

oikos Case Writing Competition 2008

1st Prize

Scojo Foundation: A Vision for Growth at the Base of the Pyramid

Molly Christiansen, Ted London
University of Michigan, USA

Inspection Copy

Copyright © 2008 by the Authors. All rights reserved. This case was prepared by Molly Christiansen under the Supervision of Ted London as a basis for class discussion rather than to illustrate the effective or ineffective handling of an administrative situation.

The full case including Teaching Note is available at

<http://globalens.com/casedetail.aspx?cid=1428610>

oikos sustainability case collection

<http://www.oikos-international.org/projects/cwc>

case 1-428-610
18 April 2008

Scojo Foundation: A Vision for Growth at the Base of the Pyramid

Jordan Kassalow, Chairman and Co-Founder of Scojo Foundation, settled into his seat and gathered his thoughts in preparation for the long plane ride back to New York City. Scojo Foundation uses a market-based approach to sell affordable reading glasses to the poor. He had just spent the last two weeks in India, Scojo Foundation's fastest growing location. While it had been another successful year for Scojo, Jordan knew that the next 12 months would be critical in fulfilling the vision of the organization he and Scott Berrie had founded five years before.

Through the third quarter of 2006, Scojo Foundation had trained 371 local entrepreneurs in India who collectively had sold over 29,000 pairs of glasses. Scojo Foundation had primarily distributed its reading glasses through Vision Entrepreneurs (VEs) who marketed and sold the reading glasses in rural communities. In addition to the VE channel, a franchise partner channel had emerged in the past year. In the franchise partner channel, Scojo Foundation leveraged existing distribution networks of entrepreneurs to sell its reading glasses. Jordan knew that each approach had strengths and weaknesses. He wondered which model would allow Scojo Foundation to scale more effectively while creating the societal impact and financial sustainability that he and funders were hoping for.

Jordan revisited Scojo Foundation's mission statement, something to which he had given a lot of thought recently: "Scojo Foundation improves the economic condition of families in the developing world by broadening the availability of reading glasses and other health products and services. We achieve this through Scojo entrepreneurs and other market-based distribution solutions." He wondered whether the emphasis of Scojo Foundation's mission should be to increase access to reading glasses or to empower entrepreneurs. Scojo Foundation, itself, could develop a basket of health products and services similar to some of its franchise partners, thus bringing in more business to the entrepreneurs and more products and services to the customers.

In addition, Jordan knew anecdotally that Scojo Foundation was having an impact in poor communities. However, funders, such as Acumen Fund, were increasingly demanding that Scojo Foundation find ways to more effectively measure this impact. Jordan was proud of Scojo's growth and impact in such a short amount of time. However, he knew that he and his team had their work cut out for themselves. Jordan had to organize his thoughts, consult with his team, and develop some concrete recommendations before meeting with his board and key funders the following month.

Presbyopia: Up-close blurry vision

Presbyopia is a natural, progressive vision condition in which the lens of the eye loses its flexibility, making it difficult to focus on nearby objects, and thus resulting in blurry near-vision. Presbyopia occurs naturally in most people over 35 and progressively worsens with age. The condition can easily be corrected with simple magnifying “reading” glasses. Left untreated, presbyopia can impede economic productivity and diminish quality of life. Individuals whose livelihoods depend on clear up-close vision such as tailors, bookkeepers, or mechanics become unable to work after they reach a certain age, and they lose their ability to earn an income. People’s quality of life suffers too as they become unable to sew, cook, or read newspapers, literature or religious texts.

Source: Adapted from Scojo Foundation website

Scojo Foundation’s History

The original idea for Scojo Foundation was driven by the need Jordan and Scott saw for reading glasses in low-income communities in the developing world. Jordan, an optometrist by training, spent a year after optometry school volunteering at the Aravind Eye Hospital in India, one of the most creative models of ophthalmology serving the poor in the world.¹ After working with Aravind, he had split his time between international public health work and an optometric practice in New York City. Scott, a businessman and senior executive of a large family business, was attracted by the idea of combining his interest in entrepreneurship with his passion for public service. On a visit to India in 1998, Jordan and Scott saw first-hand the huge market for reading glasses for the poor.

In 2001, they created Scojo Foundation to provide affordable reading glasses to people with presbyopia living in low-income communities. Presbyopia is a natural condition whereby the lens of the eye loses its flexibility, resulting in blurry up-close vision (see text box). During this time, Jordan and Scott also formed Scojo Vision LLC, a for-profit company in the United States that targeted the “affordable luxury” niche of the reading glasses market. From the beginning, they designated that 5% of profits from the LLC would funnel into Scojo Foundation. Jordan felt that he and Scott were a strong team whose skills and experiences complemented one another. Jordan knew about eye care, public health, and fundraising. Scott knew about sales, marketing and business management. Although they were both integrally involved in designing and building the LLC and the Foundation, they agreed that Scott would take the lead in the LLC and Jordan would run the Foundation.

George Soros’ Open Society Institute funded Scojo Foundation’s pilot program in India in 2001. After the pilot, Scojo Foundation received funding to launch operations in El Salvador in 2002, then expanded into Guatemala in 2004, returned to India in 2005, and launched operations in Bangladesh and Mexico in 2006. Scojo India and Scojo El Salvador are subsidiaries wholly owned by the Scojo Foundation. Scojo Foundation works through franchise partner organizations in Bangladesh, Guatemala, and Mexico. (See Exhibit 1 for Scojo Foundation Legal and Organizational Structure.) In Bangladesh, Scojo Foundation partners with BRAC, one of the world’s largest non-governmental organization (NGO), to distribute reading glasses through BRACs network of community health workers. In Guatemala, Scojo Foundation partners with Community Enterprise Solutions (CES) to distribute glasses through its network of entrepreneurs. In India, Scojo Foundation is using Vision Entrepreneurs, franchise partners, and a wholesale channel to distribute its glasses.

