ENVIROFIT INTERNATIONAL: CRACKING THE BOP MARKET

Alia Sani
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QUALITATIVE ANALYSIS

- Envirofit, founded in 2003, Dr. Bryan Willson (initial idea), Harish Anchan & Tim Bauer
- CVP: Reduce indoor air pollution (IAP) by selling high performance cookstoves that reduce emissions by at least 50%
- Unique features: Revolutionary design, ultra-efficient combustion chamber: cuts emissions by 80%, 5 yr. manufacturer warranty
  - IAP leading cause of death for women and children in developing countries
- Major Issues (1): Targeting BoP Indian earning $2-$7 a day, price sensitive not “value conscious consumers”
  - Male dominated society, males don’t want to purchase expensive cookstove
  - Huge Problem: BoP lack awareness of IAP issue
- **How to grow sales and profitability, without incurring costs**
- Technology Operations & Management: Anchan→ aware of rural customer base, customs, culture
  Bauer→ “Heroes of the Environment” honor ‘09, 14 yrs. of int’l experience
  - Shell Foundation pilot program→ market-driven approach to this business is better (*social enterprise*)
    - Inconsistencies in cookstoves→ impeded achieving scale→ constant monitoring and evaluating is essential
    - Cookstoves, investment in R&D, prototypes (MVP) underwent stress testing, patented alloy for combustion chamber
- Major Issues (2): Go to Market strategy, Profits in India insufficient to cover R&D and admin. overhead
  - Chinese production→ efficient, integrated supply chain system→ economies of scale→ low cookstove prices
  - Educational programs, campaigns, videos in various dialects, product demos, infomercials, visits to retailers
  - Retailers not pushing cookstove sale, lack of sustained sales after promotions/ads end
QUANTITATIVE ANALYSIS

• 2010 revenue model- $13.83/unit, 82,246 units sold= $1,137,182 (revenue)

• Cost of IAP→ to employ value-based pricing
  - 160m/225m→ 71% of households using biomass and other solid fuels
  - Fuel costs 10-20% of household income, annual income: ~$5/day*365= $1,825/year
    - Indian culture: women do not work, single income households
    - ~15% of annual household income spent on fuel → .15(1825)= $273.75(160m hh) = $438,000,000 spent annually on fuels→ on generating IAP→ causing 500,000 deaths
  - Envirofit has 50% fuel savings, cutting $273.75 in half → $136.88/ year

• Estimated Q1 2011 sales lagged behind Q1 2010 sales
  - Need to increase profitability to sustain the company
  - 2008-2009 sales jump of 45,663 units; 2009-2010 sales jump of 7,078 units
    - Significant decrease from failed GTM efforts
  - Operation costs in 2010: $646,018 (includes marketing)
  - Competitor: First Energy, Oorja Stoves: sold 450,000 cookstoves at Rs. 1500= 675 million rupees in sales
    - Envirofit 2010 sales (56,859,100 rupees) projected to decrease in 2011
    - First Energy dominating in 2011 sales→ 675 million vs. less than 57 million
RECOMMENDATION

1) Develop online platform
   - Can use advertising costs to develop online platform, try and sell cookstoves through websites like Amazon
     - Increase customer base and *increase visibility*

2) Recruit users as salespeople or volunteers
   - Take money from infomercials/product demos and recruit users of the cookstoves as spokespeople
   - Build trust in the product since community members are recommending the cookstove
   - Avoids retailers who were not pushing sales of low price cookstoves
   - Adds another *social benefit* to the business model at large: *empowering those who are not traditionally empowered*
     - Indian women are marginalized → this could allow them to feel more purpose
     - If women are not comfortable earning income from Envirofit, volunteer option can be offered

3) Communicate monetary savings to men
   - Men are most interested in practicality and cost, they typically control household spending
   - Develop more effective ways to communicate cost savings
     - **Selling point:** $273.75/year on fuel cut in half → $136.88/year
     - “Surprisingly large” % of household income spent on tobacco & alcohol → use such industries to reach men, analyze and employ similar advertising and pricing schemes