members have been encouraged to invite further people to the SHG meetings to enlarge the circle of possible entrepreneurs selling Aqua+. Furthermore, Jagriti tries to attract interested people through meetings organized and called out by the community leaders as well as through mass meetings proclaimed by people with mobile microphones driving around the villages. The entrepreneurs are defined as Jagriti's extended arm to the market. Hence, for an interested villager to become a partner, he needs to be an opinion setter. This can be a member of SHG's, an Ashua worker or any other person with good reputation and learning skills.

The right social marketing has been identified as an important element to make the business run. For a successful campaign, Jagriti perches on different communication techniques rather than relaying simply on the distribution of flyers and information sheets. Thereby interactive and varied community meetings introducing and explaining the product with a big audience in schools, colleges or any other public institution have shown to be most effective.

Even though Jagriti is only recently involved with Aqua+, several challenges and improvement possibilities have come up. For raising awareness and creating trust of the villagers for the product, Aqua+ needs to be certified by a credible government authority. Furthermore, well-known and respected personalities of the community need to endorse the product and thereby enhance the word-to-mouth propaganda. Furthermore, a practical need for a greater variety of marketing tools provided by TARA has arisen. A suggestion was to produce a short, easy to understand documentary providing an explanation to the use of Aqua+. Therewith, community meetings would gain value in performance and professionalism (Interview, 07. October 2014).

4.3.2 PAHEL

PAHEL is a branch of PANI (People's Action for National Integration). It is a not for profit organisation operating in Uttar Pradesh and is dedicated to improving the livelihoods of the Indian rural population.

In the past, PAHEL provided self-help loan based products to individuals and groups either to enable them to establish, respectively expand their business or to provide cash in an emergency situation such as a natural disaster or illness. Another service was microfinance in kind. Sakhi Sahyog was a successful project and serves as a good example for this initiative. Thereby, a group of women was given a goat, one after another. Goats are very easy and cost effective in their keeping. With one goat, the family could enjoy the nutrient rich goat milk as well as start a breed for a small income. As soon as they could, they were required to return one cattle to PAHEL to pay back their loan. Despite some success stories, PAHEL came to the conclusion, that microfinance in cash as well as in kind alone is not sufficient tools to improve the livelihoods of the rural poor. The majority of the rural population does not exhibit the entrepreneurial skills necessary to create a profitable business. Under the rural marketing program, PAHEL is now exploring the potential of micro franchising as a development tool. The program's ambition is to create greater availability of products and services that have positive impacts on the life of the rural population. Within their product portfolio, PAHEL has zinc tablets, oral rehabilitation solutions (ORS) and now also Aqua+. Additionally, they set up a production unit to produce affordable reading glasses. The initial approach was to organise community events, advertise the products and then sell them based on received orders. This,

however, turned out to be too costly and ineffective. People used to change their minds after the event and fewer orders came in as expected. PAHEL is now considering the micro franchise model as a promising tool to address the shortcomings described above: It could deliver a successful business opportunity for motivated rural community members as well as provide a sustainable solution for the last mile distribution of their socially profitable products.

PAHEL is now exploring two types of micro franchise models: one sells eyeglasses, the other health products, namely Aqua+, zinc tablets and ORS. The first eye glass franchise opened in August 2014. To become a PAHEL franchisee, an initial franchise fee of 5000 INR has to be paid. The fee covers training and the initial set up costs of the franchise. For each eyeglass sold, the franchisee retains a profit of 100 INR. According to PAHEL, an average gross profit of 350 INR can be generated in one day. At present, PAHEL has established a network of six franchisees. Their sales strategy is to go with their products to each household to consult potential customers on eyeglasses. The relationship between the franchisees and PAHEL is based on regular interactions. At least every Saturday afternoon, PAHEL staff meets its franchisees, discusses their stock and any other issue that might arise. The selection has up to now been based on personal experience. All the six franchisees have been supporting PAHEL field activities and were therefore very well known to the organisation. Except of a good reputation, the candidates needed the ability to read and write as well as to be an integrated member of the community at best bringing with them a large local social network. Furthermore, in order to avoid unnecessary competition as well as to establish maximal market penetration, franchisees are selected according to their geographical location and reach.

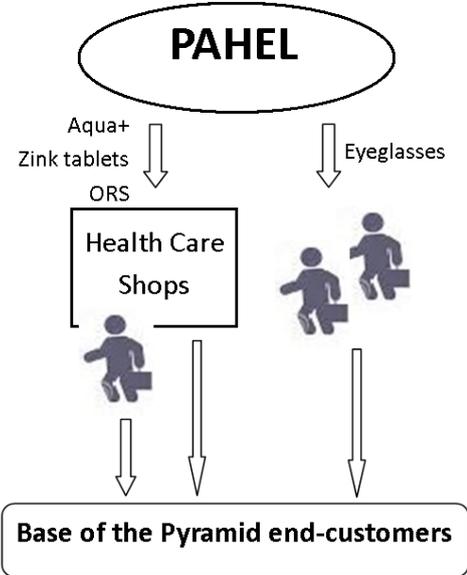


Fig.6: PAHEL distribution model (own illustration)

The micro franchise health care shops are up to date still in its development stage. Currently, Aqua+, zinc tablets and ORS are sold to approximately 8000 local health service provider. Once the product is sold to the end-customer, they retain a certain profit margin. PAHEL buys Aqua+ from TARA for 23 INR and sells it to the health service provider for 27 INR. He then can charge max. 42 INR (mostly it is sold for 40 INR) and makes a gross profit of 13 to 15 INR per bottle sold. When it comes to the last mile delivery channels, three slightly different types need to be distinguished: (1) established RMPs who work 100% in their shop selling the products to the patients who visit them, (2) moderate practitioners who work for some time in their shop and spend the rest of the day visiting patients at their home and (3) health workers with a less profound educational background mainly working as a mobile sales agent. For its micro franchises, PAHEL targets the health care workers of group (2) and (3). The selection process of potential candidates is fairly straight forward. Since the rural health workers are not registered with the local authorities, PAHEL needs to engage with the community to find the local health workers through mouth to mouth information. Once they are located, the same criteria that apply for the selection of the eyeglass entrepreneurs are also considered here.

Two crucial differences between the health care products and eyeglasses make a micro franchise model for health care shops significantly more difficult than for eyeglass entrepreneurs. First, unlike the eyeglasses, Aqua+, zinc tablets and ORS combined have a very small margin that is insufficient to provide a basic income source. Second, preventive products require a sound and intensive promotional strategy as they are not easily accepted by the community. Consequently, PAHEL is now considering integrating additional products. PAHEL suspects that 10 to 15 products will be necessary to make such a franchise model profitable. As soon as the franchise model proves successful, franchisees can be required to operate their business according to certain standards. PAHEL could determine a consistent social marketing strategy and integrate provisions for its implementation in the operational manual.

PAHEL is currently facing two main challenges. It shows demanding to deliver sound training and support to the franchisees due to the complexity of the micro franchise approach. Staff members, who work in the field training, supporting and consulting the franchisee network, often find themselves confronted with very tough questions. This lack of knowledge is not only present within PAHEL staff members who work in the field, but within their headquarters and also within other organisations undertaking similar development work. Additionally, funds are very limited. To develop a successful micro franchise model, a lot of research, trials and adaptations need to be done for which the resources are often simply too scarce (Interview, 28. October 2014).

4.3.3 VisionSpring

VisionSpring is a for-profit social enterprise that provides affordable eyewear to enable drivers to drive securely, schoolchildren to read without hassle and employees to work at their full productivity. Traditional optical companies serve mature markets with 0.5 billion people with an annual income of 20'000\$ or more. VisionSpring, however, targets the vast, underserved BOP market of 4 billion people with roughly 3000\$ income per year. VisionSpring started in El Salvador but has now expanded to other countries as well as all over India.

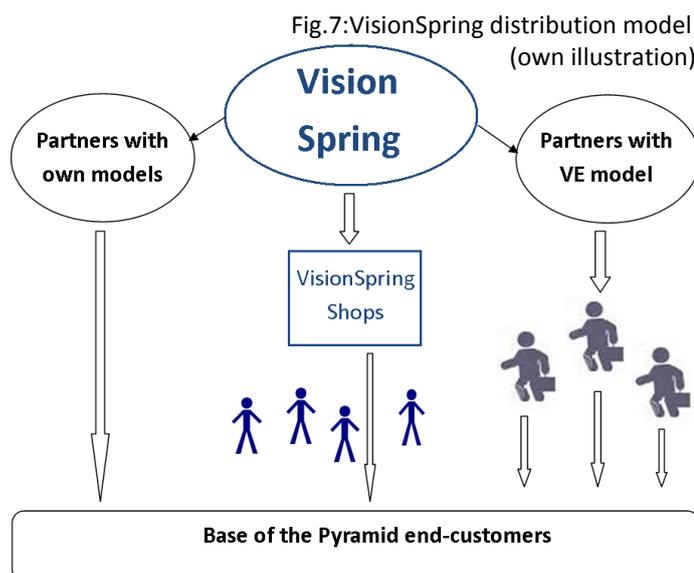
VisionSpring has multiple distribution channels for selling and consulting on eyeglasses. Initially, the organization has trained members of the community to be Vision Entrepreneurs (VE). VE go door to door to find potential customers. They are able to sell sun or reading glasses on the spot, for more severe cases, however, they needed to refer the eye patients to optical shops. The VE's profit was made up of his margin on the product times gross sales. However, this model showed to be unsuccessful. Scaling up distribution, supporting as well as monitoring the VE in all different parts of India became very difficult. Furthermore, VE had often difficulties in retaining sufficient profit at the end of the month. VisionSpring hence changed its distribution model. It focused on establishing own optical shops offering a variety of frame options as well as eyesight examinations. The employees working in these 80 shops all over India are paid on salary basis. VisionSpring also has a mobile outreach where either single employees of VisionSpring shops or whole teams travelling in a van to reach out to the communities. 70% of VisionSpring's customers are buying the basic low-cost frames where profit margin is rather low. The other customers however with slightly higher spending capacity, can also afford higher priced more fashionable designs. The income generated through the sale of higher margin products enabled the resource-intensive operations required to reach BOP consumers living in remote areas.

The other distribution strategy VisionSpring adopted was to partner with other NGO's, eye hospitals or corporate CSR divisions. Some have their own distribution models, others, however, implement the VE model. In contrast to the VE model implemented by VisionSpring itself, NGO's partnering with VisionSpring showed successfully. Their VE going from household to household did not only sell eyeglasses but mostly multiple products. Additionally, continuous engagement, regular monitoring, successful marketing programs and a better last mile reach is much more feasible for a local NGO than it was for VisionSpring. 15'000 to 20'000 VE operate within India selling VisionSpring's products. Without the NGO's as intermediaries, economies of scale could not have been achieved. VisionSpring provides the NGOs the required products, the necessary material as well training. The NGO is then responsible for selection, training, monitoring and continuous support of the VE. In cooperation with VE, the NGOs are furthermore main driver of the social marketing campaigns. The VE consults the customer, sells the products and delivers after sales services. In cases of more serious eyesight problems, he refers to nearby VisionSpring optical shops or any other optical shop/ eye clinic for further eye testing. VisionSpring also monitors the sales price of the glasses so that they remain affordable and fair. Dependent on the relationship of the NGO and its VE, the VE's earning is either based on a commission (he gets the glasses supplied for free and then needs to pay back a certain percentage of each glass sold) or on a margin (he buys the glasses from the NGO – upfront or on credit- and then retains a margin on the glasses sold). In either case, his earnings depend on the numbers of entities sold.

When selecting the VE, most important characteristic is a basic orientation to do business. Any person can exhibit this characteristic such as someone who manages a grocery shop, owns a vegetable stand, works as a carpenter or a housewife that takes care of a family. After close screening of the potential VEs, the selected candidates will be admitted to training and after having passed a test, the contract will be issued by the NGO. Crucial elements of the training are sound knowledge of the product and presentation skills. Without

good competences in responding to the customer's questions and being able to consult professionally on their needs, villagers won't trust an eyeglass seller that previously was a farmer or owned a cloth store. When it comes to the social marketing strategy, VisionSpring and its partners organize different community events for raising awareness and demonstrating their products. They distribute flyers and brochures and engage former clients and now happy eyeglass owners to campaign for their cause. They further try to increase their presence within the community by participating in festivals.

VisionSpring has developed and adapted its distribution channels so far, that the business model became sustainable and profitable and could be replicated on large scale. VisionSpring now reaches out to BOP customers in 20 countries all over the world (Interview, 07. October 2014).



4.3.4 Drishtee

Drishtee emerged from a software company 14 years back when the company implemented a rural development project in Madhya Pradesh. From then on, Drishtee has become active in a diverse set of fields in rural development. It started with e-governance, insurance services², micro finance, vocational training as well as skill training for the agricultural and textile industry. All projects can be allocated around the organisations leading motive, the 4C's: Community, Capacity building, Credit/Capital and Channels. The community with its members is focus point of each action. Capacity building hence takes place within the community for the benefit of the community. Skill development projects entail ICT, agricultural, construction as well as textile training. Credit/capital is then needed to turn a capacity into a profit generating business activity. Drishtee works with the State Bank of India facilitating their reach on village level and also provides microfinance loans. Be it for training, establishing/supporting local entrepreneurs or facilitating/providing bank services, the last mile distribution channels are crucial to secure reach to every rural village.

Over the years, different implementation models have developed depending on the service and product delivered as well as the location of the village. However, Drishtee has a uniform strategy to reach the rural villages to secure their entrepreneurs with regular supply and support services. Drishtee established a low cost, direct delivery rural supply chain network that connects all the villages within a block (around 10 blocks lie within one district) which would otherwise be disconnected from the outside. Rural India comprises 610'000 villages. The 700 Million Indians living in these villages constitute 41% of India's middle class and 58% of the total disposable income. Private sector companies of the FMCG Industry generally only deliver until the block level and are not able to reach a deeper penetration than that. Here is where Drishtee fills a huge gap: Per block, it builds 6 roads that aim to connect all the villages. Each day of the week (except Sundays), a van with a Drishtee field support executer filled with supplies delivers to the villages along one of the six roads. Drishtee enters partnerships with different companies such as Nestlé, ITC or P&G for funding of the construction work in return for distributing their products to the shops on village level. This model has been implemented successfully in north, west and south India. Drishtee has strong presence in Assam, Bihar and Uttar Pradesh. For instance, in Uttar Pradesh, Indian's biggest state, villages from 12 out of 70 districts became connected as a result of this strategy.

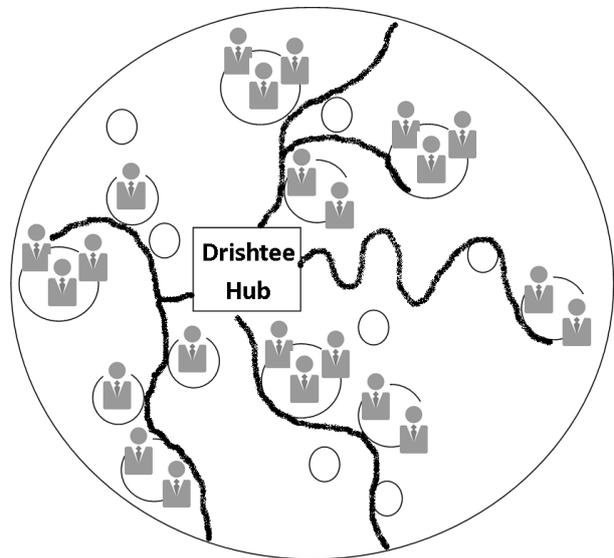


Fig.8: Drishtee distribution model (own illustration)

Through the above-depicted distribution channels, Drishtee has facilitated and supported over 14'000 rural enterprises. There are four general levels of interaction that can be made out to describe the relationship between the entrepreneur and Drishtee. (1) Drishtee facilitates bigger companies to access the markets on village level. The Bank of India, for instance, reaches only until

² currently on hold due to lack of partners

the block level. With Drishtee's assistance, the bank has set up branches on the village level. While the bank equips the local offices with all the necessary equipment, Drishtee takes care of the selection of suitable entrepreneurs, training as well as ongoing support on a weekly basis. (2) Drishtee grants micro loans between 10'000 and 50'000 INR to existing entrepreneurs. This can be a tea seller who decides to expand his business and open a canteen. Or it can be a sweet shop owner who wants to expand his assortment and needs a bigger sales room. Getting a loan from Drishtee instead of a conventional Bank has the advantage of a specialized service in micro loans as well as less rigid requirements. (3) Another strategy to foster entrepreneurship in rural villages is to micro franchise already established business models. Drishtee's Women Shop business model is a good example. Drishtee selects women who sell women products such as cosmetics and hygiene products. Just as with the other projects, Drishtee provides initial as well as ongoing support for these women. Due to limited resources, the loan for starting the Women Shops, however, comes from the bank. (4) In contrast, other franchise models comprise a micro loan from Drishtee itself. Examples, therefore, are Drishte's Education Centres, where a member from the village is trained to open a computer school. This business model represents the maximum interaction between Drishtee and the entrepreneur and will for this purpose be more closely described below.