Since its inception, Scojo Foundation and its founders have received various awards, including the World Bank’s Development Marketplace Award in 2003, Yale/Goldman Sachs Foundation Partnership on Nonprofit Venture Award in 2003, New York University’s Steward Satter Social Entrepreneur of the Year Award in 2006, and Fast Company Magazine’s Social Capitalist Award in 2005 and 2007.

Scojo Foundation's Micro-Franchise Model

Scojo Foundation's primary business model was relatively straight forward: select local community members to become Vision Entrepreneurs (VEs), train them in basic eye screenings for presbyopia and other vision-related problems and provide them with a "Business in a Bag", containing the materials, stocks, and information they need to run a business.

Each entrepreneur was a Scojo Foundation franchisee. Scojo Foundation took a non-refundable and below-cost deposit of 500 Rs (US\$11.11) from each entrepreneur for the "Business in a Bag". The bag included an initial inventory of 40 pairs of reading glasses (given on consignment) of different magnifications and styles, screening materials, marketing materials, and paperwork to manage sales and inventory. Each pair of glasses included a cover and cloth. Reading glasses came in 5 strengths: +1.00, +1.50, +2.00, +2.50, and +3.00. See Exhibit 2 for the contents of each "Business in a Bag".

Scojo Foundation developed a multi-day training module that taught entrepreneurs to conduct vision screenings, determine the proper power of the glasses needed, market and sell reading glasses, make referrals for additional eye care as necessary, and manage their inventory. When they first met a potential customer, the entrepreneurs were taught to fill out a customer information sheet, including customer name, profession, address, and need for glasses. Then the entrepreneur conducted the distance vision screening test. If the customer failed the distance vision test, they likely had myopia (blurry distance vision, requiring prescription glasses) and were given a referral to a nearby eye hospital for further treatment. The entrepreneur also referred patients with cataracts and other eye disorders to nearby eye hospitals for further treatment. For those that passed the distance vision test, the entrepreneur conducted a near vision test. If the customer had difficulty identifying the lines on the near vision chart, then the customer had presbyopia and needed the reading glasses that the entrepreneur sold. As part of the near vision test, the entrepreneur determined the appropriate power of the glasses. Then the entrepreneur confirmed the power by asking the customer to use the glasses to thread a needle, read, or conduct a similar livelihood activity. Having demonstrated the utility of the glasses, the entrepreneur showed the customer the various models and colors available and hoped to make a sale.

Scojo Foundation and Scojo Vision, LLC Operations

Scojo Foundation funded its operations through revenue from the sale of glasses to entrepreneurs, 5% of profits from Scojo Vision, LLC sales, and a combination of other grants, loans, and individual donations. Scojo Foundation's total revenue, including sales, was US\$323,707 in 2005 and US\$527,536 as of the 3rd quarter of 2006.

Scojo Vision, LLC sold high-end reading glasses in department stores, such as Saks Fifth Avenue, Neiman Marcus, Bergdorf Goodman, as well as through a number of independent gift and high-end drugstores. They positioned themselves in the "affordable luxury" niche and competed based on their product design and marketing. They sourced their plastics and raw materials from Europe, produced and assembled their products in China, and had their inventory stored and shipped from a warehouse in New Jersey.

Although Scojo Vision, LLC and Scojo Foundation were two very different organizations, there were a number of synergies between them. The US-based staff shared the same headquarters office space in New York City. The LLC brand leveraged the social impact of the Foundation. They used point of purchase displays to remind customers that Scojo Vision, LLC supported the work of Scojo Foundation and sent newsletters to customers and vendors that described the work of Scojo Foundation in developing countries.

Similarly, the Foundation had access to Scojo Vision, LLC resources, such as the executive team to advise on effective operational strategy, the art director and innovations team to advise on product design, and the bookkeeper to consult on financial decisions. In addition, the organizations shared suppliers, which allowed both organizations to take advantage of economies of scale in manufacturing. Scojo Foundation staff was influenced by the rigor and discipline of a for-profit company, while the Scojo Vision, LLC staff was motivated by the mission of Scojo Foundation.

Scojo India

Scojo India, headquartered in the southern city of Hyderabad (see map of India in Exhibit 3), was Scojo Foundation's largest and fastest-growing operation. Scojo India employed 15 people as shown in Exhibit 4, including an India Country Director, an Operations and Programs Manager, a Vision Entrepreneur Channel Manager, a Key Accounts Manager, a Training Manager, two Vision Entrepreneur Identification and Training Managers, six District Coordinators, an Accounts Assistant, and other administrative staff. Scojo Foundation looked for staff with a blend of experience in business and the civil sector. Arunesh Singh, India Country Director, served as Programme Director at Appropriate Technology India, a non-profit organization dedicated to sustainable development. Before that assignment he was a manager at one of the largest agricultural products companies in India. Raman Nageswara, Operations and Programs Manager, worked as a Program Officer at Winrock International India, an organization committed to natural resource management, clean energy, and climate change before joining Scojo Foundation. Previous to Winrock, he lived and worked in the US as an engineer and business consultant to Lucent Technologies and Bell Core Technologies.

Scojo India's revenue sources were from eye-glasses sales, grants and loans. Exhibit 5 shows the financial, operating, and social metrics from the time Scojo Foundation began operations in India in January 2005 through anticipated figures through fourth quarter 2006. In May of 2006, Scojo Foundation received a US\$100,000 loan from Acumen Fund for its India operations. Acumen Fund is a global non-profit venture fund that invests in scaleable and financially sustainable organizations delivering products and services to the poor. Acumen Fund tracks a combination of financial and social returns. With a below market interest rate of 6% annually, the potential to borrow up to a total of US\$500,000 and a loan period of 5 years, Scojo Foundation management hoped that Acumen Fund's loan would provide sufficient capital for them to scale in India. When applying for the Acumen Fund loan, Scojo Foundation management created a projected balance sheet and income statement through 2010. They anticipated making a profit beginning in 2010. These documents, along with the revenue assumptions used to generate them, appear in Exhibits 6, 7, and 8.

