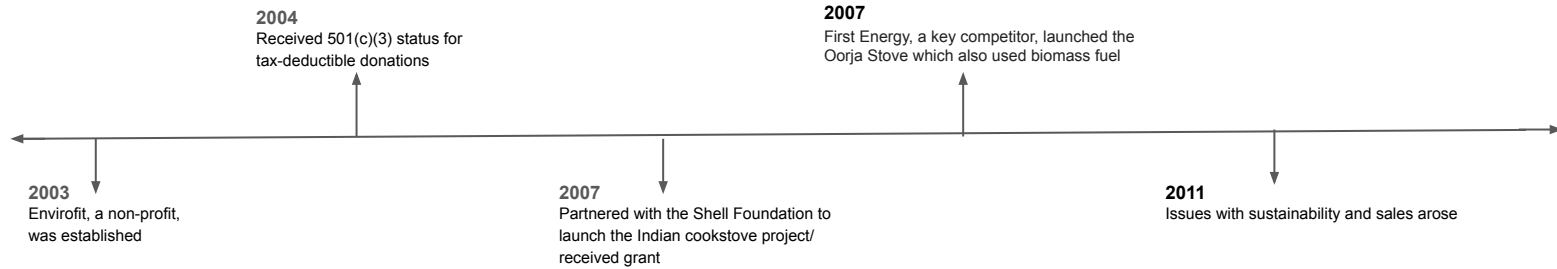


Envirofit International: Cracking the BoP Market

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By submitting this deck of case slides, the members of our team affirm that we all participated in the analysis of the case and the creation of this document.

Qualitative Analysis:



General:

- Indoor air pollution (IAP) results in one death every 20 seconds and is a serious environmental concern in India.
- Envirofit's mission consisted of three components: 1) Technological innovation 2) Energy efficiency 3) Environmental preservation
- While Envirofit was successfully able to create the innovative cookstove that would be more efficient in reducing emissions but they were not able to make a significant impact in the environment as they did not sell enough units.

The Shell Foundation learned a few things from their pilot cookstoves:

- Biomass fuel was affordable and used amongst BoP consumers
- Limited funding with NGOs served to not be practical for production and company expansion
- Shifting to a market-driven approach (adopting a for-profit business model)
- Continuing to raise awareness would increase sales and emphasize the dangers of IAP

Competitive Strategies/Unique Features :

- Purchase came with a five year warranty: helped to separate Envirofit from competition and enticing for BoP customers
- Made a stovetop that doubled fuel efficiency and reduced cooking time
- Specifically made for the low-income customer
- Direct to consumer distribution
- Cut emissions by 80%
- Durable and light-weight

Marketing Strategies:

- By spreading awareness, Envirofit gained many customers. The color and appeal of the stove tops were directed move towards women. However, the men in the household showed resistance when actually purchasing the product even though they enjoyed the marketing and TV commercials for entertainment purposes.

Cultural Challenges:

- India is a patriarchal society where the female members of the family are not valued as highly as the male members. So, as long that the food is being cooked and put on the table every day, they will not invest upwards of a week's worth of income for the wife's benefit, as it is not a "necessary" expense.
- The target market is also BoP, where they are more concerned about putting food on the table as opposed to making environmentally conscious decisions.

Quantitative Analysis:

| | 2008 | 2009 | 2010 | Cumulative (2008-2010) |
|----------------------------|-----------|-----------|-----------|---------------------------|
| Unit price (average) | 9.72\$ | 11.72\$ | 13.83\$ | 11.76\$ |
| Operational cost | 582 297\$ | 589 206\$ | 646 018\$ | 1 817 521\$ |
| Break-even sales volume | 59 908 | 50 273 | 46 712 | 154 552 |
| Actual sales volume | 29 505 | 75 168 | 82 246 | 186 919 |

Consumer financial data:

- BoP household spends 10-20 % of its income on fuel
- Envirofit cookstoves reduce fuel costs by 50%
- BoP household earns 2-7\$ a day

Envirofit stove saves from 0.3 to 1.05\$ a day per household. Up to 383.25 \$ a year per household.

Table created based on Exhibit 5: Selected Financial Data for Envirofit India

Comments:

- Sales increased by 179% between 2008 and 2010 and operational costs increased by 11%, which suggests that this can be a profitable business.
- The company broke even in year 2010, because 186 919 units were sold which is higher than 154 552 target units to break even.
- The company targets a huge market as 160 million out of 225 million households (71% of total households) in India use biofuel or other type of fuel.
- It is unclear whether the entire organization (US and India division) became profitable as operational costs do not include administrative costs and R&D costs.

Recommendations:

Marketing Strategies

- Envirofit should modify its advertising so that appeals to both men and women. The convenience, health, and family concerns for women should still be the main focus, but they should also highlight the stoves' affordability, sustainability, and the ability to protect the family for the men.
- Anchan and Bauer made a joke about offering a free phone with each stove purchase in order to boost sales. A phone costs way too much money to provide with every unit sold, but we suggest that Envirofit could offer exclusive deals such as future fuel and oil sales and premium packages.
- We also believe that the marketing teams should continue to make educational videos and spread more awareness about the severity of IAP.
- We would also recommend to pivot the advertisements to appeal to the men who possess the actual purchasing power. This could involve thinking about the head of household's *Jobs to be Done*. We should market to the person who would make the final purchasing decision and not necessarily the end user.

Government Contract

We think that Envirofit could tie up with the government to buy the cookstove from the company and distribute to the rural households. It is in the government's interests to subsidise this product for the BoP families. The families that would be our end users don't have incentive or the financial flexibility to purchase the product. The government could subsidise it for them so we can maintain a profit margin by selling to an entity with the purchasing power. This would bring about a change in the rural households, increasing the quality of life of rural women and help the environment.

Financial Suggestions:

Based on the financial projections, the company should make the customer aware of the 50% fuel savings in order to appeal to male audience who possesses the purchasing power and most likely makes the financial decisions. Given the low earnings of BoP customer (2-7\$ per day per household), installment payments should be considered to increase sales. The company can also attempt to move manufacturing to India given their sales increased and more competitive alloy prices might be available. This would increase profit margin, which would encourage retailers to sell more of Envirofit cookstoves.

General:

Continuing to partner with other large scale companies and communities could create new relationships and bring in more grants for the company. This would allow Envirofit to continue to innovate their product without raising costs or losing money. Some examples of these partnerships are listed below:

Mukesh Ambani: (Clean Energy and Environmental Sustainability Initiative) Philanthropist who focuses on education, healthcare, and rural development.

Bill and Melinda Gates: Investing in health care, development, and family planning services in India.

Tata: The goal of Tata's Transforming Rural India (TRI) project is to spark the widespread transformation of villages in endemic poverty areas.