For the franchisee to be successful, only one Education Centre is set up within one village. Drishtee grants the entrepreneur a micro loan to get the basic infrastructure such as a classroom and at least two computers and also provides study materials. Within the Education Centre franchise model, training in computer skills is a crucial part. An online examination then ensures that the trainee is ready to give classes him. If succeeded, he will also receive a certificate for identification purposes within the community as a qualified computer teacher. The obligations of the franchisee towards Drishtee are twofold: He needs to comply with the interest requirements for the micro loan as well as grant a monthly royalty. The royalty is derived on the basis of the revenue: 70% is retained by the franchisee as profit and the remaining 30% will be paid to Drishtee.

To establish the contact with the community, Drishtee contacts local community leaders and organizes with their support presentations at the Gram Sabhas. These presentations promote the franchise model and attract potential entrepreneurs. This method has shown to be quite successful as attendance is generally very high while the cost for organization could be kept low. In respect to the selections of suitable candidates, their personal reputation within the community, financial record as well as their entrepreneurial skills were taken into account. Ideally they also show some kind of business experience, be it as a vegetable seller or an employee in the family grocery store. The introduction of the computer skill development service is also introduced in this manner. Further acquiring of interested students rests within the responsibility of the franchisee. Backbone of the monitoring process over the franchise businesses is the Management Information System (MIS). The MIS captures all the operational activities and helps the franchisee therewith to manage his business as well as the franchisor to exert a certain control. Drishtee further ensures weekly person to person contact through the field support executer.

As one of their main challenges, Drishtee identified the poor economic conditions of its target customers. Accordingly, prices need to be very low to be affordable. To achieve this, Drishtee has partnered up with government schemes or corporate social responsibility programs. If these options are not available, the product has to be adapted accordingly. For instance, an Education Centre will

do without tables and chairs and increase the number of students per computer. Another challenge is the search for suitable entrepreneurs since most villagers with entrepreneurial aspiration migrate to urban areas. Additionally, keeping the established businesses sustainable might show in some cases difficult and adaptations are necessary such as change of service, promotion strategy or enlargement of product portfolio (Interview, 13. October 2014).

4.3.5 Interim conclusion: Lessons learnt

All organizations described in the previous chapters have applied sooner or later a door to door delivery model. Selling Aqua+ from stores did not prove successful. It clearly shows what previous research has predicted: There is a high, but latent demand for Aqua+. Unless people are not made aware of their need for the product they will not actively ask for it. Additionally, last mile distribution is not a topic that only TARA struggles with. Every business who wants to sell to the BOP faces problems. Drishtee has showed exemplary the potential of partnering up with other organizations, namely with big international brands such as P&G or Nestle. For TARA, such partners suit less as its objective is to sell basic need products, but there are other organizations that could very well fit into their scope. This could be other NGO's, social enterprises, government schemes or private companies CSR projects. Furthermore, engagement with the local community showed to be the key to success for any organization. This has several implications for scaling-up plans, social marketing strategy as well as franchisee selection. Scaling-up business operations in other regions, states or even countries can only be done by partnering with local organizations. Concerning social marketing, close collaboration with the community has to be maintained such as through public events and interactive presentations and discussions. Good relationship needs to be established with community leaders. Finally, franchisee selection criteria not only define candidates who are motivated, have good and fast learning skills and are literate, but also have a good reputation within the community, a big social network and are ideally opinion setters. Another crucial topic that has been mentioned by all is trust. First of all, the products need to be of good quality. Certification by a credible government authority showed to have a great impact. Second, to strengthen trust in the product, mouth to mouth propaganda has revealed to be very important. Finally, trust factor is also increased when the franchisee appears to be an expert in the respective field. If he sells Aqua+, he has to educate the people competently about the causes of the bad drinking water and the correlation to their state of health. This stands in contrast to a large product portfolio. Products with small margins, however, can only be sold profitably if number of products is increased. Mr. Singh from PAHEL estimates that a micro franchise selling products with a margin of a few Rupees such as Aqua+, would need at least ten products to make a good earning. Even if a person sells more than one product, products can be matched with each other so that franchisee credibility as an expert is not undermined.

One of the main challenges seems to be the difficult economic situations and limited entrepreneurial knowledge within the communities. Due to the lack of financial resources, initial funding through donations to set-up and provide initial support to franchisees seems to be unavoidable. Furthermore, training and support will take a central role in the franchisor-franchisee relationship. This support has to take the form of direct, personal and regular interactions. Concerning the franchisee's customers, prices have to be adapted to their low disposable income. Likewise, an elaborate social marketing campaign is indispensable selling basic need products. The huge potential demand can only be activated when people understand how the product can improve their live quality.

5 Case study (II): environment analysis

The analysis of the business environment of a TARAlife micro franchise constitutes the third step of the micro franchise development framework. The analysis focuses on cultural, institutional and political environment in Faizabad, Uttar Pradesh, India, where a TARAlife micro franchise would first be established. The following table gives an initial overview of the five villages, where the research was conducted. The cultural, institutional and political environment has implications for both the franchise model as well as the canvas business model.

Uttar Pradesh				
District of Faizabad				
Sohawal Tehsil			Milkipur Tehsil	Rudauli
Ramapur/Rampur ³	Tahasinpur ⁴	Baragaon	Sultanpur ⁵	Saidpur ⁶
691 families; 4'138 people (2'136 males and 2'136 females)	374 families; 2'101 people (1'063 males and 1'036 females)	big marketplace within Faizabad District	46 families; 228 people (106 male, 122 females)	1793 families; 9571 people (4'850 male and 4'721 females)
Literacy rate: 71.81 % (82.29% male and 60.72% female)	Literacy rate: 70.85 % (81.27% male and 60.04% female)	No data available	Literacy rate: 61.96% (72.73% male and 54.21% female)	Literacy rate: 51.95% (61.39% male and 42.38% female)
Administered by Sarpanch	Administered by Sarpanch	Administered by Sarpanch	Administered by Sarpanch	Administered by Sarpanch
SC: 47.56%, ST: 0	SC: 8.42%, ST: 0	No data available	SC: 13.16%, ST: 0	SC 18.22%, ST: 0
Employment: 26.7% (where 58.37% describe their work as main work, meaning an earning of more than 6 months)	Employment: 25.99% (where 38.1% describe their work as main work, meaning an earning of more than 6 months)	No data available	Employment: 34.21% (where 38.43% describe their work as main work, meaning an earning of more than 6 months)	Employment: 34.13% (where 50.26% describe their work as main work, meaning an earning of more than 6 months)

Fig.9: Villages visited in District of Faizabad (own illustration based on Census 2011)

³ (Census 2011 Rampur, 2011)

⁴ (Census 2011, Tahasinpur, 2011)

⁵ (Census 2011, Sultanpur, 2011)

⁶ (Census 2011, Saidpur, 2011)

5.1 Cultural characteristics

Faizabad can be described as a traditional as well as conservative Indian town. Most people work, marry, live and die within the same community. Families are well connected and social hierarchy is rigid and hardly permeable. The majority is made up of Hindus, with around 166 million people while Muslims constitute 30 Million (Census India, 2001). In contrast to the life in the Indian cities, where exposure to different mind-sets is increasing and traditional social structures is getting more and more diluted, lifestyle in Faizabad is simple; determined by religion and tradition. Mind-set believes and attitudes differ notably not only from people in other countries but also from the so called modern India. Therefore, when addressing cultural characteristics within the villages of Faizabad, not only foreigners are addressed, but also the new Indian generation.

In this chapter, the concept of Hofstede's five dimensions (see chapter 3.2.3 a.) is applied to analyse the implications of cultural characteristics for a micro franchise. While Hofstede's analysis of India might not be suitable for fast progressing cities that are under strong influence from other cultures, rural towns are very well suited as they represent the more traditional Indian society. The following graph shows India's scores out of 100 on each dimension.

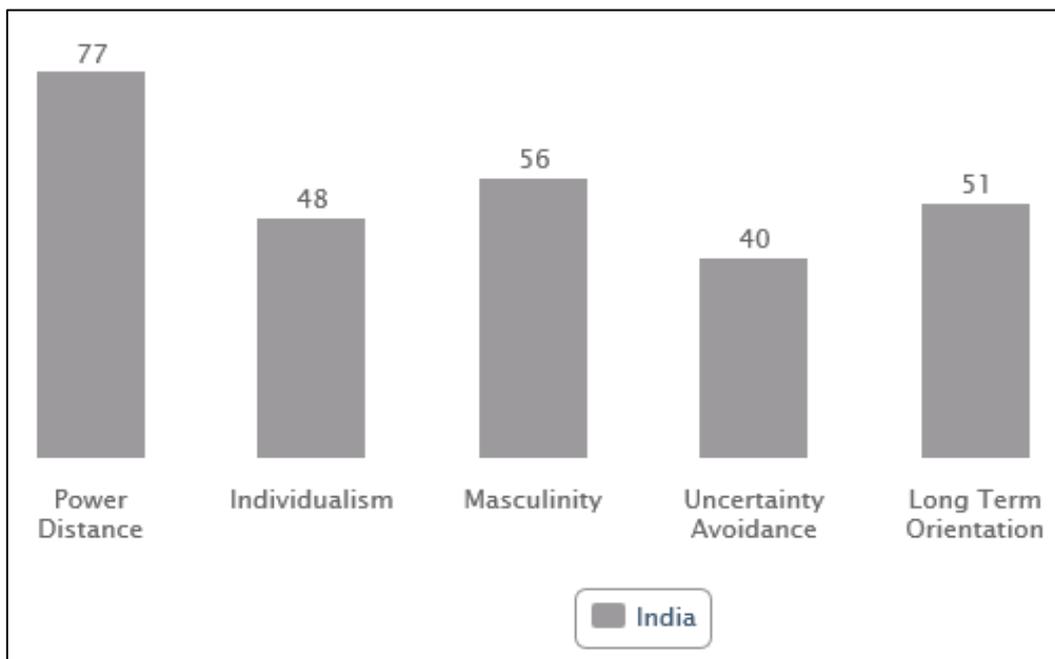


Fig. 10: Hofstede's five dimensions applied to India
(The Hofstede Centre, n.d.)

5.1.1 Large – small Power Distance

India scores high on power distance. People generally accept that power is distributed unequally. Appreciation for hierarchy and top-down structures is predominant in both, the professional as well as a private sphere (The Hofstede Centre, n.d.).

These characteristics within a society have strong influence on the working culture. In terms of franchisor-franchisee relationship management strategy, two main conclusions can be drawn. First, employees expect clear directions as to their function and what is expected of them. To give an employee a high scope of autonomy and decision power might not lead to the desired outcome as he would not dare to take actions without being told to do so. The second relevant conclusion is that feedback culture is basically non-existent.

In terms of understanding their customers, several points in the context of high power distance need to be highlighted. Families in Faizabad exhibit a clear structure who is to make decisions. These are the earning male members in a family; the husband or, if present, the sons. When it comes to the buying decision, they are the ones who have the final say. Not only within the families can one find a clear hierarchy, but also within the community at large. All families have very big respect for community members who occupy an important position such as local doctors. People showed to follow without questioning any advice of their RMP.

5.1.2 Individualism vs. Collectivism

Indian society exhibits both, collectivist as well as individualist traits. The individualist aspect of Indian society is seen as a result of Hinduism. Hinduists believe, that the manner one lives the present life determines the luck and comfort one enjoys in the next life. Hence, everyone is individually responsible for his own life (The Hofstede Centre, n.d.). Aside from the individualistic tendencies of Indian spirituality, Indian society strongly functions according to collectivist values. There is a high preference for belonging to a larger social network such as the family, extended family, neighbours, work group and other wider social networks that one has some affiliation with. Collectivists act according to the greater good of the group as a whole rather than individualistic preferences. In-group members pay high loyalty and solidarity towards other members but also expect to receive a better treatment from them than from out-group members. Relationships become the underlying trigger of each decision.

5.1.3 Masculinity vs. Femininity

India is considered to be a masculine society. Nevertheless, India does not score that high on masculinity (56 out of 100) because of the values represented by Indian spirituality. Indian traditions exhibit ample lessons on humility and abstinence. In daily live however, individual display of success and power is widely practiced (The Hofstede Centre, n.d.).

If a society is masculine or feminine is crucial for any promotional strategy. Chemists interviewed in Faizabad have identified the marketing strategy of a nutrition supplement tablet called Revital as the reason for its popularity. They hired a prominent, modern, young and strong-looking Bollywood actor to advertise the product. In the group discussion, young male participants also stated that if any health measurement would contribute to making their appearance more strong and tall, they would for sure try it. This clearly shows the aspirations of the young generation to be perceived as strong and successful.



Fig.11: Chemist in Baragaon (own photograph)

5.1.4 Uncertainty avoidance

Indians exhibit relatively low uncertainty avoidance. There is acceptance of imperfection and tolerance for the unknown. People usually do not take action against unsatisfying situations but rather find ways to adjust (The Hofstede Centre, n.d.).

This culture of accepting and adjusting was strongly reflected in the interactions in Faizabad. Some people knew about the bad quality of the water that they drink and the possibility that they and their children get sick as a direct consequence. However, the feeling that they are able to alter this situation is absent. They accept their condition rather than looking actively for alternative ways.

5.1.5 Long vs. Short-term orientation

India scores compared to western cultures rather high on this dimension. For Indians, time is not linear. Compared to western societies, time and punctuality are not as important. Indians also accept different truth, even opposing ones, at the same time. It is possible that two contradicting paradigms survive while in western culture one would replace the other. In the professional sphere, changing plan based on changed circumstances and a general comfort with discovering the fated path as one goes along is common within Indian societies (The Hofstede Centre, n.d.).

5.2 Institutional characteristics

As defined in chapter 3.2.3 b., the institutional environment of a business encompasses all institutions that provide the legal framework, for people's basic needs as well as that enable economic activities. The following three chapters deal with the legal framework, with health and education as well as transportation and energy.

5.2.1 Legal framework

"Doing business in India is insane" wrote Anuvab Pal, journalist of the Economic Times of India (The Economic Times, 2015). This statement has certainly its validity regarding India's legal framework within which businesses have to operate. Comparing business regulations for domestic firms, the World Bank ranked India 134 out of 189 economies (World Bank & IFC, 2013). The legal framework in India is not conducive to starting a business. In this category, India's rank is 179 out of 189. In the category "enforcing contracts", India is one of the last countries, placed on rank 186 taking on average a duration of 1'420 days. Also, in dealing with construction permits, the country has a lot to improve as it currently occupies rank 182 (World Bank, 2015, p.198). However, India has showed improvements in addressing corruption over the last year. From rank 94 out of 174 countries, India moved in 2014 to rank 85 (The Times of India, 2014). Future predictions expect a continuation of this trend. Since taking office in May 2014, Prime Minister Narendra Modi has introduced several reforms aimed at improving business environment in India. Main motivation is to attract foreign investments (E.g Budget 2015), increase domestic production (E.g. Made in India) and ultimately spur economic growth. In May 2015, The Wall Street Journal reported "India's output growth accelerated to 7.5% last quarter, putting it ahead of China as the world's fastest growing large economy" (2015). BNY Mellon released a report in June 2015 that assessed North American investor's attitudes towards India. The survey showed the expectations from the new government's economic, fiscal and capital market reforms are high. More specifically, investors have high hopes in respect to Mr. Modi's economic agenda to trim bureaucratic red tape, drive infrastructure and tax reforms, propel the

evolution of the banking system and open capital markets to greater foreign investment (2015, p.6). These reforms would also greatly improve accountability, transparency and bureaucratic efficiency and foster a more conducive legal environment for businesses.

5.2.2 Health and education

The number of Indians who have progressed in live over the last years is estimated to be around 100 Million. This is a large number in quantitative terms but represents a minority of the people. Taking into account the total population of 1.2 billion, India is performing rather poorly for most of the social indicators. In terms of education and health, India is comparable to sub-Sahara Africa (Drèze & Sen, 2013, p.48). School education suffers from two principal deficiencies: limitation of coverage and poor quality. While India has made some progress in the former, the latter is stagnant on the low level. Teaching methods are dominated by memorization, recitation and repetition of the learnt. Comprehension of what has been read much less challenging the statements is basically absent (2013, p.120). A survey of the 20 major states in India in 2004-5 revealed the proportion of children aged between 8 and 11 enrolled in a government school who are able to read a simple paragraph, subtract two digit numbers and write a simple sentence with maximal two mistakes. Uttar Pradesh was ranked second last with 29%, 22% and 51% respectively. As comparison, Himachal Pradesh was ranked first with 81% of children being able to read, 64% to subtract and 77% to write (2013, p.124). The Census of India of 2011, where Uttar Pradesh was ranked 29 out of 35 states in the level of literacy confirms this picture (Census India, 2011, p.110¹) The literacy rate of the people seven or older is nearly 68%. There is a divide between a urban and rural as well as man and women, whereby the latter two exhibit a considerable lower rate (urban: 75%, rural: 65%, man: 77% and women: 57%) (Census India, 2011²). This picture was reflected through the conversations with the people in Faizabad. Many told to have left school before the 10th grade.