Serving the Base of the Pyramid: A Market for Reading Glasses in India

The base of the economic pyramid (BoP) was a term typically considered to represent the more than 4 billion people in the world living on less than US\$4 per day.² It was estimated that in India 80% of the population, or approximately 880 million people, lived on less than US\$2 per day.³ This population was Scojo Foundation's primary market, of which they estimate more than 92.4 million suffered from presbyopia.⁴ These individuals would benefit from reading glasses in terms of improved quality of life and increased productivity. Many people did not know that there was a simple and affordable solution to presbyopia, and therefore did not look for opportunities to buy reading glasses even if they were available. Scojo India, therefore, stimulated demand in this market by generating awareness of blurry up-close vision and the benefits of reading glasses.

The majority of rural Indians have limited access to professional eye care. Scojo Foundation estimates that in India there is an average of one eye care professional per 30,200 people. The majority of these eye care professionals are located in urban areas, which limits access for rural Indians. In addition, the screening and purchase process of an optical visit is expensive for most Indians. It is estimated that a typical rural customer

spends somewhere between 250-500 Rs (US\$6–US\$11) to purchase reading glasses. This amount includes the cost of the glasses, the doctor's visit, and the transportation to and from the doctor's office, and does not include the opportunity cost for workers who lose productive time away from their jobs.⁵

Distribution in India

Scojo India distributed reading glasses through three channels: the original Vision Entrepreneur (VE) Channel, the Franchise Partner Channel, and the Wholesale Channel. Each channel had some unique benefits and challenges. Exhibit 5 details Scojo India's financial, operational, and social metrics for each distribution channel and Exhibit 6 provides revenue and expenses projections for the next five years. Exhibit 9 illustrates the three distribution channels.

Vision Entrepreneur Channel

In the first three quarters of 2006, Scojo India trained and supported more than 100 active Vision Entrepreneurs (VEs) through the Vision Entrepreneur (VE) channel in five districts of the south Indian state of Andhra Pradesh: East Godavari, Mahbubnagar, Nalgonda, West Godavari, and Prakasam. In the VE Channel, District Coordinators (Scojo India employees) provided direct support to the VEs. District Coordinators were responsible for the key aspects of this distribution channel, including identifying and appointing the entrepreneur, initial and ongoing training, sales and marketing strategies, referrals to eye hospitals and key partnerships.

Identifying the Entrepreneur

Through the VE channel, Scojo India employees identified, trained, and supported the Vision Entrepreneurs. Scojo India partnered with local non-profit and government organizations to identify new VEs. Scojo India looked at a number of qualities when appointing VEs, including education level, reputation in the community, economic need, connection to the community in which they live, and potential leadership ability. Cultural norms had made it difficult for individual female entrepreneurs because it was often not acceptable for women to travel alone to neighboring villages. Therefore, Scojo India often implemented a strategy whereby they appointed pairs of VEs, such as a husband/wife team or two friends to run the business together.

Ongoing Training and Inventory Management

Scojo India had developed a multi-day training module for entrepreneurs as described in the micro-franchise section above. VEs also spent several days in the field with a District Coordinator doing onsite training. The District Coordinator then visited each VE approximately once per month to set sales targets and strategies, distribute new inventory, and offer ongoing training. Scojo India kept enough stocks for six months in the central office and encouraged each district coordinator to keep two months of stock in hand. Sales data was entered into a web-based sales database (salesforce.com) each month by the District Coordinators, and sales and projections were made for the year to forecast stock requirements.

Scojo India gave the reading glasses to VEs on a consignment basis. Typically, they were given 40 glasses of various powers and models in the beginning. At the end of the month the VE paid Scojo India for the glasses they had sold.

Sales and Marketing

The VE channel accounted for approximately 30% of Scojo India's sales. There were generally two VEs (or VE pairs) assigned to each mandal (county) of each district. Each mandal had a population of about 50,000 and there were approximately 50–60 mandals in each district. A VE sold an average of 14 pairs of glasses per month.

Scojo India found that sales increased significantly in the first three months that a VE worked because the VE was selling to their network of family and friends. There was often a drop off in sales after the three-month mark because the VE had exhausted his/her network and had not yet become comfortable approaching people unknown to him/her. Scojo India was therefore continually coming up with new sales and marketing strategies to increase revenues for its VEs. For example, sometimes they used an eye camp in which a VE and district coordinator set up a table and screening area in the middle of town, and advertised around the town using a town drummer. Local community members would come to the table to get screened and potentially buy glasses.

In addition, Scojo India was promoting a door-to-door strategy for selling glasses, in which a VE approached the village leader first, screened him/her for glasses, made a sale if possible, and then asked for three names of other villagers who might need reading glasses as referrals. The VE then approached those three homes, screened the eligible adults in the home, and then from each of those three villagers looked to get three more referrals, and on and on. One of the benefits of such a strategy was the credibility that the VE attained by associating first with the village leader. Because many rural villages were still stratified by caste, however, villagers were likely to refer the VE to other people of their same caste, which meant that the VE might only have had access to a portion of the community using this strategy.

VE Channel Partners

Scojo India partnered with a number of organizations in the VE channel to increase their customer base, connect with potential entrepreneurs, and refer clients for further eye care.

- *Government Weavers Cooperatives:* Scojo India partnered with government weaving cooperatives in Andhra Pradesh to screen large groups of weavers. Many weavers needed glasses to see the fine threads they were weaving and thus relied on reading glasses for their productive activity. In addition, many of the weavers participated in an ICICI Lombard Health Insurance scheme that reimbursed them for the glasses they purchased. Scojo India, therefore, had a high yield of sales among these weavers.
- *Hindustan Lever Limited (www.hll.com):* Hindustan Lever Limited (HLL) is the Indian subsidiary of Unilever, a consumer products goods company. As part of its new ventures group, HLL had trained a network of over 25,000 women entrepreneurs throughout rural India to sell health and hygiene products in rural villages. Scojo India partnered with HLL to sell their glasses through these women. Scojo India was working on a trial basis with 25 HLL entrepreneurs in the Nalgonda district of Andhra Pradesh, and had plans to expand into other districts of Andhra Pradesh and into new states with this partnership. Scojo India considered this partnership and the sales resulting from these entrepreneurs part of their VE distribution channel because Scojo India's district coordinators managed the entrepreneurs in this partnership.
- *eSeva (<http://esevaonline.com>):* eSeva is a public-private partnership in the state of Andhra Pradesh to enable rural Indians to pay utilities, get birth certificates, book train tickets and obtain other public services through government sponsored computer kiosks in individual homes. Scojo India partnered with eSeva to train some of the computer kiosk operators to give screenings and sell glasses at the kiosks. The Vision Entrepreneur in each area managed the relationships with eSeva as a kind of sub-franchise. Since eSevas were serviced by Scojo India's VEs directly, these were categorized in the VE channel.

Franchise Partner Channel

The franchise partner channel used the same blueprint as the VE Channel, but leveraged existing distribution networks of entrepreneurs, community health workers, or computer kiosk owners to sell its reading glasses. The main difference between the two channels was that for the franchise partner channel, it was the franchise partner who oversaw and managed the network of entrepreneurs, rather than a Scojo district coordinator. Through third quarter 2006, the franchise partner channel accounted for about 65% of sales. Scojo India looked for organizations that offered a potential distribution network, such as community health

workers or computer kiosk owners. These organizations were often interested in providing a larger “basket of products and services” for their entrepreneurs or community health workers to sell, so that they could earn better livelihoods. From Scojo India’s perspective, the franchise partner channel allowed Scojo India to reach more entrepreneurs and BoP customers in a manner that was faster and more affordable than the VE channel.

Scojo India partnered with a variety of non-profit, public, and private organizations. When Scojo India entered a new state, it looked for potential partners to leverage its limited human resources. Typically, Scojo India would train the partner entrepreneurs or community health workers to sell reading glasses, as they would their own Vision Entrepreneurs. They usually started with a pilot to make sure the partnership was a good fit and then rolled out the program on a larger scale. Unlike the VE distribution channel, the partner organization handled the oversight of the entrepreneurs and supply chain management. Scojo India sold the stocks to the partner organization, which then distributed it directly to their entrepreneurs. Partner organizations were charged 2600 Rs (US\$57.77) upfront for each “Business in a Bag”. Each partner organization could then choose whether or not to charge their entrepreneurs for the “Business in a Bag”. The partner organization tracked inventory and requested inventory from Scojo India as needed.

Scojo India faced different challenges depending on the partner. For example, some of the non-profit partners were not used to operating like a business, and Scojo India had to spend more time helping them to track sales and manage their supply chain. In other cases, the partner entrepreneurs had some constraints on their mobility because they ran a shop or kiosk in their home and thus could not move around during the day. Finally, Scojo India’s market-based philosophy differed from that of some partner organizations. Scojo Foundation believed that they could maximize their social impact by selling glasses rather than giving them away. In certain cases, the partner organization had wanted to give away or significantly subsidize the cost of the glasses. This arrangement posed challenges for Scojo India, its VEs, and its other partners in nearby areas. If Scojo India glasses were sold for differing prices in neighboring areas, the entrepreneur selling the glasses for a higher price would quickly lose credibility and sales.

As of the third quarter 2006, Scojo India had more than 12 partnerships, in various stages of formation. The following is a description of a few of Scojo India’s partners.

- *Byrraju Foundation* (www.byrrajufoundation.org): The Byrraju Foundation is a non-profit organization that provides healthcare, education, infrastructure, and capacity building services to 150 villages in five districts of Andhra Pradesh, and in doing so, serves over 800,000 people. Scojo India has trained approximately 150 Byrraju community health workers since the beginning of 2006, and they have sold 10,000 glasses thus far. Byrraju was Scojo India’s only partner that subsidized the cost of glasses for its customers. Rather than selling them for 155 or 165 Rs like the VEs, they sold all of the glasses for a uniform price of 90 Rs. Because Byrraju was one of Scojo India’s first partners, Scojo India agreed to this subsidized pricing model. However, Scojo India has since made a policy that their partner entrepreneurs must sell the glasses for the same prices as its vision entrepreneurs.
- *Drishtee* (www.drishtee.com): Drishtee is a for-profit social enterprise that has built a rural network for delivering services and related information to village communities through computer kiosks. The kiosks are run by entrepreneurs selected from the villages. Approximately 50 Drishtee kiosk entrepreneurs sold Scojo India glasses (roughly 20 pairs per month). As Drishtee expanded to 3,000 kiosks, new kiosk entrepreneurs would be offered the Scojo micro-franchise. Scojo India’s partnership with Drishtee is being implemented in the states of Assam, Haryana, Uttar Pradesh, and Bihar.
- *Vedanta* (www.vedantaresources.com): Vedanta is an international mining company with the majority of its operations in India. Through its corporate social responsibility programs, the company works with its employees and the communities where it operates to contribute to the economic development of the region by providing needed health care and education services. Scojo India partnered with Vedanta to distribute reading glasses through its network of community health workers.