In respect to health care, the country is performing even worse. India does not only exhibit pressing problems such as lack of immunization coverage or malnutrition but most worrying is the fact that the country is not able to bring about an improvement. The rate of progress in public health care has been astonishingly slow over the last two decades, even when GDP growth was exceptionally high. The government has built up a model that relies on private health insurance which has shown to produce grave market failures. These failures created an incentive structure producing a suboptimal treatment for patients with insurance and gave rise to insurance solutions focusing only on the low-risk clients. As a consequence, health care infrastructure remained largely underdeveloped (Drèze & Senn, 2013, p.143-162). This reality is clearly visible in Faizabad. The closest hospital is located in Lucknow, a three to four hours car ride from Faizabad, for many often too far. RMP's (Registered Health Practitioners) are the primary contact partners for any health problem. RMP's have completed a course in alternative medicine and are providing primary health care in rural areas (I.A.M.S., n.d.). The quality of medical service depends greatly on the RMP. Some RMPs treat their patients well and know which medicine to prescribe or when to refer the patient further to a doctor. Other RMP's, however, develop their own practices and prescribe questionable treatments.

5.2.3 Transportation and energy

Physical infrastructure in form of roads and railways, as well as energy infrastructure, is key to any business in respect to its operations as well as supply and delivery. However, Indians transportation sector has not been able to keep pace with the rising demand. Indian railways play a leading role in

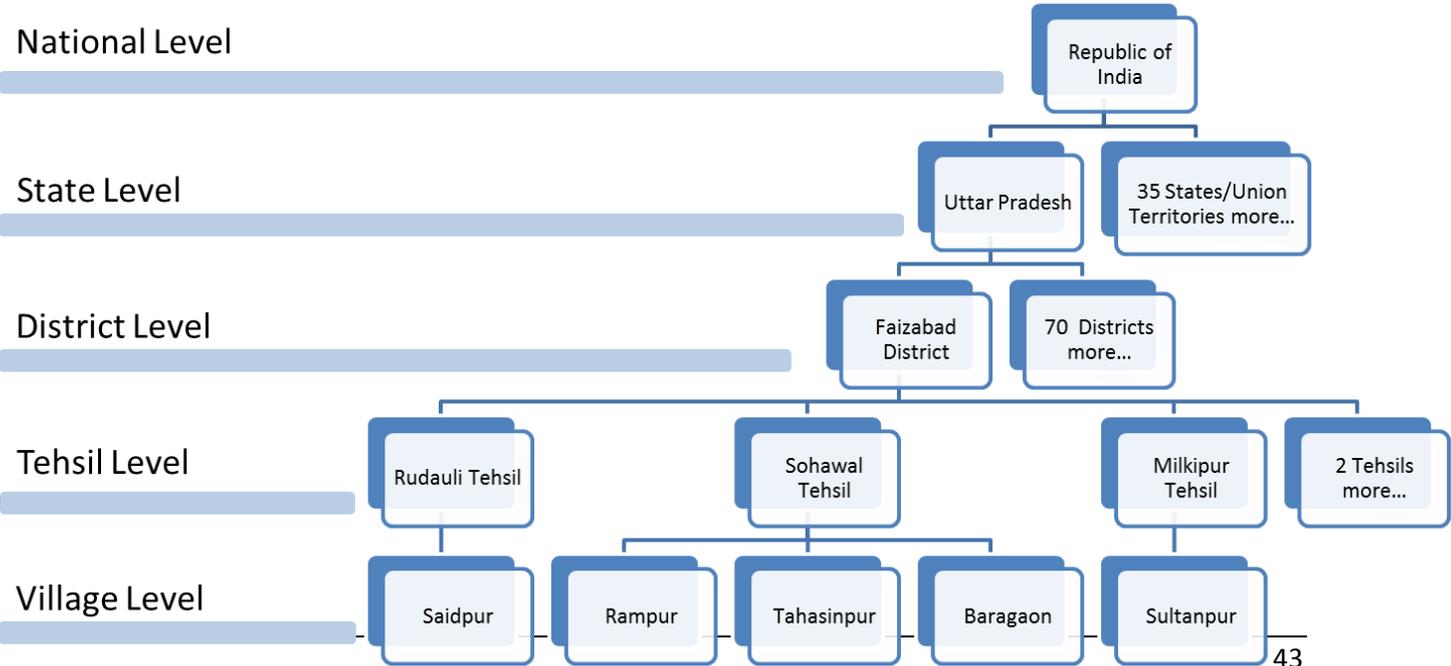
carrying passengers and cargo across India’s vast territory but due to lack of investments, the railways face heavy capacity constraint. Today, roads are the dominant mode of transportation. The density of India’s highway network is similar to that of the US and even greater than that of China or Brazil. However, most of the highways are narrow and congested requiring much more time for an otherwise short distance. Furthermore, surface quality is poor leaving 40% of India’s villages with bad access during the monsoon season (The World Bank, n.d.) Road density and quality of the communities visited in Faizabad is in line with the overall road condition in India. All the villages were connected but during the rainy season the road surface is likely to be damaged.

In respect to electricity infrastructure, India has grown significantly since independence both in the installed electricity generating capacity as well as transmission and distribution system. According to the Ministry of Power of India, total power generating capacity has increased from 1362 MW in 1947 to 267 GW at the end of March 2015, which is an increase by roughly 200 times. Despite this growth, electricity supply is not even close to be able to satisfy electricity demand leading to power shortages especially during peak electricity demand (Ministry of Power, 2015, p. VI). In Faizabad, there are big differences with respect to access to the national grid between the villages as well as between the single households. Some villages were not connected to the grid at all while in other villages some household had electricity while others could not afford it. Reliability also varies substantially from place to place. Some people reported to only have electricity for a couple of hours a day at completely unpredictable timings.

5.3 Political characteristics

India exhibiting diverse political institutions on the state, tehsil and village level (see fig.12). India is structured in a federalist manner. All 29 states and most of the 7 union territories have their own elected legislatures and governments. The states are organized based on linguistic characteristics. Each state or union territory is further divided into districts, which in turn are further divided into tehsils and villages.

Fig.12: Federal structure of India (own illustration)



Each village is represented by an elected head of the Gram Panchayat, the so-called Sarpanch. Gram Panchayat is a form of local government that has its roots in the Panchayati Raj System. "Panch" is the Hindi word for "five", "ayat" for "assembly" and "raj" for "rule", hence: the rule of the assembly of five. The Sarpanch is traditionally a respected and wise member of the community that has been chosen to settle disputes and decide on matters of common interest. The modern version of this system of the Gram Panchayats has been reintroduced in 1992 in order to increase the ability to deal with local matters. Not five, but 7 to 17 members are now elected by the village, depending on the size of its population. The role of the Gram Panchayat has hence developed adding more organizational and representational matters to his tasks; water supply, maintenance of road infrastructure and public properties, public health and taxes are examples (Ministry of Panchayati Raj, 2014).

5.4 Summary: Key findings

<p>Lessons learnt</p>	<ul style="list-style-type: none"> ➤ Door to door delivery model shows to be most successful ➤ Partner with organizations that face similar problems in respect to last mile delivery ➤ Engagement with local community is key to success for any business at the BOP ➤ Establishing trust is a crucial but not easy task ➤ Size of product portfolio has to accord with product margins to ensure profitability ➤ Product portfolio has to be selected considering credibility of franchisee expertise ➤ Main challenges are to obtain initial funding, provide adequate training and support, make the products affordable and to create awareness that will last
<p>Environment analysis</p> <ul style="list-style-type: none"> • Cultural • Institutional • Political 	<ul style="list-style-type: none"> ➤ Franchisees will expect clear directions in respect to their work responsibilities ➤ Feedback culture is basically non-existent ➤ Buying decisions are made by earning male members and are strongly influenced by the opinions of respected community members ➤ Social obligations and commitments within a community are highly respected ➤ Opportunity to create an in-group feeling within the franchise network ➤ Aspirations of the people in Faizabad are not different from better-off Indians in the cities: they want to be modern, successful, strong and good-looking ➤ People tend to accept their situation and do not believe that they are able to change it ➤ Work culture generally neglects the importance of punctuality and adherence to plans or agreements ➤ The legal environment will stay difficult for micro franchises in terms of tedious procedures as well as lack of agreement enforcement ➤ Education as well as health care in rural India are in very poor conditions ➤ Indian transportation system is not able to keep pace with raising demand; railways face heavy capacity constraint and road surface quality is poor ➤ Electricity demand is sky rocking causing insufficient coverage and shortages ➤ India is structured in a federalist manner leaving considerable power in public affairs on a village level to the Gram Panchayats

Fig.13: Key findings of lessons learnt and business environment analysis (own illustration)

6 Case study (III): modelling

Based on the key findings summarized in the previous chapter, this part elaborates the overall micro franchise strategy, the micro franchise model as well as the “business in a box” model that TARA will provide to its franchisees.

6.1 Strategy

TARAlife micro franchise is a development initiative by TARA. TARA is a social enterprise that has launched different projects to foster market based business solutions for environment and development challenges faced by the poor. Within this context, TARAlife micro franchises serve as a distribution channel for TARA. It enables the organization to increase their reach to the rural poor and make their solution accessible on large scale. The initial starting point of the franchise network is Faizabad, a region where TARA has strong connectivity, but the plan is to continuously increase the network all over India. The ambition is to make a real difference for the poor rural population in India and improve their quality of life. Furthermore, TARAlife micro franchise aims to create challenging and empowering business opportunity for the franchisees that provide a secure and adequate source of income.

TARAlife micro franchises undertake the last mile distribution of basic need products. These products are either developed by TARA and its partners or have been added to the portfolio by TARA through partnerships with similar minded ventures. Only products are offered which have the potential to improve the lives of the people in a sustainable and smart way. The products are “sustainable” only when they bring a long lasting value to the families and “smart” when they offer the best solution in terms of impact, feasibility, and affordability. TARAlife micro franchises keep their promises with respect to the product benefits and quality. People choose to buy the products because they have developed trust towards TARA brand: they trust the promises and know that in case of a problem TARAlife franchisees will assume responsibility. Furthermore, TARAlife franchises will ensure an adequate share of profit for the franchisees by offering them a successful “business in a box” together with strong and comprehensive support and adequate training.

TARAlife micro franchises will improve access to sustainable and smart solutions for the rural poor in India to help them face environmental and development challenges. TARAlife micro franchises will also offer attractive income-generating opportunities for deserving members of the rural communities. To attain these goals, TARAlife micro franchise has to focus on the following areas:

- Capitalize on TARA experience and knowledge about ground realities and people's true needs, attitudes and mind-sets
- Recognize trust as a crucial factor for the customer to buy TARA products and strengthen trust by building a strong reputation supported by a clear brand strategy
- Ensure close reach to end customer by developing a distribution model that is able to reach all potential customers
- Profit from franchisees local knowledge, social network and reputation by securing successful selection

- Improve franchisee’s skills where there are weaknesses such as finance or formal education by securing adequate training
- Recognize shared objectives between franchisor and franchisees as a crucial factor for a successful franchise relationship and incorporate this insight into the franchisee selection process
- Fostering adaption and innovation by active encouragement of feedback culture and regular knowledge transfer within the franchise network
- Establish an inspiring work culture by nurturing equality and tolerance
- With the limited resources available, offer the franchisees the best possible support system by establishing broad supportive framework incorporating TARA support but also support from within the franchise network

6.2 Franchise model

Based on the key findings summarized in figure 13, a few core characteristics can already be determined for a TARA micro franchise. To capitalize on the characteristics of a collectivist society, TARA will select not one, but a group of around four community members as franchisees. This group owns and operates one store within a bigger marketplace. Local presence with a TARA store strengthens TARA brand and credibility for its promises. Even though demand for basic need products is undoubtedly high, it can not be expected that the people actively ask for these products. While one franchisee will run the store, the other will apply a door to door distribution model.

6.2.1 Strategic choices

a. Brand



A consistent and strong brand is key factors for success for many traditional franchise systems. However, since a TARALife micro franchise is not a Starbucks or Body Shop, in how far should it even consider building an own brand?

The following paragraphs define the content of TARA brand, how it will be communicated and a few aspects that have to be considered in particular.

For TARA, communication is not only about product benefits and uniqueness, but about creating knowledge and raising awareness. Not the question “how to promote the product best” but “how to educate the people best about the issues the product is addressing” is central to any decision. The primary concern is the educational value of the information within the communication content. Nevertheless, communication strategy has to be defined within the framework of a carefully developed and elaborate brand. TARA is very well positioned to go further than traditional branding strategies and to create a cultural movement as described in chapter 3.1.1. The aspirations of the people of Faizabad are not much different from the better-off Indians living in the cities. Especially young people want to lead modern lives, they want to progress, be strong and look good. The franchisor can capitalize on this insight by not only promoting health benefits of Aqua+ or Spirulina but by interrelating health to masculine attributes such as strength, power, and success. At the same time, TARA needs to respond to the little trust, which people will show to the franchisee. Interviewees in Faizabad have shown to be reluctant to believe any promise. They have made bad experiences ending up spending a lot of money for poor quality products. The seller did not assume responsibility much less did he care about their true needs. TARA has to respond to exactly these

aspirations and concerns. TARA brand has to position itself as a successful and smart way of life. The goal of TARA brand is that people can identify with what TARA stands for as well as trust its promises. To deliver this brand promise, a TARA mission can be formulated: respond to and cover people's real needs, deliver promised quality and offer the best solution available on the market.

TARA brand has to be communicated in a coherent and clear manner. Communication for a TARA micro franchise will take place in two different forms. (1) To inform people about the product and to create interest, written messages such as flyers, letter or booklets will be distributed. Literacy rate in the towns visited in Fiazabad ranges from 52% to 72% (Fig.9). At least one member of a family can hence be expected to be able to read. Local newspapers are also widely available. However, in Faizabad, only five people could say to regularly read it. Even though one can register to receive the newspaper, people mostly read it outside, in a shop or street stand. (2) For the objective to transmit knowledge and raise awareness, events will be organized, where explanation given can be as detailed as necessary and ambiguity or doubts be addressed instantly. In the case of Aqua+, people need to be educated about the quality of their drinking water and the health consequences. In the case of Spirulina, it is the importance of micronutrients that need to be explained. As the survey showed, there is limited understanding why someone should spending money for tablets if one is not sick. Most of the people have taken vitamin tablets, syrup or injection. However, they all did it because they were sick and the R.M.P. prescribed them in order to recover. Recovery from a sickness, not preventing it in the first place, triggers the purchase of such products. Concerning Aqua+, the answers confirmed the results of previous survey; many suppress the fact that their drinking water makes them sick. Raising awareness will require substantial resources as it has to strengthen the confidence of the people and to encourage them to take action. These events will be organized in close collaboration with the local community. The Sarpanch or any other respected member of the community will be in the position to increase people's participation, spreading information as well as adding legitimacy to the cause of the event.

A few aspects have to be considered for an effective communication strategy. Since buying decision is generally made by the earing male family members, product benefit that are relevant to them have to be highlighted. Furthermore, respected community members have strong influence on the popularity of a brand. If an RMP for instance would recommend TARA products, his clients would certainly have a very good image of the brand. Lack of education only reinforces this tendency. Lack of education is a lack of empowerment and causes people to faster rely and listen to other's opinions. The group discussion showed that people listened carefully to the opinions and remarks of the better-educated community members. Product attributes and its promotion has to be designed to convince this peer group.

For the TARA brand to really take effect, the brand has to be lived and practiced throughout the whole franchise network. The precondition for a strong brand to work in the first place is coherence throughout the franchise network. It is crucial that all franchisees see themselves as a part of a whole and deliver what the brand stands for. Otherwise, no brand strategy will work. TARA already has to knowledge to create such a brand. It knows his customers very well, what they think, believe and desire. However, financial constraints do not allow an own marketing strategy in the name of brand creation by itself. Any investment in creating marketing material or organizing events is primary concerned with transmitting the right knowledge and raising awareness. Communication of TARA

brand can only take place within this context. However, TARA brand will serve as a framework/guidelines ensuring coherent and clear communication.

b. Autonomy



As described in chapter 3.1.2, the appropriate degree of autonomy granted to franchisees depends strongly on the desire of harmonization. Because TARA’s ambition is to expand all over India, giving its franchisees a lot of

autonomy in making decision would bring a major advantage; local particularities could be accounted of and franchisee could develop and live their entrepreneurial ambition. Nevertheless, TARA franchise model will only grant very limited autonomy to its franchisees for two reasons. First, certain standardization is needed to ensure delivery of TARA brand promises and second, franchisees need clear guidance.