Wholesale Channel

Recently, Scojo India has begun to sell its reading glasses through retailers and pharmacy chains in urban and semi-urban areas. In December 2005, Scojo India made its first sale to Medicine Shoppe, India's 2nd largest pharmacy chain with over 100 pharmacies in India.⁶ Scojo India trained pharmacists in 20 Medicine Shoppe pharmacies to screen customers for glasses. Scojo India was also in the process of training pharmacists in the Guardian and Apollo pharmacy chains.

The wholesale channel targeted middle and upper-middle class customers who shopped at branded pharmacies. The price point of the glasses in the wholesale channel was slightly higher to accommodate the higher margins that pharmacies need to justify the use of display square footage. Similar to their sales practice in the United States, Scojo India created a point of purchase display which included instructions for a self-guided vision screening, a mirror, and the display of glasses, which at the same time leveraged Scojo India's social brand.

Operations

Pricing

In the VE and Franchise partner channels, Scojo India sold its reading glasses for a low price of 95 Rs (US\$2.00) to a high price of 165 Rs (US\$3.67). Scojo India offered four lines of reading glasses, shown in Exhibit 10: Jyoti (tube readers), Kranti (bifocal), Deepti (single-vision), and Usha (low-cost). The average margin for the VE was 50 Rs (US\$1.11) per pair of glasses. Interestingly, the most popular model of glasses among customers was not the low-cost model, as seen in Exhibit 11. Actually, the majority of sales were for the glasses priced at 155 Rs (US\$3.44) and 165 Rs (US\$3.67).

In the wholesale channel, Scojo India sold two models of reading glasses (Kranti and Deepti) each priced to the end consumer at 199 Rs (US\$4.42). Scojo India sold the glasses to the wholesalers for 105 Rs (US\$2.33) +4% sales tax, giving the wholesalers a margin of 94 Rs (US\$2.08) per pair of glasses.

Manufacturing

Scojo India sourced its reading glasses from manufacturers in China and paid a 17% tariff to import the glasses into India. Although Scojo India was looking to source locally, they had yet to find a local manufacturer in India of comparable quality and cost to their Chinese manufacturers. The other components of the "Business in a Bag", such as marketing materials, cords, cases, and the bag itself, were made in India.

Competitors

Scojo Foundation faced three types of competitors in the reading glasses market: optical professionals, street vendors, and potential new entrants. Optical professionals controlled what little there was of the reading glasses market in India. However, optical retailers were not motivated to sell ready-made reading glasses because of low margins compared to made-to-order prescription lenses and frames. The margin for ready-made glasses ranged from 20-30% as compared to a margin of over 50% for most made-to-order glasses. In addition, optical professionals feared losing their ability to provide higher margin patient eye care services and the recurring revenue stream of multiple check-up visits. Optical professionals that did carry ready-made reading glasses tended to store them behind counters and pull them out reluctantly when pressured by their patients for cheaper alternatives to custom-made products. According to Scojo Foundation staff, street vendors could also be found selling cheap ready-made reading glasses in urban areas.⁷ Finally, there was the potential for new entrants if Scojo Foundation demonstrated to other companies that this business could be profitable.

Societal Impacts

Scojo Foundation management recognized the important role that impact evaluation played in the organization. The organization needed to move from the idea phase to a successful model that kept funders interested in them. So far they had sold Scojo Foundation through their story (see Exhibit 12 for a story on a Scojo customer that was displayed on the organization's website), but now there was more pressure to show that the business worked to improve the lives of the poor. They needed to develop metrics to monitor local impacts and better understand the implications of their business model on entrepreneurs and customers. Not only were these kind of metrics increasingly sought after by funders, but they were also needed by Scojo in order to maintain and expand support of in-country partners and government officials. In addition, as it scaled, Scojo management team wanted to continually evaluate the organization's own performance so that they could improve the business model and maximize local impact.

Looking at the Future

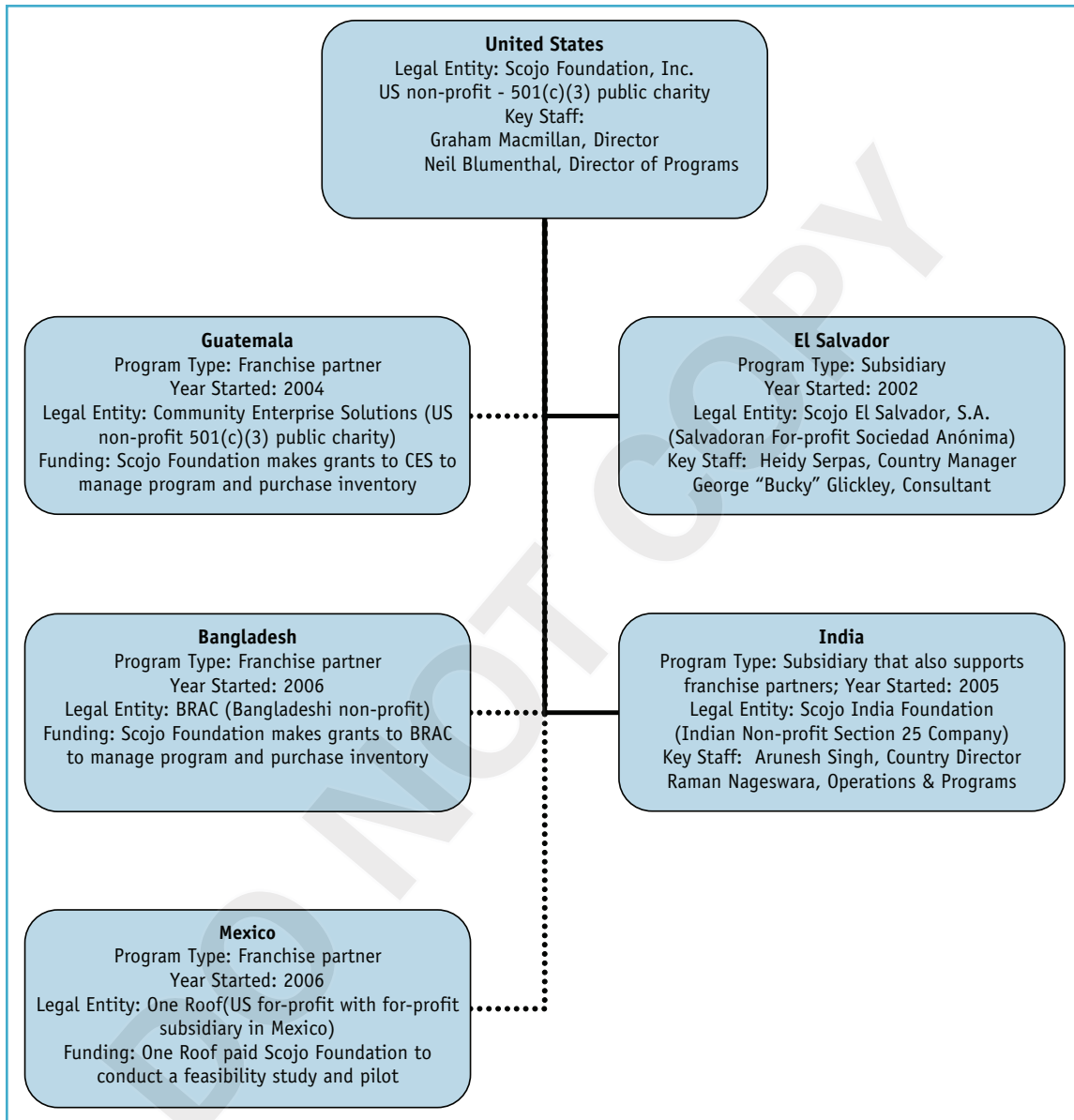
As the plane landed in New York City, Jordan contemplated the future of Scojo Foundation. There were a number of decisions he and his team would have to make before the board meeting the following month. What distribution channel or combination of distribution channels would allow them to scale their business and societal impact most effectively? Should the emphasis of their mission be placed on increasing access to reading glasses or on developing entrepreneurs? This could have important implications for their choice of scaling strategy. And how could they best measure and maximize their societal impact? In the forefront of his mind, Jordan kept the goal of becoming a self-financing scaleable enterprise that was not dependent on donations. How could he best manage the goals of societal impact and financial sustainability?

There were several ways in which Scojo Foundation could develop, but the organization needed to clarify its thinking soon. Scojo Foundation's on-going success depended on its ability to reach its sales goals, to understand and articulate its societal impact, and to attract new funders and satisfy its existing ones in order to have the capital needed to scale. Jordan and his team had to figure out how to prioritize the critical pieces of the puzzle before his meetings with the board and key funders the following month.

Exhibits

Exhibit 1

Scojo Foundation Legal and Organizational Structure



Source: Scojo Foundation

Exhibit 2

Scojo Foundations's Micro-Franchise: A Business in a Bag**Contents of the Business in a Bag:**

- Glasses (usually around 40 pairs of various styles, colors, and powers)
- Accessories (Cords, Wide Cases, Slim Cases, Cloths)
- Display Boxes for glasses
- File Folder
- Scojo t-shirt for entrepreneur
- Pen
- Mirror
- 10 ft. Wire (to measure the distance for the eye charts and testing)
- Needle and Thread (to see if they can thread the needle for vision testing)
- 2 Eye Charts (Near Vision and Distance Vision)
- Carbon Paper
- Banner saying "Authorized Vision Entrepreneur: Trained to conduct free eye screening; Affordable quality reading glasses for Presbyopia", for VE to place outside their home
- VE Invoice Pad
- Eye Hospital Referral Pad
- Rubber stamp of the address of the nearest eye hospital
- Daily Sales Form
- Customer Information Sheet (Includes customer name, village, mandal, occupation, gender, age, how did you hear about Scojo Foundation, style and power of glasses if purchase made, referral Y/N)
- 25 Scojo Foundation Promotional Posters
- 100 Promotional Handouts to give out before Vision Camp
- Certificate of Scojo Foundation Training completion
- Credibility Pack, including letters that demonstrate that Scojo Foundation's Vision Entrepreneur model is professional and widely recognized.