TARA mission to respond to and cover people’s real needs, to deliver the promised quality and to offer the best solution available on the market is the core of the whole franchise network. These objectives are to be the primary concern making any strategic decision as well as throughout all operational activities. Not only has the business model to be developed around the mission, but it has to be implemented throughout the network. Its implementation will be ensured by the operational guidelines that define issues from product portfolio and price strategy to opening hours and cleanness standards. All the franchisees are obliged to adhere to any such guideline without exception. Furthermore, franchisee autonomy needs to be limited since franchisees entrepreneurial skills and experiences are expected to be rather poor. Franchisees will expect clear guidelines in respect to his responsibilities. Top down communication from the franchisor to his franchisees becomes crucial: tasks, targets, responsibilities, and expectations clearly need to be communicated to the franchisees. The operational manual will serve as basic guideline accompanied by regular personal exchange with TARA staff, or its partner organization. Where time management and the adherence to an exact business plan is important, TARA needs to specifically emphasise its expectations in respect to these areas.

Nevertheless, franchisee insider knowledge and on the ground experience can bring a great value to the business. Franchisees will not be able to implement new ideas single-handedly, but that will not mean that these ideas will not be realized at all. TARA has to actively foster bottom-up communication and encourage pro-active, innovative and risk-taking behaviour. Therefore, the franchisor has to establish a feedback culture and collecting franchisees ideas. When franchisees have acquired entrepreneurial skills and developed a culture of exchanging ideas and knowledge sharing, an increase of autonomy can be considered.

c. Expansion



The advantages of franchising a business model that has been tested and adapted until it proved successful is clear; less struggle of the franchisee to undertake necessary adaptations himself and consequently higher probability of franchisee success throughout the whole network. Within

the first phase of the probation period, the TARA pilot micro franchise has to prove the “business in a

box model” successful. TARA has to collect experiences about the challenges posed by the micro franchise’s business environment. In respect to the legal hurdles, a good amount of time has to be taken account of for the registration procedure of each franchise. TARA franchisees will get the clearances certainly much more easily if franchisees are able follow an example method how to take on these steps. TARA will also be able to better support the franchisee when dealing with local authorities. Other experiences of TARA micro franchise will also be valid in respect to managing institutional voids, such as electricity shortages or bad road surface quality. Furthermore, the argument made about better chances to receive requested loans for starting a proven franchise model is equally valid for the TARA franchise. Difficult economic situation makes it likely that franchisees need to take up loans. Since they hardly provide any securities for the bank, it is even more crucial that the business model has a record of success to increase credibility for their venture. Finally, during the first testing phase, business aspects such as communication strategy or product portfolio can be adapted and improved.

Once TARA has its business model ready and tested, probation period goes into the second phase focusing on the challenges and potential within the franchisee group and other key partners. Now a group of franchisees are selected, trained and sent off to start operations within their respective territory. Awareness raising campaigns in collaboration with the whole group and the community leaders will be organized in all villages. Regular weekly meetings are conducted to encourage exchange and provide advice or solutions where necessary. After a few weeks, feedbacks from franchisees, their experience on the ground and their thoughts on the model at large are discussed to gain further understanding of how the relationship within the group as well as with their partners can be improved.

The major drawbacks for TARA are obviously the deployment of a large amount of human and to a lesser financial resources. To really mature a pilot micro franchise business model, it is expected that operations will need to be running at least one year. If difficulties arise and adaptations need to be made, it will most likely be even longer. When the model is ready and implemented within an area, for instance Faizabad, again TARA will need to wait for further scaling-up operations and first observe operations within a larger franchisee network. Only then expansion plans can be realized.

6.2.2 Requirements

a. Franchisee characteristics

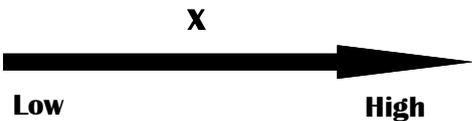


As stated in chapter 3.1.6, educational requirements should be kept to a minimum to not exclude deserving candidates only because they were not able to attend schooling. However, TARA micro franchise does require certain skills since expectations towards the franchisees

area high; they need to be able to learn about the causes and consequences of each problem TARA is addressing with its products (in the case of Aqua+ this means a profound understanding of the subject matter of save drinking water), they need to be able to counsel and most importantly convince their clients of the product’s benefits for themselves as well as their families and they need to have the skills to adhere to all the franchise guidelines by reading, understanding and executing them. Therefore, TARA only considers candidates who are able to read and extract the information of the just read.

In terms of entrepreneurial experience, TARA does not set any standard. The only importance is given to a person’s potential to acquire entrepreneurial skills not his previous experiences as such. It will be the task of the training and support to teach these skills and support their development. Since the potential of a person is weighted more heavily than his experience, defining the desired personality traits of a franchisee becomes even more vital. It has to be considered that most candidates want to become franchisees not because they want to run their own business, but simply because job opportunities are missing. This, however, is not an impediment to becoming a franchisee. Important is only the candidate’s commitment to the franchisee mission and his potential to manage the challenges such a business brings with it. Franchisee personality traits are defined according to the requirements for a successful relationship between the franchisee and his fellow group members as well as the overall franchise network and TARA as well as requirements for a successful relationship with his costumers. In respect to the former criteria, a successful candidate has to be cooperative, social and understanding. He needs to be able to fit into the franchisee network and act according to what is best for the community. Therefore, he respects guidelines and rules and adheres to them in a natural manner. He needs to exhibit the desire to live up to duties, responsibilities and set goals. Furthermore, he should have a certain emotional stability that allows him to deal with conflicts or stressful situations. Since franchisees will be operating within a group as well as being supported by TARA itself, franchisees will have a well-functioning network to find solutions to their problems. According to the framework elaborated in chapter 3.1.6, such candidates would score low on extraversion, average to high on emotional stability and very high on both, agreeableness and conscientiousness. All these characteristics will contribute to a successful relationship within the franchisee network. Considering the latter criteria which determine the relationship quality between the franchisee and his clients, other characteristics have to be added. As research has shown, connectivity between the franchisee and costumers is key factor for his future success. A good reputation, respect, trust and a strong social connectivity make a promising candidate. For a franchisee to enjoy some level of respect, education again plays a role that cannot be neglected. People only look up to better-educated community members. Being literate is the basis, therefore. If a franchisee would give large explanations but would not be able to read the own promotional material, trust into his expertise would clearly fade.

b. Financial investments



TARAlife micro franchise envisages a group of franchisees who will share the ownership of the micro franchise. They will distribute the burden of financial requirements amongst each other and run the business

as a unity. This model of shared ownership between a group of franchisees with equal rights and responsibilities exhibits vast advantages for the franchisees as well as for TARA.

Starting a micro franchise is not a small task for any villager in Faizabad. A high degree of specific knowledge, financial resources, as well as the willingness to take over a huge responsibility and to give a strong commitment, is required by a franchisee candidate. For a villager of Fiazabad, meeting these requirements may seem to be inaccessible or too frightening. However, taking on these challenges as a member of a carefully selected group with sound support of the TARA, is a much different situation. First of all, financial obligations can be shared. TARA will require a franchising fee

to ensure a certain degree of commitment. However, it will be very low since the financial capacity of the candidates is clearly constraint. One small contribution will barely cover any setup costs. However, if a group of four franchisees make a small contribution, it may be a start. The remaining costs will need to be covered by a micro loan. TARA will facilitate the process for the franchisees to apply for the loan. It will provide the micro finance institution with their proven business plan outlining expected revenue and costs. There again, as a group, it will be easier to get access to the same micro loan than as an individual. Furthermore, franchisees will be able to share the responsibility of fulfilling the guidelines set out in the operational manual. Additionally, franchisees can profit from the experience and knowledge of their business colleagues. They will be able to discuss problems they face, profit from the experiences of their fellow franchisees as well as exchange thoughts and ideas.

From the TARA’s point of view, small groups of franchisees exhibit clear advantages. As observed in SHGs, commitment to the group’s objective showed to be very strong as a result of social responsibility implied between the group members. A crucial distinction between the concept of the traditional SHGs and TARA’s micro franchise group has to made. While SHG’s exhibit great homogeneity by coming from the same village or even neighbourhood, TARA franchisees will be selected according the exact opposite criteria, namely territorial sovereignty. Each franchisee will come from the same district, but from a different village where he or she will be the only one selling TARA products. Pre group binding factors will hence be relatively small. Nevertheless, binding factors can be established once the group is set up; all of them will invest in their common franchise, they will receive training as a group, learn how to operate the business together and how to deal with challenges as a unity. Besides a strong commitment to the common goal, micro franchise groups bring the advantage of group performance compared to individual performance. With the support of TARA, micro franchise groups are to be expected to have a better learning progress and to come up with better solutions to business challenges than an individual franchisee would by him/herself.

6.2.3 Relationship

a. Control



Control, as defined in chapter 3.1.3, is used to enforce a desired cooperative behaviour that has been agreed upon in the franchise agreement. TARA micro franchise has strict guidelines and regulations of how to run the business and hence needs strong control mechanism.

The question is now, which kind of control, namely legal, explicit or implicit form of control is most effective as well as efficient.

Legal control in form of contracts is used to set out the rules for the franchisee as well as the franchisor. It states the franchisees obligations as well as his rights towards the franchisor. The franchisee contract will ensure a common understanding of the franchise business and will serve as a reference point for any disagreement. The contract in itself cannot be seen as a mechanism to enforce desired outcome. Understanding of legally bound agreements might not be as strong as in developed markets and even if so, legal procedures are incredibly slow and tedious. If TARA wanted to exert effective control, it would need to introduce explicit control mechanisms such as performance assessments or audits and punish a breach with previously defined sanctions. Such an

incentive structure, however, is not desired and should be limited to the minimum. Deviations from the franchisee contract is to be realized through close and regular interaction between the franchisee and franchisor and not through planned mystery shopping or punishing/rewarding business performance outcomes. Main control mechanisms are of implicit nature; regular and personal interaction, advocate proactive problem solving approach by open discourse, enhance feedback culture, establish trust by strong personal relationships as well as understanding for the common business goals. The objective is to create a common identity through shared values and a strong relationship within the franchise network. In an ideal case, each franchisee would see himself as part of a bigger franchisee family. As described in chapter 5.3.1, the collectivistic characteristic of Indian society suggests, that people adhere to rules and guidelines much more when a social pressure is afflicted with it. PAHEL has given a good example therefore in their cattle project. When only one cattle was given to a group of women where one woman takes the cattle and is required to return a cattle in the first breed to the next women in the group, social pressure was so strong that repayment in kind was very high. Grameen bank made the same experience giving micro loans to a group of people, mostly women. By establishing groups of franchisees, TARA micro franchise makes use of this very strong mechanism.

b. Support



Poor entrepreneurial knowledge and experience, strong emphasis on adherence to franchise mission and comprehensive knowledge requirement to consult costumers appropriately require strong support. This

support is delivered in three steps.

First, TARA provides the franchisee with the successful business model; the product portfolio, elaborate strategy, and all operational tools. Second, TARA selects and trains the franchisees carefully. The training consists of three parts and is expected to have duration of two weeks. First few days will be used to teach the franchisee mission and each part of the business model. The second part of the training will be more practical and focus on product portfolio, consultation, and customer service. Finally, regulatory framework, work ethics, and franchisor work expectations, in general, is discussed at large. Work ethics are particularly important in a society as hierarchical as India. The two core lessons from work ethics are equality in respect to gender, cast or religion and reliability in respect fulfil his responsibility as good as possible. Furthermore, TARA needs to clearly outline what is expected from the franchisees in detail. Within this last block, TARA needs to ensure that all aspects were understood and agreed upon. After the training, the candidates will be tested and only if they prove to have acquired the knowledge, they become a franchisee. Crucial thereby is not only that they have learned the lessons by heart, but they have gained a deep understanding about how the franchise network functions at large, about the work ethics and specifically have internalized the mission. This part cannot be tested by a conventional written examination but within a free conversation. Questions about the candidates understanding of the raison d'être of the three mission statements will give the necessary insights; how well did he understand the concept, the motivation and objectives and how well can he relate to it. Furthermore, participants will be asked for feedbacks to subsequently improve the training. Third and final part of the support framework is based on regular and personal interaction between the franchisee group and a TARA employee or an

employee from a partner organization who is specifically educated to be able to advice franchisees. Besides giving support in the sense of advices, the objective is to provide a platform that encourages franchisees to share experiences, come forward with problems or uncertainties as well as with discussing new thoughts and ideas. The goal is to establish a strong relationship characterized by mutual trust and understanding.

6.3 “Business in a box” model

The Canvas business model has been denominated to serve as a basis to structure the “business in a box” that the TARA will provide its franchisees (see chapter 3.2.6). The Canvas Business Model is based on nine components that are described in figure 14: Customer segment, value proposition, channels, customer relationship, revenue streams, key resources, key activities, key partners, and cost structure (Osterwalder & Pigneur, 2009 p.20ff). Figure 15 then applies the Canvas Business Model to the TARA micro franchise “business in a box”.

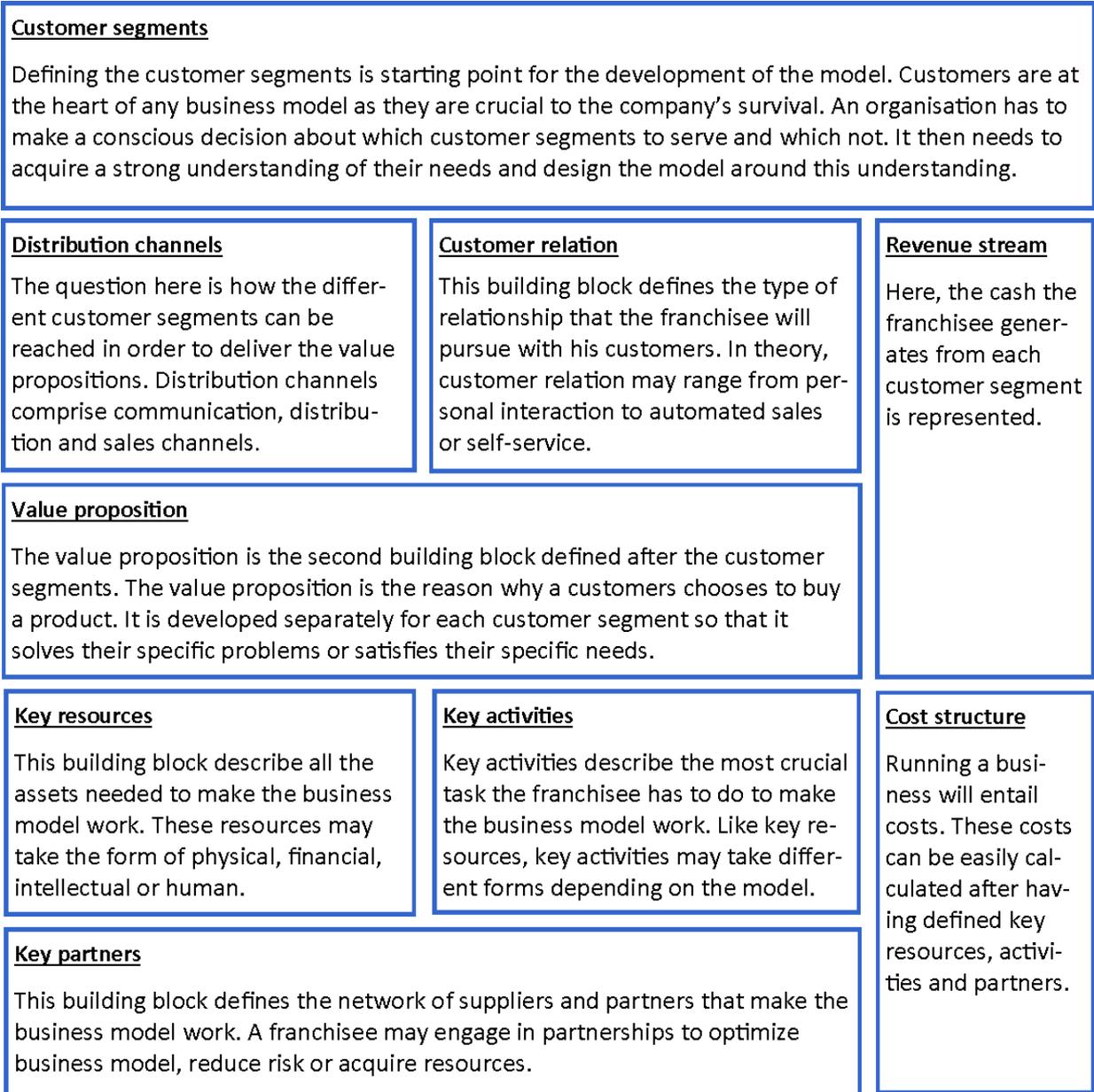


Fig.14: Description of the Canvas Business Model (based on Osterwalder & Pigneur, 2009)