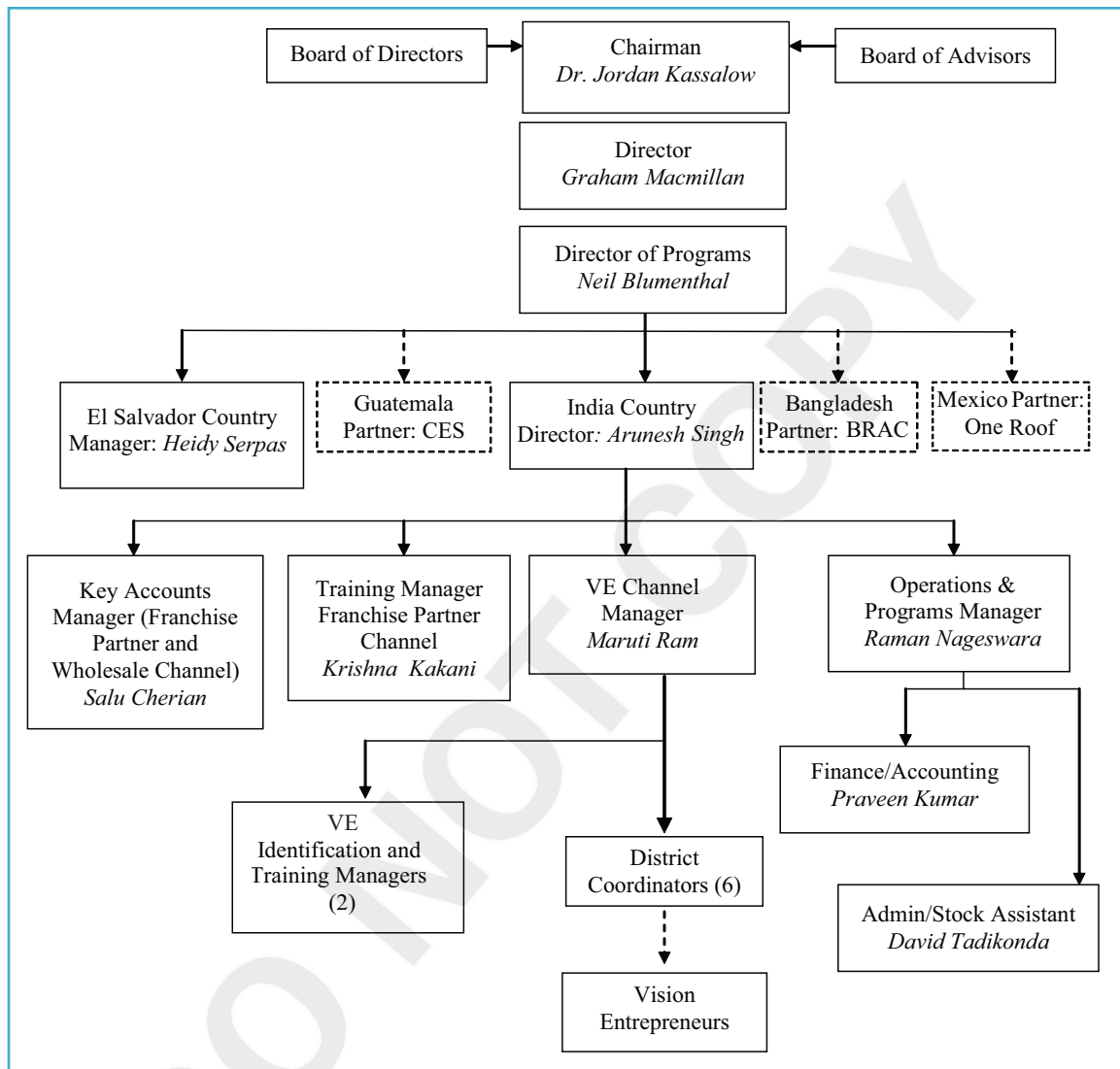
Exhibit 3
Political Map of India



Source: <http://www.timesofindiatravel.com/india-travel-times/political-map-india.gif>

Exhibit 4

Scojo Foundation Organization Chart



Source: Adapted from Scojo Foundation's business plan submitted to Acument Fund, 2006

Exhibit 5

Scojo India: Quarterly Metrics in USD

(1 US Dollar = 45 Indian Rupees)

	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006*
Financial Data (USD)								
Revenues	\$2,467	\$1,725	\$2,675	\$16,285	\$21,614	\$9,334	\$20,090	\$15,979
COGS	\$1,727	\$1,207	\$1,873	\$11,400	\$15,229	\$7,116	\$14,127	\$11,440
OPEX	\$14,665	\$17,598	\$24,160	\$22,374	\$36,726	\$22,697	\$35,762	\$40,883
Net Income	\$(13,925)	\$(17,081)	\$(23,358)	\$(17,488)	\$(30,341)	\$(20,479)	\$(29,798)	\$(36,345)
Profit Margin	-564%	-990%	-873%	-107%	-140%	-219%	-148%	-227%
Operational Data								
Total glasses sold	2,019	1,171	1,275	7,081	9,620	3,469	6,472	5,413
# of reading glasses sold	2,019	1,171	1,191	6,777	9,313	3,287	5,797	4,614
# through Scojo VE's	2,019	1,171	1,191	1,450	1,802	1,471	1,649	1,487
# through partners				4,725	7,470	1,127	3,890	3,127
# through wholesale				602	41	689	258	
# sunglasses sold			84	304	307	182	675	799
# through Scojo VE's			84	245	273	182	127	180
# through partners					24		516	619
# through wholesale				59	10		32	
Days receivable					108	81	101	97
Days inventory					203	380	194	236
# districts in AP with Scojo VE's	2	4	5	5	5	5	6	6
# states with Partner VE's			1	1	1	5	6	7
Social Impact Data								
# people served	4,269	3,380	4,564	25,737	40,013	5,394	11,236	6,823
% of customers BOP***	100%	100%	100%	91%	99%	80%	96%	100%
# new VE's trained	30	16	30	91	113	46	96	108
# Scojo VE's Trained	30	16	30	38	18	15	15	37
# Partner VE's Trained				53	95	31	81	71
Total VE's employed	30	24	46	131	241	281	371	456
# Current Scojo VE's	30	24	46	78	93	102	111	125
# Current partner VE's				53	148	179	260	331
Attrition rate of Scojo VE's		73%	33%	13%	4%	6%	6%	21%
% of independent Scojo VE's**							14%	15%
Avg monthly income from Scojo per VE	\$82.26	\$59.63	\$33.88	\$26.56	\$27.27	\$19.81	\$19.56	\$16.30
# referrals to eyecare clinics	2,220	2,185	3,243	18,525	30,393	1,925	4,764	1,410
*Anticipated metrics for Q4 2006 **Independent VE classified as one that operates with minimal supervision from district coordinator ***% of customers not in wholesale channel								