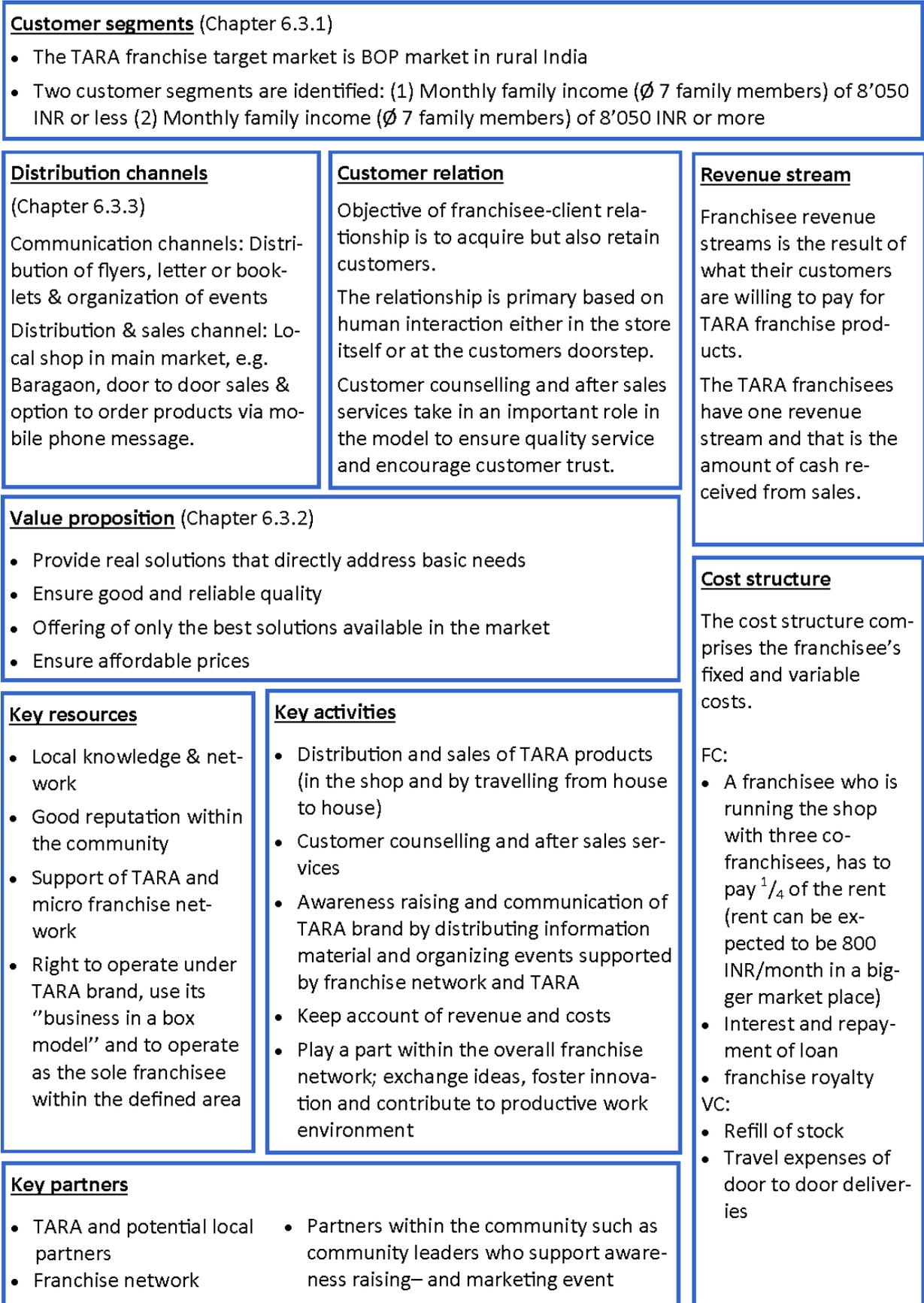


Fig.15: Application of the Canvas Business Model to TARA micro franchise (based on Osterwalder & Pigneur, 2009)

Three selected building blocks of the TARA micro franchise “business in a box model” will be explained in greater detail in the following chapters. These are “Customer segment”, “Value proposition” and “Distribution channels. The building blocks “Customer relations”, “Key resources”, “Key activities” and “Key partners” are not further elaborated since the explanation within the graph are easily comprehensible by itself. The two building blocks “Revenue stream” and “Cost structure” are only defined on a high level. For a more detailed description, product portfolio and product margins would need to be known.

6.3.1 Customer segments

Customer segments may be formed based on common needs or common behaviours. For TARA, there is no need to define a diversified customer business model. TARA is basically serving the rural mass market with broadly similar needs and problems. All people that were interviewed in Faizabad would be interested in a solar lamp and they would all be reachable through the same distribution channel. Furthermore, communication strategy and tools would similarly not differ much between customers. Nevertheless, a distinction between market segments with different purchasing power is necessary. While the need for a solar lamp is prevalent in each family, the ability to only consider such a purchase varies greatly. Based on the findings of the research in Faizabad, TARA customers are divided into two segments; one with a monthly family⁷ income of less than 8’050 INR and the other with a monthly family income of 8’050 INR or more. The following portrait of the two segments will help to define the value proposition to cover their specific needs.

A family of the former customer segment would live in a house without electricity. Each evening, two kerosene candles would put the house in a dim light. The family would make sure that the 3 litres of subsidized kerosene that they are allowed to buy each month is distributed carefully so that it would not run out before the end of the month. The mother, if not working as a labourer on the land of others alongside her husband, would cook dal and roti on the traditional cook stove that is, just as the rest of the house, constructed out of mud. Even when the smoke in the house will be gone after some time, the walls and ceiling will remain black. Some days, the wife would be able to cook enough food for the whole family while, on other days, the portions would turn out to be smaller. Since she will be serving first her husband and her children, she will tend to serve herself even less to make sure that the others have enough. All the money will be spent on basic necessities: food, kerosene and in very serious cases, on health care. The mother if not both parents would be illiterate and have weak educational background. Therefore, they would often look to better educated community members with good reputation to reassure their decisions. Even though, money is very scarce, someone in the family most likely still owns a mobile phone. When the husband goes out of the house to work, he would take the phone with him and search for a place to charge it. In respect to the understanding of the connection between food and well-being, these families did not show any interest in discussing the topic. For them, thinking and discussing issues which they are not able to change, does not make any sense. When asked about what kind of food would be healthy, they suggested the food they consume regularly, namely roti, dal, rice or green vegetables. Since the intake of enough calories per day is not always given, they view food rich in calories such as clarified butter as particularly healthy.

⁷ The average number of family members of the families visited in Faizabad is seven.

A family of the latter customer segment would not need to worry to get enough food. Sometimes the family, in particular the kids, would even have three meals a day instead of two. These families have developed different aspirations and struggle how to satisfy them. Maybe the husband would like to go outside to a tea stall to read the local newspaper to be informed about Indian politics and sports. The wife, on the other hand, might like to buy a TV for entertainment. The daughters would then watch Indian soaps and dream of fashion while their sons would want to grow tall and strong just as the Bollywood stars in Mumbai. The younger generation is much less likely to be vegetarians. The children, maybe together with their father, would go out from time to time to have meat. The older generation generally does not have any objection as long as meat does not get prepared in their kitchen. Furthermore, the house would be connected to the electricity red and several bulbs would spend bright light at night. In case of electricity cuts, the family would light lanterns. When the wife prepares dinner, she would usually cook on her gas cooking stove. The family has learnt to appreciate their modern cooking stove: no smoke in the house, no black walls and due to the ability to control the flames, better-prepared dishes. Only when the maximum availability of subsidized gas per month is used up, the wife would change to wood and cow dung. Often, they do not need to buy these fuels as they can collect the wood from their own land and take the cow dung from their own animals. They are able to spend some small amount on other things than just basic necessities. If the father considers a purchase, he is not only looking at the price but also at the quality. He knows that good things will also cost more. These families have showed more interest in the conversation about food habits and were happy to share their advice. Even though their knowledge was at times incorrect, they did know about the importance of spinach, fruits or milk. In contrast to the first family described, they were also open to learning more about this topic.

6.3.2 Value propositions

The value proposition describes the bundle of products and services that create value for a specific customer segment. Osterwalder and Pigneur distinguish between quantitative value such as price or speed of service and qualitative value such as design and customer experience (2009, p.23). TARA micro franchise focuses on quantitative values namely offering real solutions that directly address basic needs, providing reliable quality, selling only the best solutions available on the market and ensuring affordability for both customer segments.

First of all, the products need to provide real benefits to their customer by covering their basic needs. Because exposure and education are very limited amongst the rural population, it is not hard to convince them to buy a product they actually don't need. Therefore, TARAlife micro franchise never adds a product to its portfolio if it wasn't directly linked to improving peoples living standards. Aqua+, Spirulina or TARA cooking stoves reduce the risk of health problems caused by unsafe drinking water, a deficient diet or smoke. Solar lamps also have positive health benefits for the eyesight but also empower people to study or to keep their business running after sunset. In the long run, it also helps families to save money in the way that they do not need to buy kerosene or candles. Another product discussed for the TARAlife micro franchise was sanitary napkins. This product also has valuable health benefits for the women but also improve their comfort and confidence. TARA must make a conscious and careful decision which products to take on in their portfolio. Decisive is not only margin and demand but much more the value it adds to people's life quality.

Second value proposition is reliable quality. The products need to be of good quality that takes into account the circumstances in which people live. People in Faizabad were able to recall several experiences where they bought a product, but then it broke after few applications. The products sold by TARA micro franchise hence really need to be designed for the BOP and according to the local conditions, such as dust, rainfall, extreme heat/cold or the frequency of sunshine. India is such a big country that such parameters might change from place to place drastically. Depending on the region, the product portfolio needs to be reconsidered with respect to the quality standards. To gain peoples trust in the quality promises, will organize events to demonstrate the benefits of the products. Franchises may also issue guarantees. With a guarantee, the customer can be sure that if the product shows to be below the promised standards within a defined period of time, the franchise would take on whole responsibility and sort out the problem. In a worst case even replace the purchase.

The third value proposition is the offering of the best solution available on the market. People living in rural areas have very limited product variety to choose from. The micro franchise's goal is to make up for this lack of access and to undertake the selection process for them. The products chosen for the portfolio will then represent the best solution that is available. In case other products entre the market that show to offer a real solution to basic needs, TARA might consider establishing a partnership with them in order to distribute their products.

The last value proposition is to make the products affordable. Here is where it has to be distinguished between the two customer segments. First, products and the mode of payment need to be differentiated according to which customer segment it targets. The franchisee may sell two solar lights: A solar lighting kit for 5000 INR that can spend bright light for over 16 hours⁸ and another for 450 INR that is just sufficient for one person to read⁹. Furthermore, the products could be offered on instalments. For instance, a family that has no electricity and spends every month 80 INR on kerosene and candles could buy the solar lamp on instalments of 60 INR per month. The instalments could be brought together by savings due to using less kerosene/candles and after a bit less than eight month they own the solar lamp. Another option is to cross-subsidize products to lower the prices of the products targeting the customer segment with less purchasing power while achieving higher margins with products targeting the customer segment with more purchasing power. Another option is to adapt pricing strategy and offer products on instalments.

6.3.3 Distribution channels

Communication, distribution and sales channels comprise the interface between the micro franchise and its customers. Channels serve following functions: raising awareness, introducing the value proposition, delivering the product and providing post-purchase customer support (Osterwalder & Pigneur, 2009, p.26). While communication channels have already been discussed in chapter 6.2.1 a., this chapter focuses on distribution and sales channels.

TARA has looked for options to establish franchises with already existing established entities. This has the advantage of tapping into existing distribution and sales channel, but will strictly limit any scope for franchising decisions. In the case of Aqua+ and Spirulina, TARA was interested in three specific channels: RMP's, chemists and shopkeepers. There is only one franchise model possible with these

⁸ To see product: <http://www.oolux.org/produit/oolux-solar-lighting-kit/?lang=en>

⁹ To see product: <http://nuruenergy.com/nuru-india/our-products/nuru-smart/>

partners; a product franchise. A product franchise is simpler to set up as it only grants the right to sell Aqua+ under TARA brand and within a certain geographical territory (see Chapter 2.4.1). However, the micro franchise so far developed for TARA is some form of a business model franchise and would therefore not be compatible with any of the franchisees mentioned above. Nevertheless, because TARA has shown great interest to find ways how to collaborate with R.M.P.'s, chemists or shopkeepers, the option of establishing a franchise agreement with these channels will be considered here. This chapter aims at giving a deeper insight into the implications that choosing such channels would have on the franchise model.

a. RMPs

RMP's seem to be good distribution channels as people in the community respect and trust them. When a RMP recommends a remedy, people buy it without further questions. During the interviews in Faizabad, it showed that all R.M.P.'s were very open to include Aqua+ or Spirulina in their product assortment. However, there are several critical points using RMPs as franchisees. (1) Because of the lack of medical knowledge, RMPs can often not treat their patients correctly. Some even develop their very own remedies. Supporting these kinds of practices and making Aqua+ or Spirulina dependent of the good reputation of an RMP is critical. (2) RMPs are selling their remedies as medicines that are necessary for the patient's recovery. Aqua+ as well as Spirulina, however, are not remedies for recovery but rather preventive measurements for a healthy life. RMPs will not promote the products in that way. (3) Furthermore, if RMPs are recommending products, it is not clear if they recommend it for the right cases or just sell it because they lack expertise of the product or to simply increase their sales. The case of Spirulina has been discussed in more detail with the RMP's in Faizabad. It can be concluded, that the level of knowledge and effectiveness of RMPs in respect to nutrition is questionable. Treatment of malnutrition depends from RMP to RMP. Many nutrient deficient patients remain undiagnosed¹⁰ or the diagnose remains very vague¹¹, many symptoms are misinterpreted¹² and the effectivity of many remedies prescribed is not tested and proven¹³. Additionally, RMPs give the prescriptions without further explanation to the client. Many even avoid questions by patients and try to explain as little as possible to not "waste time".

b. Chemists

To distribute Spirulina through chemists might be a good alternative to RMP's. Chemists seem to be open to learn about a new product such as Aqua+ and Spirulina and also consult the people on it, but they themselves doubt that anyone would buy it only on the base of their recommendations. People generally come to the chemists to buy only those products, which have been prescribed to them by their RMP's. When making an RMP a franchise, only his recommendation of the product will be sufficient. In the case of chemists, on the other hand, much more social marketing will be required. The buying decision has to come from the consumer itself rather than from a prescription of the RMP that is followed blindly. This will cost much more resources, but these investments are justifiable if

¹⁰ E.g.: One RMP estimated a 10% figure of iron-deficient women, which is way too low.

¹¹ E.g.: A common diagnose was "weakness". "Weakness" however may have different underlying causes.

¹² E.g.: Loss of appetite was often exclusively considered as a direct indicator of iron deficiency even though it could also be caused by other deficiencies such as Vitamin D.

¹³ .E.g.: One RMP prescribes Lotus flower as a remedy for "weakness" to his patients.

considered the advantages: With an own social marketing campaign, it can be guaranteed that the consumers will become properly educated about the product, its use and its effects.

c. Shopkeepers

Depending on the size of their product portfolio as well as their place of location, the monthly income of shopkeepers ranges between 5'000 and 15'000 INR. Main initial investment is the acquisition of stock and their main running cost is rent. In communities, the rent of a small shop is around 400 INR while the double of that can be expected in bigger markets. The sales are generally stable. However, depending on the products, school holidays, marriage seasons and festivals can influence the business. When asked about the products of TARA, they were very open to any consideration. In respect to Spirulina, they were only interested about Spirulina candies. They didn't want to know more about the tablets and said this would be a product for a pharmacy, not a shop like theirs. Even though candies do not yield big margins for the vendors, they still like to offer them to attract the people. Their goals, however, is clear, they don't want to educate people about safe drinking water or the importance of micro nutrients. Their goal is margin and quantity sold. When establishing a franchise relationship with shopkeepers, demand needs to be created first. Shopkeepers will easily be convinced to sell a product, but if people won't buy it, they will consequently not keep up their stock. They won't be interested in selling a product for which they need to create awareness first. Especially, if margins are rather small such as with Spirulina candies, they won't put any extra efforts to sell them. A product sold by shopkeepers, either has to exhibit easily understandable product benefits that people are already aware of. In case the product benefits are more complicated and less known within the community, such as with Spirulina and Aqua+, promotion and advertising has to be done independently of shopkeepers.

d. Interim conclusion: Distribution channels

RMPs, chemists, as well as shopkeepers, may represent good distribution and sales channels for selected products. Number of units sold can be increased with very little investment. But how suitable are they for becoming micro franchisees? As mentioned above, there is only one franchise that could be established with these partners; a product franchise. Yet, with the product franchise model, there is no scope for anything that defines a micro franchise or any other business format franchise, that is shared objectives, a common mission or a certain level of standardization. Only if the goal is solely to increase sales, such a strategy could make sense for TARA.

In such a scenario, the question arises if a micro franchise really is the right model. To keep things simple, TARA may just continue with the same strategy as it has up to now but instead of only partnering with other organizations it may establish partnerships with different RMPs, chemists and shopkeepers. Depending on the product, TARA could choose its channel partners accordingly.

The objectives of a TARA micro franchise however have been defined much broader than increasing sales. The value propositions, which TARA life micro franchise is aiming for could never be delivered by an RMP, chemist or shopkeepers nor any other model that aims to make use of these already existing distribution channels. TARA has to establish an independent franchise, that does nothing else than selling products selected by TARA in the way prescribed by TARA.

Drawing upon the conclusions derived throughout the previous chapters, TARA will set up single micro franchises within bigger marketplaces such as Baragaon. For each franchise, approximately four franchisees are selected. These franchisees then go door to door, market the products and sell them. Each franchisee may spend one day in the store and attends the customers walking in. To prevent competition within the network itself which would have hugely negative impacts on the unity of the network and increase the principal-agent problem, TARA selects one franchisee for a predefined territorial area. Generally, such a territory is comprised of one village. In case the village is too small, however, to exhibit sufficient demand (e.g. below 400 families), the territory may comprise two villages. To avoid free-rider effect, there is a strong correlation between franchisee personal efforts and his profits. Each franchisee will earn the profits from his own territory and invest his fair share in the common franchise business.

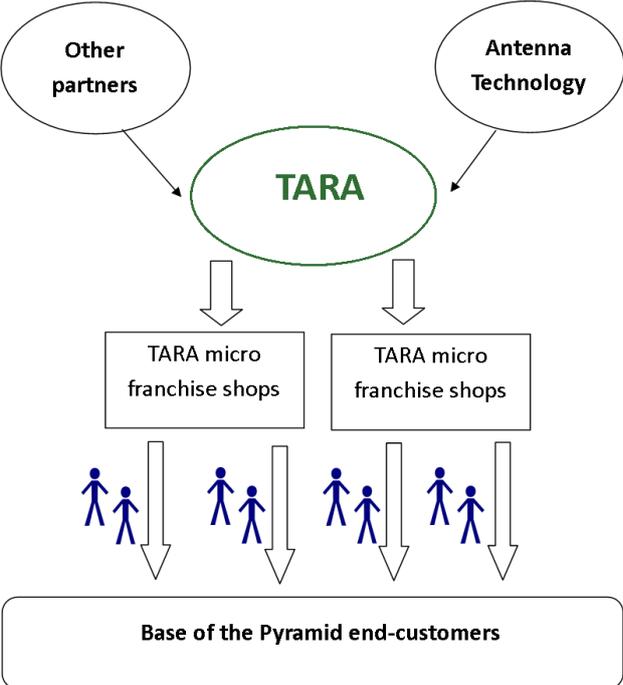


Fig.16: TARA micro franchise distribution model (own illustration)

8 Conclusion

When establishing a micro franchise, two relationships have to be defined: Franchisor – franchisee relationship and franchisee – customer relationship. The prerequisite of a sustainable micro franchise is a successful “business in a box” model. Only when it is defined how the franchisee creates, delivers, and captures value, it can be thought about how this business model will best be franchised.

At the current stage, TARA is not ready to establish a successful micro franchise. The margin of Aqua+ alone is too small as that a profitable “business in a box” model providing a stable and adequate income for the franchisees can be created. To secure profitability, further products have to be added to the portfolio. In close future TARA will be able to add additional products such as Spirulina candies or sanitary napkins. Furthermore, TARA can partner with other organizations that have developed other BOP solutions. Given a successful “business in a box” model, micro franchising has huge potential to solve the last mile distribution-hurdle for TARA.

The most promising model for TARA to micro franchise a business selling basic need products to the BOP is based on seven key characteristics: clear definition and communication of what TARA brand stands for, strict limitation of franchisee autonomy, long probation time of the “business in a box” model, franchise characteristic requirements primary based on franchisee motivation and potential, financial investment requirements adapted to franchisee’s economic situation, control mechanism based on personal interaction and trust and establishment of a strong supportive framework for the franchisees.

Appendix

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III. List of auxiliary means

TARA and especially two of its employees were of great help during the field trip to Faizabad. They conducted several structured interviews with families, RMPs, Chemists and shopkeepers and also moderated the group discussion. Furthermore, PAHEL, a channel partner of TARA, accompanied us to the five villages, introduced us to the interviewees and made sure that we returned back on time.

English editing (spelling, commas) by “Edit and Proofread up to 5’000 words for 5\$” via the internet service provider Fiverr (<https://www.fiverr.com/sydneymorgan/edit-and-proofread-up-to-5-000-words>).

IV. Interviews with TARA channel partners and two other Indian NGO’s

Topic guide

1. About the organization: Vision/Objectives, scope of work and regional presence
2. Major projects with entrepreneurial approach: success and hurdles
For channel partners: Experience with Aqua+
3. Distribution model & selection of partners
4. Awareness raising: methods applied and their success
5. Control mechanism: necessity of control and tools applied
6. Revenue stream between the organization and its partners
7. Further inputs on their experience/opinion of the micro franchise model as a tool for the last-mile distribution

Persons interviewed

Jagriti: H. No. – 159, Village & P.O. – Amadalpur, Tehsil – Jagadhri, District – Yamunanagar, Haryana, India (<http://www.jagritisocialawakening.com/>)

Interview per Skype with Ms. Rajeshwari Chatterjee, Secretary
Contact details: +91 9354677823, jagritingo@gmail.com

PAHEL: 1/14/5A-Hausila Nagar, Near JB Polytechnic, Distt:Faizabad UP 224 001 (<http://www.pahel.in/>)

Interview per Skype with Mr. Ambrish Singh, Managing Director
Contact details: +91 9415701317, pahel livelihoods@gmail.com

Vision Spring: D-448,1st Floor,Sector 7 Dwarka, New Delhi 110075, India (<http://www.visionspring.org.in/>)

Interview at the Vision Spring office with Mr. Anshu Taneja, Associate Country Director
Conact detail: hr@visionspring.org.in

Drishtee: Knowledge Boulevard, Tower B, 8th Floor, Plot No. A-8 A, Sector 62, Noida - 201 301, Uttar Pradesh, India (<http://www.drishtee.com/>)

Interview at the Drishtee office with Mr. Tarun Arya, Vice President (Operations)

V. Field research in Faizabad

Questionnaires

Perspective of Potential Customer

The Objective is to evaluate the product's real value proposition (does the product really cover a basic need that has been unaddressed so far?). Furthermore, if a product has potential to delivers a real value, people's awareness of its benefits will be assessed.

Serial No:

Name of Interviewer:

Date of Interview:

Basic Information:

1. Name:

2. Sex:

Male [] Female []

3. Age:

Below 18 yrs [] 18-25 yrs [] 26-30 yrs [] 31-40 yrs [] 41-50 yrs []

4. Marital Status: Married [] Unmarried []

5. Telephone/Mobile number:

6. Block:

7. Village:

8. District:

9. Education:

10. Occupation:

11. Monthly Income (in Rs.):

Below 5000 [] 5001-10000 [] 10001-20000 [] Above 20000 []

Household Information:

12. No. of family members:

Adults: Male ___/Female___ Children: Male ___/Female___

13. No. of earning members in family:

14. Total household monthly income (in Rs.):

Below 5000 [] 5001-10000 [] 10001-20000 [] Above 20000 []

Nutrition

Observations: What are they cooking, what kind of food is in their kitchen?

15. What did you have for breakfast/lunch?

16. What are you cooking for lunch/dinner?

17. Are you and your family vegetarians?

18. What else do you/does your mother/wife like to cook for the family?

19. What is your favourite meal to eat? _____

How often does it get prepared? _____

20. How often do you go to the markets to buy food? _____

Which shops do you go to? _____

21. How much money per month do you spend on food for the family?

On what food do you spend most of the money? _____

22. Generally, how many meals a day does your family consume?

23. Who eats the most in the family? _____

24. Food such as vegetables, fruits or dairy products (like eggs or milk) are especially healthy because they provide many important nutrients. For which group of people do you think it is especially important to have such healthy food?

Small children [] Working adults [] Pregnant women [] Male family members []

25. Do you feel that the meals you are having affect your well-being? Yes [] No []

If yes: What food do you think is good for you? _____

26. In your opinion, can the right food contribute to your recovery when you get sick? Yes []
No []

If yes: Please give some examples: _____

27. If your child would repeatedly catch the cold/fever, what food would you choose to give him/her?

E.g Chai tea, white toast or oranges?

If you feel weak/with little energy even though you are not sick, what food do you think could give you some strength? _____

E.g Corn, paranthas rich in oil, red meat?

What food would you consider is most important for the development of the muscles?

E.g. Carrots, sweets, eggs

28. Have you (or one of your family) ever taken vitamins, minerals? Examples:

If yes: From where and at what price did you buy it? _____

Why did buy it? Preventive [] Because of sickness []

Further clarification: _____

Were you content with its effects? _____

Would you buy it again? _____

Lighting solution

29. What source of light do you use? (See table below)

How many hours a day do you use light?

What are the monthly expenditures?

For what activities is the light mostly used?

Sources of Lighting	Electricity	Kerosene	Candles	Solar lamps	Others (specify)
Per day use (hours)					
Monthly expenditure (Rs.)					
Activities					

30. Did you face any problems with use of fuels? Yes [] No []

If yes, please specify:

Availability []

Cost []

Effectivity []

Health []

Others [] _____

31. Do you or someone in the community use solar panels to create energy? Yes []

No []

If yes: What kind of solar panels and for what? _____

32. Can you buy solar lamps in the community? Yes [] No []

Where and at which price can you buy them? _____

33. Did you ever consider to buy one/ If it would be sold in your community, would you be interested to buy it? Yes [] No []

Why yes/No? _____

Cooking practices

34. What energy source do you use to cook?

Wood [] Gas [] Cow dung [] Other:

Where do you buy the fuel from? _____

At what price? _____

35. Did you face any problems with use of fuel for the cooking stove? Yes [] No []

If yes, please specify:

Availability []

Cost []

Effectivity []

Health []

Others: _____

- 36.** Would you consider buying a cooking stove that uses less fuel and produces less smoke?
Yes [] No []

Besides the price, what would you take into consideration? _____

Reading glasses

- 37.** Do you or someone in your family or friend circle use reading glasses? Yes [] No []

If yes: Do you know where the glasses were bought and at what price? _____

- 38.** If you would feel a worsening of your eyesight, what would you do?

Sanitary napkins (only women to women)

- 39.** Do you buy sanitary napkins? Yes [] No []

If yes: What brand do you buy, at what price and from which shop? _____

If no: What else do you use for protection? _____

- 40.** Are you comfortable with the solution you found for you or would you be open to try alternatives?

Mobile phone, TV, Radio, Newspaper

- 41.** Do you have a mobile phone? Yes [] No []

What about your family, do other family members own a mobile phone?

- 42.** How do you/other family member charge your phone?

- 43.** For what is the phone mostly used?

Call [] txt msg [] Music [] Internet [] Other: _____

- 44.** Do you have a television at home? Yes [] No []

If yes: What channels do you watch? _____

- 45.** Do you read the regional newspaper/ magazine? Yes [] No []

If yes: Which ones? _____

Where do you get the newspaper from?

- 46.** Do you listen to radio? Yes [] No []

If yes: Which channel do you listen to? _____

Local Chemists on Malnutrition

The Objective is to learn about the different remedies for malnutrition available to the community, the price of the products, principal buying behaviour and the level of knowledge of the clients about malnutrition.

Serial No:

Name of Interviewer:

Date of Interview:

Basic Information:

- 47.** Name:

48. Educational background in respect to health:

49. Manner of employment: Employed Self-employed/ Own shop

50. Numbers of years of practice in the community:

51. Telephone/Mobile number:

52. Block:

53. Village:

54. District:

Available remedies

55. What kind of products do you offer for nutrient deficiencies/ is it a medicine or a daily use product? (See table next page)

For who are the products intended? (e.g. babies, children, pregnant women ect.)

What is the price of the products?

Which products are the most profitable one's for you to sell?

How well does each product get sold?

Product Name Medicine or daily use?	Target consumer	Price	Most profitable	Frequency of selling

56. According to your experience as a chemist, what are the most severe problems?

Lack of macronutrient (carbohydrates, protein and fat)

Lack of micronutrients: Iron deficiency

Vitamin A deficiency

Iodine deficiency

Illnesses/ diseases: _____

Other: _____

Supply/sales channels

57. From where do you buy your products?

58. Did you face any troubles with the supply of your products (e.g. reliable of suppliers in terms of quality and adherence to deadlines)

59. Organization of the stock:

How often do you receive deliveries from your suppliers? _____

60. Do you sell directly to the consumer or do you have also other sales channels (e.g. through other entrepreneurs/small shops)? Yes [] No []

If yes: Please specify which ones: _____

Buying behaviour

61. How does your client learn about the product?

Promotion (flyers, posters) [] Mouth to mouth [] Doctors [] Chemists []

Others: _____

62. Which family members are generally buying the products?

If there is a tendency: In your opinion, why does this tendency exist?

63. For which family members are the products generally bought?

64. Do the clients generally ask for the products or do you recommend them?

If recommended: In which cases do you recommend it?

General precaution [] Combat symptoms [] Strengthen patients resistance []

Other explanation: _____

If asked for by the client: In which cases do they ask for it?

Prescribed by the doctor [] Recommended by family/friends [] Previous experience []

Other explanation: _____

65. Are the clients buying the products for the purpose of recovery or to prevent illnesses in the first place?

Knowledge on malnutrition

66. How do you explain your clients why they should buy the product?

Do they ask questions for further explanations? _____

(Objective: Do they only advise them to take the remedy to feel better or do they actually educate the client about the products and the importance of nutrients)

67. How well do your patients understand the benefits of the product?

How would you assess your patient's awareness for the importance of nutritious food?

68. Do you see a need to raise awareness amongst the people of the community about nutrient deficiency and its manifestations? Yes [] No []

If yes: In your opinion, about what specific issues do the people need be educated?

When designing a campaign to educate the community, who would you primarily address?

Observation for interviewer:

How comfortable is the respondent with the topic of malnutrition?

How extensive seems his/her knowledge in these fields to be?

To what extent does he/she seem to share his/her knowledge with the clients?

RMP on Malnutrition

The Objective is to find out about the local doctor's perception of malnutrition in the communities. Their opinion on the severity of the problem of malnutrition in the community, the most common form of malnutrition and the most affected family members, the causing factors (such as money, availability of healthy food or knowledge) and the best remedies will be evaluated.

Serial No:

Name of Interviewer:

Date of Interview:

Basic Information:

69. Name:

70. Manner of employment: Employed [] Self-employed/ Own praxis []

71. Numbers of years of practice in the community:

72. Telephone/Mobile number:

73. Block:

74. Village:

75. District:

Occurrence & Manifestations

76. How often do you attribute patient's discomforts to malnutrition?

What kind of malnutrition are we talking about?

Lack of macronutrient (carbohydrates, protein and fat) []

Lack of micronutrients (vitamins and minerals) []

Both []

Other explanation: _____

77. How do you diagnose malnutrition?

Height-for-age and growth-for-age (adequate for children) []

Body Mass Index (adequate for adults) []

Low birth weight (adequate for babies) []

Blood and urine tests []

Visible symptoms of the patient []

Described symptoms of the patient []

Other measurement: _____

78. According to your experience, which family members are most affected?

79. Which is the nutrient deficiency you diagnose the most in the community? (See table below)

Under which other deficiencies do patient suffer?

How often do these deficiencies occur?

What are the consequences for the patient?

Deficiency	Occurrence	Symptoms/ Consequences for the patient
Most diagnosed: _____		
Other: _____		
Other: _____		
Other: _____		

Causes

80. In your opinion, what are the main causes for malnutrition in the community?

Money [] General weakness [] Knowledge []

Other: _____

81. Why do you think are some family members are more affected than others?

Women/children are weaker/ diseases []

They just eat less than other family members []

Due to family hierarchy they receive smaller portions []

Other explanation: _____

Remedies & Awareness

82. What remedies do you prescribe your patients with diagnosed nutrient deficiency?

Nutrient concentrates []

Increased intake of specified foods []

Other: _____

How do you explain them the need of taking the medicine?

Is it necessary to explain them in greater detail why they have to take the medicine?

Do they ask further questions? _____
 (Objective: Do they only tell them to take the remedy or do they actually educate the patient about the importance of nutrients?)

83. How well do your patients understand your diagnosis?

How would you assess your patient's awareness for the importance of nutritious food?

84. Do you see a need to raise awareness amongst the people of the community about nutrient deficiency and its manifestations? Yes [] No []

If yes: About what specific issues do the people need be educated?

Who should primary be addressed in such a campaign?

Observation for interviewer:

How comfortable is the respondent with the topic of malnutrition?

How extensive seems his/her knowledge in these fields to be?

To what extent does he/she seem to share his/her knowledge with the patients?

Local Shopkeepers

Local shopkeepers are operating a very similar business than a future franchisee. The goal is to find out about a shop's expenditures/risks such as the revenue needed to make adequate profit, local rent, salary of employees and possible distribution channels. Furthermore, a first impression will be gained if they could imagine to sell the micro franchise products.

Serial No:

Name of Interviewer:

Date of Interview:

Basic Information:

85. Name: _____

86. Name: _____

87. Manner of employment: Employed [] Self-employed/ Own shop []

88. Numbers of years of working in the community: _____

89. Telephone/Mobile number: _____

90. Block: _____

91. Village: _____

92. District: _____

"Operating a shop"

93. Please give a short overview of what products you offer: *(See table below)*

Which products are most profitable and how well do you sell the products?

Product categories	Most profitable product categories	How well do they sell?			
		Very good	Good	Not so good	Bad

94. What is the monthly income (in Rs.) you generate with your shop?

Below 5000 [] 5001-10000 [] 10001-20000 [] Above 20000 []

Is this below or above your expectations? _____

95. How did you start your shop?

Shop belonged to parents [] Bank loan [] Savings [] Other: _____

If bank loan/savings: Which major costs did you have to consider when setting up your shop?

96. Who are your major clients?

Women buying for themselves [] Mothers buying for their families []

Men buying for themselves [] Fathers buying for their families []

Children [] Adolescents [] Others: _____

97. Is your income rather stable or does it fluctuate?

If it fluctuates: On what does it depend? _____

98. Did you ever face any problems with your shop?

99. Do you have employees? Yes [] No []

If yes: How much salary (in Rs./month) do you pay each employee? _____

If no: How much salary (in Rs./month) would you have to pay an employee? _____

100. Do you promote your products/your shop? Yes [] No []

If yes: How? Mouth-to mouth [] Flyers/posters [] Discounts [] Credit []

If credit: For how long, to whom

Other: _____

Supply/sales channels

101. From where do you buy the products?

102. Did you face any troubles with the supply of your products (e.g. reliable of suppliers in terms of quality and adherence to deadlines)

103. Organization of the stock:

How often do you receive/collect deliveries from your suppliers? _____

104. Do you sell directly to the consumer or do you have also other sales channels (e.g. through other entrepreneurs/small shops)? Yes [] No []

Village: _____

District: _____

Understanding of benefits

Introduction of the products

After the introduction, a picture of each product (one after another) will be put on the board. Participants will be asked the following questions. Their answers will be noted with one word on the board underneath the corresponding product tag. This will provide a mind-map of the advantages/disadvantages attributed to each product.

2. What are the advantages/ disadvantages of each product (Aqua+, Spirulina, solar lamps, cooking stove, eye glasses, San Nap, flexi pump)?
3. For who do you think are the benefits especially important?

After collecting the opinions of the participants, the moderator adds the advantages of each product that has not been mentioned by adding it on the board. For each benefit, the group will be asked if they agree or not. A wrong benefit will be suggested at one point to show that not everything needs to be true what the moderator suggests and encourages the participant to disagree or question.

4. Do you believe me that the product will have this advantage?
5. Can you explain it to me why it has this benefit or is especially suited for this person?

Observation

How well do they understand the concept and the benefits of the products?

What is their first reaction - rather positive or negative?

Perception on the products

First round each answering questions

6. Group exercise: Each participant receives 8 cards, 6 of them labelled with one product. Everyone has to pin its card on a board (with an axis going from biggest benefit to least benefit) according to the benefits they attribute to them. Two of the cards they can write a product themselves that is valuable for them.
7. Each participant has the opportunity to explain his choice or question other participant's choices.

Why do you find product X useful?

Why do you find product Y not useful?

Best strategies to explain and promote product benefits

Take a set of different Aqua+ promotion material and discuss which they find better/less good

8. Which of these promotions have you seen before?
9. Did you like them?
10. Why yes/not?
11. What do you think about the other ones?

Pricing/Product design

12. Exercise Auction: willingness/ability to pay

Each participant will be given an estimate of the average local disposable income. An auction of the product portfolio then takes place. The participants are encouraged to purchase by auction the products they view as attractive for the price they would pay in the shop.

13. Exercise Voting

The products are presented in different price-service-discount packages (eventually with visual support). Then a voting takes place who would buy the product and who wouldn't (each vote is noted with the corresponding name). The experimental design includes variability in the levels of prices, quantity in one unit that is for sale, discounts (first time for free, every 10th is for free, point collection system that can be used for any other product in the shop) and sales channel (in shop, door-to-door, order per phone, regular delivery).

Franchisee selection

14. Group work: franchisee criteria

The participants have to establish in group work guidelines for the selection of the franchisees. As aid, a paper with different characteristics will be provided to them as inspiration. The group establishes his own list and then explains its decision, its considerations and disagreements that were faced between group members.

Household interviews

Income and food habits

	Gender		Monthly income		Food habits - breakfast & dinner that day		Spending on food/family					
	Male	Female	Fam. members	Household income	No. of meals	Dal	Roti	Rice	Vegetables	Other	Own land	Others
				∅	income/pers.							
Archana, 34		x	6	3'000 INR	500	2	x	x	x		2'000	
Avita, 18-25		x	6	5'000 - 10'000 INR	1'215	2	x	x	x			
Ram, 26 - 30	x		4			2	x	x	x	Potato	1'000	2'750
Shalu, 18 - 25		x	6			2	x	x	x	Potato	4'500	
Vidya, 31 - 40		x	9	10'000 - 20'000	1'650	3	x	x	x	Bunn		
Dev, 31 - 40		x	8	5'000 - 10'000	940	2		x	x			
Surjeet, 31 - 40	x		5	5'000 - 10'000	1'500	3	x	x	x	chana, milk		
Kalvati, 35		x	5	3'000	600	2	x	x	x			3'000
Jagmata, 30		x	4	900 - 1'800	340	2	x	x	x			800
Satrupa, 30		x	5	6'000	1'200	2	x	x	x		3'000	
Ram, 70	x		17	5'000	300	2	x	x	x		4'000	
Ashok, 35	x		7	10'000 - 15'000	1'785	3	x	x	x		2'000	
Laxmi, 25		x	4	6'000	1'500	2	x	x	x	potato, spinach		3'000
Mohan, 31		x	10	5'000	500	2	x	x	x			4'000
Amar, 38		x	5	6'000	1'200	2	x	x	x		2'000	
Hawman, 41 - 50		x	13	>20'000	1'600	2		x	x		2'500	
Sudhir, 26 - 30		x	17	>20'000	1'200		x	x	x			7'500
Sitaram, 41 - 50		x	10	10'000 - 20'000	1'500	3	x	x	x			
Jag, about 50		x	9	>20'000	2'300	3	x	x	x			
	10	9	∅ 7 members		∅ 1'166 INR	∅ 2 meals					2'625 INR	3'536 INR

■ = No information available

Awareness about nutrition

	People at risk						Aware of connection health - food			Taken vitamins/mineral tablets before			
	Children		Preg. women		Men		Depending on workload		Elderly people		Yes	No	Don't know
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Don't know
Archana, 34	x								x		x		
Avita, 18-25			x							x			
Ram, 26 - 30	x										x		
Shalu, 18 - 25		x									x		
Vidya, 31 - 40									x		x		
Dev, 31 - 40				x							x		
Surjeet, 31 - 40											x		
Kalvati, 35		x										x	
Jagmata, 30	x	x		x						x			
Satrupa, 30				x								x	
Ram, 70	x									x			
Ashok, 35	x									x			
Laxmi, 25	x											x	
Mohan, 31	x										x		
Amar, 38	x	x		x									x
Hawman, 41 - 50	x	x		x							x		
Sudhir, 26 - 30											x		
Sitaram, 41 - 50	x										x		
Jag, about 50	x											x	
	11	5	4	5	6	12	4	3	15	4	0		

= No information available

Lightning solutions

	Light source					Spending/month			Problems with lighting					Availability of solar lamps		
	Electricity	Kerosene	Candles	Solar lamps	Other	Electricity	Other		Power cuts	Costs	Availability	Smoke	Effectivity	Yes	No	price
Archana, 34		x			35				x	x				x		
Avita, 18-25		x	x		62											
Ram, 26 - 30	x	x		Battery lamp	210				x	x	x	x	x	x		5'000
Shalu, 18 - 25		x	x											x		
Vidya, 31 - 40	x	x		Mustard oil	225					x	x			x		550
Dev, 31 - 40	x	x	x							x	x					
Surjeet, 31 - 40	x	x			225					x	x	x	x	x		500 - 1'000
Kalvati, 35	x	x			200					x						
Jagmata, 30		x			55											
Satrupa, 30		x	x		55											
Ram, 70	x	x	x		70											
Ashok, 35					225											
Laxmi, 25					225											
Mohan, 31		x	x		225				x	x						
Amar, 38		x			225					x						
Hawman, 41 - 50		x			20					x						
Sudhir, 26 - 30				Inverter												
Sitaram, 41 - 50																
Jag, about 50		x														
	14	14	5	0	200 - 500 INR	20 - 75 INR			2	9	10	1	3	9	10	450 - 5'000 INR

■ = No information available

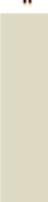
Cooking practices

	Cooking fuel			Spending/month			Problem while cooking					
	Wood	Cow dung	Gas	Wood/cow d.	Gas	Ø total	Smoke	Costs	Black	Heat	Effectivity	Availability
Archana, 34	x	x		900/160		1'060	x	x	x			
Avita, 18-25	x	x		1'000 - 1'200		1'100	x					
Ram, 26 - 30	x	x		0		0						
Shalu, 18 - 25	x	x	x					x				
Vidya, 31 - 40	x	x		0		0	x					
Dev, 31 - 40	x	x					x	x		x		
Surjeet, 31 - 40			x									
Kalvati, 35	x	x		500/125		625	x	x		x	x	x
Jagmata, 30	x	x		500		500	They don't have money so they don't complain					
Satrupa, 30	x	x		0		0	x					
Ram, 70	x	x		400		400	x					
Ashok, 35	x		x	0	250	250	x	x				
Laxmi, 25	x			0		0	x					
Mohan, 31	x	x	x	300	435	735	x					x
Amar, 38	x			800		800	x			x		
Hawman, 41 - 50	x		x	0	420	420	x					
Sudhir, 26 - 30	x	x	x	400/0	420	820	x					x
Sitaram, 41 - 50	x	x		0		0	Don't see the need for alternative ways of cooking					
Jag, about 50	x	x					x				x	
	18	14	6	0 - 1'200 INR	250 - 435 INR	Ø 670 INR	14	4	1	2	3	3
(Ø of the ones who have to pay)												

 = No information available

Reading glasses and possible communication channels

	Reading glasses		Mobile phones		Read newspapers		Listening to radio		TV		
	Yes	Needed	No	Numb.	No	Yes	No	Yes	No	Yes	No
Archana, 34	x			2			x				x
Avita, 18-25			x	1			x				x
Ram, 26 - 30											
Shalu, 18 - 25	x			1			x				x
Vidya, 31 - 40				1			x				x
Dev, 31 - 40			x	1			x				x
Surjeet, 31 - 40			x								
Kalvati, 35	x			1			x			x	
Jagmata, 30			x		x		x				x
Satrupa, 30			x	1			x				x
Ram, 70	x			2			x				x
Ashok, 35				5						x	
Laxmi, 25			x	1			x				x
Mohan, 31			x	1						x	
Amar, 38			x	3			x				x
Hawman, 41 - 50											
Sudhir, 26 - 30			x							x	
Sitaram, 41 - 50	x			3			x			x	
Jag, about 50				1			x			x	
	3	3	9	Ø 2 phones		5	11	1	15	5	12

 = No information available

Sanitary napkins (only with women)

	Use of sanitary napkins		Cloth	Satisfactory		Costs	Comments
	Yes	No		Yes	No		
Vidya	NRHM			x		6 INR/1 pack	
Family Ram	NRHM			x		6 INR/1 pack	Reluctant to buy from men, husband buys, uses 1 pad a day
Avita		x			x		Pads are too costly
Satrupa		x		x			Would like to try pads if not too costly
Jagmata		x		x			No local shop is selling and anyways would be too costly
Family Surjeet		x		x			Never tried but she sais cloth is more comfortable
Family Mohan	NRHM					6 INR/1 pack	She is a Asha worker and they are selling it, but the product is not for women with heavy bleeding
Family Hawman	Whisper					25-30 INR/6 pads	
Family Sudhir	Whisper	x		x			Pads are available but more comfortable with cloth, only when travelling she buys Whisper
Family Sitaram	NRHM				x	6 INR/1 pack	Whisper is better quality than NRHM, she also prefers to buy from a women
Family Jag	Stayfree			x		25	Only 2 -3 hours pad is effective
							NRHM is bad quality, it does not stick and is not effective
							Stayfree is still affordable but has better quality, she does not mind to buy from male shopkeeper
	7		5	7	2		

 = No information available

Vayanandad Tiwari - RMP

18th Nov. 2014

Ramapur, Faizabad, Uttar Pradesh

22 years of practice in the community

Malnutrition – Occurrence

- The major problem of malnutrition is the lack of micronutrients (vitamins & minerals)
- The diagnosis is based on visible symptoms of the patient
- Children are mostly affected
- In iron deficiency, pregnant women are mostly affected
- Vitamin deficiency (5 – 6 cases a week – weakening of arms and legs, poor growth, poor cognitive functions) , iron deficiency (2 – 3 cases a week – swelling on legs) and calcium deficiency (problem in standing, crooked legs, among adults pain in the bone and joints) are the three most prevalent forms of malnutrition
- Iron is directly linked with appetite, if children have iron deficiency, they don't eat that much

Causes

- Poor hygiene/ cleanness is the predominant reason for the sicknesses in general
- Stale food

Awareness

- People don't ask why they have to take the medicine
- RmP does not educated about the connection of their illness and their food habits
- They don't know about the importance of vitamins and minerals, only they get educated about it
- There is a need of awareness raising, best by large community meetings
- Women should be educated most but the decision maker of the family (husband) should also be addressed

More information

- Patients mostly carry 80 to 90 INR with them. If they buy medicine that is more, they bring the rest text time
- If you provide them daily/weekly doses, they wont come back again – it is better to give them the whole treatment at once
- He is very content and says that whatever he recommends, people will buy it
- He was very open to sell Spirulina. A tablet for 1 INR he said that people would buy it. However, he did not ask about the content, certificate, product or anything like that. He says he would sell it as a medicine only, not as a preventive measurement to be healthy
- He says everything below 100 INR he could sell

Dr. R.K. Triwari – Doctor with medical degree

19th Nov. 2014

Guptarganj, Faizabad, Uttar Pradesh

25 years of practice in the community – He works in Lucknow but comes to Guptarangi 5 to 10 days a month

Malnutrition – Occurrence

- There are seasonal diseases/sicknesses such as cold diarrhoea (because of bad food), mimonia in winters and heat strokes in summers
- Ecolavirus are??? for malnutrition

- Children are most affected

Causes

- Causes of illnesses in the community in general is that the people are not vaccinated
- They also don't go to the doctor on time – like this, people only go to the doctors in second stage and illnesses that are easily treatable become very serious
- Education is lacking so that people would recognize the severity of their sickness
- People are also generally weak because of many diseases
- Further problems are jondis and typhus due to the contaminated water
- People also don't have a proper diet
- The diagnoses are based on visible and described symptoms of the patient as well as clinical test where necessary
- There is a diagnosis centre within 40km but often people cannot afford to go there
- 2 – 3 cases a month is because of stale food
- He diagnoses iron deficiency amongst children 40 times a month
- 70% of the pregnant women have iron anaemia in the community
- Further problems are calcium, vitamin C and B complex
- A proper diagnosis is very important since it could also be sth else than the common deficiencies such as potation

Awareness

- Only 2 – 3% of the people know about nutrition and proper food
- There is a need for awareness raising, especially amongst parents about nutrition, hygiene, and save drinking water
- Government should get involved and lance a campaign that educates people by going from door-to-door

Remedies

- He prescribes nutrient concentrates such as B-complex, zinc tablets, A – Z capsules or syrup, multivitamin syrup
- For weakness he prescribes electrolytes/ORS
- He advices the patients if possible to take care of their diet in favour of green vegetables, milk, fibre flour
- He tries to explain them in easy language what is the problem

More information

- About Spirulina: He cannot say if it is good unless there is practical evidence
- RmP's and chemist seem to be the best option for distribution
- The doctors can only prescribe what the patient needs to recover
- The people in the community do not buy anything until they really require it
- RmP's are not effective at all, they mostly cannot help the patients properly

Bahadur Varma - RMP

19th Nov. 2014

Guptargani, Faizabad, Uttar Pradesh

36 years of practice in the community – he has a very good reputation amongst the people as a good doctor

Malnutrition – Occurrence

- Most severe problem is the lack of micronutrients in the people's diets. Especially milk is missing (50% if the people do not drink milk regularly).
- The symptoms are: stomach too big while the rest of the body is very weak and thin
- The most common disease amongst children is constipation – children get constipation because of winters
- Most common deficiency is Vitamin D (2 – 4 cases a month) – a symptom is the deformation of the bones, then he sends them to the hospital to the bone specialist
- Good for vitamin D he suggested is fish and morning sunlight
- Another common problem especially amongst pregnant women (he says 10% are affected) is iron deficiency (2 -3- cases a month) – the government also distributes iron tablets
- Symptoms for iron deficiency are swelling problems: e.g. face is swollen but the body is skinny – the problem therefore is that women have little food but a big workload
- Mostly children are affected by "weakness", which he defines as feeling weak, joint pain in legs (for this he prescribes pain killer)

Causes

- Patients sometimes have superstitious beliefs and go to priest when they are sick than to a medical consultant
- In summer there are more cases of weakness (5 – 6) than in winter (1 – 2 cases).
- Not only less food but also the frequent occurrence of diarrhoea leads to "weakness" due to poor hygiene/ spoiled food and polluted water
- If one doesn't pay attention to weakness in the early age, then this person is also very weak as an adult
- Women also face more problems because they first serve the meals to the whole family and then eat as last. If there is not enough, most likely they are the once eating least.

Awareness

- The patients don't know about nutrition. Women even go to the fields in the morning without even drinking a glass of water
- He does not feel that it is important to explain its patients in greater detail what is causing their sickness – however, when asked about awareness raising he said that it would be important

Remedies

- In his case of weakness: He was very weak as a child but never got treated. As an adult no medicine could help him. However he now found a remedy that could help; Singara and Kumud, local plants that grow in the pond. When Singara is not available, Lotus flowers can be used. He is the only "doctor" who has found this remedy and also recommends it to his patients. He is very confident that his diagnosis and prescription of this remedy is very effective and that his strategies are better than the ones of other RMP's.
- Milk is a very effective remedy: all the nutrients (except iron) are in milk
- Only when the patient suffers of diarrhoea milk is not good, then he prescribes ORS
- If too much fluid is lost in diarrhoea, glucose injection is required – for this he sends the patient to the hospital
- He also often prescribes Cyfer-TS, tonic A – Z drops which make you strong

More information

- When talking about Spirulina he was surprised that protein tablets can treat weakness. He said he would prescribe it as a medicine rather than a preventive measurement
- He was open to sell Spirulina, says costs are comparable to other medicines

Manish Kumar - RMP

20th Nov. 2014

Bara Gaon, Faizabad, Uttar Pradesh

6 years of practice in the community

Malnutrition – Occurrence

- Diarrhoea (2 – 4 patients a month) and stomach problems (40 – 50 patients a month) are the biggest problems
- Children are mostly affected by diarrhoea and fever
- Iron deficiency (4 – 6 cases a month – mostly women, symptoms: not able to digest food, muscle and joint pain, general weakness), calcium deficiency (2 cases a month, symptoms: chronic bone and joint pain) and vitamin C deficiency (1 – 2 cases a month. Symptoms: no appetite, nervousness, dizziness) are the major deficiencies that occur in the community
- He diagnoses based on visible and described symptoms of the patients
- Next to children, women are mostly affected by malnutrition because they have a lot of work and eat last on the table and if there is not enough, they also eat the smallest portion

Causes

- People have no money to buy proper food
- Unhygienic food is a further problem – proper food is not available, vegetables are full of pesticides and chemicals

Awareness

- People don't know about nutrition – he needs to do a lot of explanation
- He does not explain the exact problem because then the patients start to ask questions and he wants to avoid such unnecessary time-consuming conversations – he just tells them what medicine to take, that's it
- He also sees no point in educating the people about nutrition

Remedies

- He prescribes tonic and multivitamins

Tiwari – Chemist

19th Nov. 2014

Sultanpur, Faizabad, Uttar Pradesh

30 years of practice in the community

Remedies -> *see photograph*

- A – Z tablets – 62 INR for 15 tablets (he sells 30 to 40 tablets a week)
- Zincovit syrup – 99 INR (he sells 2 packs a week)
- Becadexamin – 24 INR (he sells 2 – 3 packs a week)
- Paracetamol – 32 INR (he sells 4 -5 packs a week)
- Revital

Buying behaviour

- The people mostly buy the products based on RmP's/ doctor's prescription
- Mostly they buy because they are sick and want to recover. Only revital is bought for prevention because its very popular: a Bollywood actor makes add for it in tv, newspaper

- He says that he would not be able to recommend products because people don't listen to chemists that much
- RmP – patient relationship is very strong, patients buy whatever RmP tells them
- Patients give only feedback to RmP about the products, not to him

Awareness

- He cannot say how much people are aware of the importance of nutrition – the communication is between RmP's and their patients, he just sells the products

More information

- He says most severe problem is lack of protein, which is especially bad when people drink and smoke a lot
- RmP's mostly diagnose iron deficiency, but it is not always true
- When asked if he feels that the RmP's diagnoses are correct, he said he does not question what the RmP says – he did not want to criticise RmP in public
- He travels every week to Sultanpur, Faizabad to buy the medicines
- He does not only sell to patients but also to RmP's and other chemists

Patiram Priyada – Chemist

20th Nov. 2014

Bada gaon, Faizabad, Uttar Pradesh

20 years of practice in the community

Remedies

- Porovem X – 136 INR (he sells it 1-2 times a month)
- Revital – 92 INR (he sells 20 – 30 capsules a month)
- Nuronmid Gold – 10 capsules for 79 INR (he sells 20 – 30 capsules a month)
- Liv 82 for children – small for 55 INR, big for 84 INR (he sells it 5- 6- times a week)
- A 2 syrup – 60ml for 45 INR (he sells it 4 – 5- times a week)
- R B Tone Syrup – 200ml for 89 INR (he sells it 5 – 6 times a month)

Buying behaviour

- Men generally buy the medicines
- The clients already know what they want when they come to the store, generally he does not recommend them
- They buy to recover from illnesses rather than for prevention

Awareness

- He does interact less with clients, they just buy the things they want
- Clients do know have any knowledge about nutrition

Brijesh Chand Gupta - Shopkeeper

18th Nov. 2014

Ramapur, Faizabad, Uttar Pradesh

He has been running the shop for the past 5 years

Products

- Shampoo, hair oil
- Chips, sweets
- Tailor products
- Notebooks, pens -> most profitable
- Household items

- Children toys -> selling best good

Operations

- The monthly income is around 4'000 INR
- He took a bank loan of 36'000 to start his shop which he used to buy stock (bill he had to show to the bank)
- Main cost is the rent: 400 INR/month
- Main clients are school children, hence in school holidays sales do decrease slightly
- The biggest problem he faces is no electricity, he has to use candles if he wants to open his shop longer (his shop is open from 9am to 6pm)
- He does not sell on credit, only in a case where he knows the client very well he might would consider
- He gets his supply from Faizabad from the wholesale market – he goes once a week or once every second week
- He sells directly to the costumers
- He is open to display any product, but he can only sell if the demand is already there

Sunil Shav - Shopkeeper

18th Nov. 2014

Ramapur, Faizabad, Uttar Pradesh

He started his shop 20 years back

Products

- Daily use products
- Consumables
- Dal, sugar -> sells very good
- Baby products
- Some medicine for first aid, pain killer -> sells very good

Operations

- He makes 500 INR a day (around 13'000 a month)
- Mostly men come and by from his shop
- There are seasonal fluctuation in his income, e.g. if there is a wedding, time of reaping
- His younger brother is helping him in the shop
- He is actively promoting his products by mouth-to-mouth, posters and with discounts
- He would be open to try to sell health products but it then depends on customer feedbacks

Vinod - Shopkeeper

19th Nov. 2014

Sultanpur, Faizabad, Uttar Pradesh

He has worked in the community for 8 years

Products

- Recharge Coupon -> sells very good
- Bakery (5 INR cakes)
- Stationary (pencils, notebook)
- Gifts

Operations

- His monthly income is between 5'000 and 10'000 INR
- Mostly men come and by from his shop, also children (sweets)

- He promotes his products by mouth-to-mouth
- He gets his supply weekly from Sultanpur
- He would be open to sell products such as Aqua+, however awareness amongst the people needs to be there

Luwkush – Shopkeeper in the main market

20th Nov. 2014

Bada gaon, Faizabad, Uttar Pradesh

He has been working in this community for 25 – 30 years

Products

- Candies, chips -> sells good but very little margin
Children's favourite is *kismi* for 0.5 INR/pieces because its soft to chew and has taste that lasts. For instance, he is able to sell one box of *centre fresh* of 315 pieces within one week. One *centre fresh* costs 1 INR, he hence sells the box for 315 INR with a margin of 45 INR. These candies are not profitable but he keeps them to attract people.
- Shampoo, hair oil, soap
- Tabaco
- Bulbs, battery
- TARA salt, spices, mustard oil -> most profitable

Operations

- He generates a monthly revenue of 50'000 to 60'000, net profit per month is 10'000 INR.
- The locality of the shop belongs to him - Otherwise such a space would cost 800 to 1'000 INR per month
- When he adds a product to his portfolio, he first buys a small amount and sees how well he can sell it - If it sell well, he will increase his stock
- He buys from a wholesaler in Faizabad
- Next to customer itself, he also sells to smaller shops in the communities
- He knows Aqua+ and would be interested to sell it
- He would also like to try to sell Spirulina candy - The tablets he does not think will be suitable for his shop, these things are more suitable for chemists

Anand - Shopkeeper

20th Nov. 2014

Bada gaon, Faizabad, Uttar Pradesh

He has been working for 35 years in the community

Products

- FMCG -> 4 -5% margin
- Spices

Operations

- His income is between 5'000 and 10'000 INR
- The shop already belonged to his parents
- The sales fluctuate when there is marriage season, festivals
- He faced some problems with the government because the shop was not registered
- He goes to Faizabad every week for his stocks
- He knows some other shop that sells solar lamps for 600 to 1'500 INR

1st group discussion

Sultanpur, Faizabad, Uttar Pradesh

Participants: Community members (women and men), some participated from the beginning, some had to leave and some joined in between.

1. Discussion of major problems the people are facing in the community

Electricity:

- Electricity is a big problem: students cannot do their homework after sunset. It also becomes hard to cook.
- Electricity goes off after 11pm, but still they have to pay the electricity bill. Per year they spend about 100 to 200 INR on electricity. Additionally, if there is a problem of the electricity connection, it never gets fixed by the government.
- According to another participant, electricity does not only get off after 11pm, but at any time. Then they use lanterns or candles.
- Many houses still remain unconnected to the grid.
- For the once connected to the grid, the spending on Kerosene is roughly 20 INR per month (for 2.5 litres) and 30 INR on candles. To get more than 2.5 litres is difficult. On the black market is the price 30 to 40 INR.
- Battery lamps from the market are very bad. They are made in China and are not reliable. These lamps cost 180 to 200 INR and are broken after a few times using it. There is a better one with one year warranty. However, it costs 400 to 500 INR and is too expensive.
- There is a project where the SHG "Sunata" provides loans to people to buy solar lamps. These lamps are available at a discounted price of 550 INR. Fully charged, it works for 2 to 3 hours. Even though the product is good, the light should work longer. There is another solar light known in the community for 2'000 to 3'000 INR called d.light. There one can also charge phones or connect fans.
- Solar lamps are perceived as good products. However, they need discounted prices (got pointed out several times).

Cooking:

- Usually they use cow dung, otherwise wood. Smoke is a big problem. The eyes start to water and pain. In the long run, the eyes get spoiled. Furthermore, the smoke gives the women headache.
- 1kg of wood is 5 INR (this is enough to prepare one meal). Monthly they spend around 400 to 500 INR on wood. Wood is even more expensive than gas.
- 15 litre/kg of gas costs 435 INR. One cylinder costs 435 INR (without subsidy its 1'000 INR). But this is too expensive.

2. Discussion of products

Nutrition:

- Food is mainly perceived as providing "power". One graduate also said that food gives them vitamins.
- As healthy food people mentioned milk, green vegetables, spinach and pomegrane. But these things are expensive and if you don't have money then people get sick.
- They are aware that such kind of food are important for health. They have also consumed vitamins/minerals as a medicine when they were sick. This also mostly in form of powder.
- When introducing Spirulina, it needed to be explained that it cannot replace a meal but that it is a supplement.
- Candy received the best responses.

- There is another product known in the community that is good for children: bournvita. One mixes it with milk. With a price of 200 INR, it is however too expensive for many.
- A young student that because they are not that tall and strong built, there should be sth that makes them stronger.

Cooking:

- Especially the many applications of the Ojas Delite received good feedback.
- They said several times that they would like to try the products. Once they tried both cooking stoves, they will decide which one is better.
- It is important how much time it takes for cooking.

Eye glasses:

- People are very shy to wear eye glasses. They say that wearing glasses, people get teased a lot. Even older people feel that way.
- In any case, women are shyer than men to talk about a problem they face and dispose it in public.

Water:

- They are very confident that the quality of their water is good. Only in rainy seasons the water might get bad.
- When asked about water borne diseases, people say that in summertime, many suffer of typhus or jondis.

2nd group discussion

Saidpur, Faizabad, Uttar Pradesh

Participants:

Women

Sunita 24 – Housewife
 Sunita 35/ 40 – Housewife
 Nilam Pandey 38 – Aasha worker
 Rajeshwari 40 – Aasha worker
 Ram Kali 40 – Potter
 Manju Devi 30 – Aangan vadi
 Bindu Devi 35 – Housewife
 Buddhu Devi 30 – Housewife
 Saivitri 40 – Farmer

Men

Rajesh Sharma 35 – Civil Contractor
 Manish Tiwari 23 – Student
 Ritesh 20 – Student
 Puneet Kumar 18 – Framer
 Anand Pandey 22 – Farmer

3. Discussion of major problems the people are facing in the community

Sanitation:

- The first problem mentioned was sanitation. Everything is in open, but there is no space to go. Only the government can provide them with sanitation facilities, because they don't have the resources for this.

Increase of fuel prices:

- Availability of affordable also poses a major issue. Many do not have enough animals themselves to produce cow dung themselves. 1 bhitoor (3 to 4 Quintels) of cow dung costs 1'000 to 1'200 INR.
- They also use kerosene. 1 litre of kerosene costs 18 INR. Mustard oil is also an option to kerosene. Otherwise they use candles.

- There is electricity available, but it is not properly installed. However, there is construction work going on to connect all the houses to the grid. People hope that the electricity supply will then improve. The electricity bill is 275 INR. Apart of that, they spend around 100 INR per month on kerosene, mustard oil or candles.
- 75% of the people have gas (which they don't always use for cooking though). One family would normally pay 440 INR per month for gas (not subsidized price is 900 INR). When cooking with wood or cow dung, house gets black.

Cooking:

- There is a lot of smoke when they are cooking.
- It is hard to cook the food properly if the flames cannot be controlled. Also, it takes time to start the chulha every time.

4. Discussion of products

Solar panels:

- Solar panels are known in the community. There is a project when they could get one solar panel for their house that would deliver enough energy for the whole house (3 -4 bulbs, fans, small TV). The price is 25'000 for which they can get a loan. This price was too much for the majority of the people. They want solar equipment for discounted prices.
- The oolux solar light for 6'000 INR was generally preferred over the two smaller/less expensive versions. They said that they need proper light.
- In respect to the price, they said that up to 500 INR per month instalment is feasible for them. More not.

Cooking:

- The ladies generally prefer gas over biofuels. There was quite some confusion about the cooking stove Ojas Delite. They perceive it as a problem that the Ojas Delite cooking stove needs to be refuelled every hour (with their stove they can keep cooking the whole day).
- 75% use gas for 420 INR, which is enough for 21 to 30 days.
- One lady said that they are used to cook with their cooking stoves (wood/cow dung) so why to spend money. Nevertheless they appreciate the benefit of less smoke of the TARA cooking stoves.
- Women generally liked the cooking stoves much more than men as they do not see its benefits to the same extent. However, the whole family agrees that because of the cooking with wood/cow dung, there is a lot of suffocation in the entire house. The whole family living in the house is affected, not only the wife that cooks.
- They would like to test both stoves to say which one they feel is better.

Nutrition:

- There is wheat flower mix sold locally (see photo).
- When showing the local wheat flower mix, people responded that it gives you "power". They couldn't however tell the what is in there or for what exactly it is good.
- A women days that women that work on the fields are generally much weaker than the women working in the house because they need to walk long distances and work hard.
- When introducing Spirulina, one man (civil contractor) became curious about the product and said that this could not only be taken when someone feels bad but as prevention. He also asked about iron and zinc supplements.
- The majority wanted to taste the product. If the child then likes it they think it will buy Spirulina candies itself with its pocket money.

- It is not only about money. Many of these products are simply not available for the communities.

Water:

- They are saying that their water is clean.
- However, when asked about the sicknesses the people get, they said that diarrhoea, typhus, malaria and cholera are quite common here.
- There is also no facility in the community to purify the water.
- Medical expenditure range generally between 200 to 300 INR per month. These are normal expenditure (such as for gastric or fever) without any major sickness/accident.

VI. Declaration of originality

"I thereby declare

- That I have written this thesis without any help from others and without the use of documents and aids other than those stated above,
- That I have mentioned all used sources and that I have cited them correctly according to established academic citation rules."

Date:

Eve Platzer