Source: Scojo Foundation

Exhibit 6

Projected Income Statement for Scojo India Operations in Indian Rupees (INR)

(1 US Dollar = 45 Indian Rupees)

Pro Forma Income Statement	2006	2007	2008	2009	2010	2011	2012
Projected Unit Sales							
# glasses sold (VE Channel)	19,656	43,575	77,280	128,380	235,200	235,200	235,200
# glasses sold (Partner Channel)	34,200	83,250	151,875	232,875	328,500	328,500	328,500
# glasses sold (Wholesale Channel)	11,400	25,800	51,600	88,200	135,600	135,600	135,600
Total # of glasses sold	65,256	152,625	280,755	449,455	699,300	699,300	699,300
Revenue							
Revenue from VE channel	2,503,192	5,549,276	9,841,608	16,349,193	29,952,720	29,952,720	29,952,720
Revenue from wholesale channel	1,418,730	3,210,810	6,421,620	10,976,490	16,875,420	16,875,420	16,875,420
Revenue from partner channel	3,594,420	8,749,575	15,962,063	24,475,163	34,525,350	34,525,350	34,525,350
Total Revenue	7,516,342	17,509,661	32,225,291	51,800,846	81,353,490	81,353,490	81,353,490
COGS	3,941,553	9,220,035	16,959,840	27,146,664	42,223,877	42,223,877	42,223,877
Operating costs from VE channel	2,126,312	3,221,144	4,789,486	7,257,128	10,869,197	10,869,197	10,869,197
Operating costs from wholesale channel	384,200	497,722	1,037,907	2,060,740	3,264,798	3,264,798	3,264,798
Operating costs from partner channel	563,600	1,122,833	1,874,208	3,146,351	4,581,982	4,581,982	4,581,982
Total Operating Costs	3,074,112	4,841,698	7,701,600	12,464,219	18,715,977	18,715,977	18,715,977
Cost of state offices	0	0	0	1,478,460	1,522,813	1,568,498	1,615,553
Cost of VE regional managers	402,000	422,100	886,410	1,396,096	1,954,534	0	0
Cost of VE state managers	0	0	0	625,118	656,373	689,192	723,652
Cost of Executive staff	2,340,000	2,457,000	3,439,800	4,514,738	5,688,569	5,972,998	6,271,648
Cost of Support staff	162,000	340,200	535,815	750,141	1,115,835	1,171,626	1,230,208
Total Hyderabad salaries	2,904,000	3,219,300	4,862,025	7,286,092	9,415,311	7,833,816	8,225,507
Total Hyderabad non-personnel costs	1,963,230	1,520,430	1,867,000	2,251,676	3,155,736	1,551,456	2,296,841
Total Costs	11,882,895	18,801,463	31,390,465	50,627,110	75,033,715	71,893,624	73,077,755
EBITDA	(4,366,554)	(1,291,802)	834,825	1,173,735	6,319,775	9,459,866	8,275,735
depreciation	15,033	35,019	64,451	103,602	162,707	162,707	162,707
EBIT	(4,381,587)	(1,326,821)	770,375	1,070,134	6,157,068	9,297,159	8,113,028
tax	0	0	0	0	0	0	0
interest expense	694,073	1,135,756	1,261,951	1,151,897	814,398	814,398	814,398
Net Income	(5,075,660)	(2,462,577)	(491,576)	(81,763)	5,342,670	8,482,760	7,298,630

Source: Adapted from Scojo Foundation's Business Plan submitted to Acumen Fund, 2006

Exhibit 7

Projected Balance Sheet for Scojo India Operations in Indian Rupees (INR)

(1 US Dollar = 45 Indian Rupees)

Pro Forma Balance Sheet	2006	2007	2008	2009	2010	2011	2012
Operating Cash	5,042,865	8,125,771	9,364,620	3,906,080	1,422,173	1,033,535	9,309,271
Accounts Receivable	1,235,563	2,878,300	3,972,981	4,257,604	6,686,588	6,686,588	6,686,588
Inventories	647,927	1,136,717	1,393,959	2,231,233	1,735,228	1,735,228	1,735,228
Other current assets							
Total Current Assets	6,926,355	12,140,788	14,731,560	10,394,916	9,843,989	9,455,351	17,731,087
PP&E*	75,163	175,097	322,253	518,008	813,535	813,535	813,535
Accumulated Depreciation**	15,033	35,019	64,451	103,602	162,707	162,707	162,707
Net PP&E	60,131	140,077	257,802	414,407	650,828	650,828	650,828
Goodwill/other intangible assets							
Total Assets	6,986,486	12,280,865	14,989,363	10,809,323	10,494,817	10,106,179	18,381,915
Accounts Payable	161,982	378,906	1,393,959	2,231,233	3,470,456	3,470,456	3,470,456
Accrued Liabilities							
Other current liabilities							
Total Current Liabilities	161,982	378,906	1,393,959	2,231,233	3,470,456	3,470,456	3,470,456
Long-Term Debt	11,825,000	21,500,000	21,500,000	16,500,000	0	5,406,579	21,500,000
Deferred Income Taxes							
Total L-T Liabilities	11,825,000	21,500,000	21,500,000	16,500,000	-	5,406,579	21,500,000
Equity	(5,000,496)	(9,598,040)	(7,904,597)	(7,921,910)	7,024,362	1,229,145	(6,588,541)
Total Liabilities and Equity	6,986,486	12,280,865	14,989,363	10,809,323	10,494,817	10,106,179	18,381,915

*Assume PP&E (Property, Plant & Equipment) = 1% sales
**Assume straight line depreciation over 5 years

Source: Adapted from Scojo Foundation's Business Plan submitted to Acumen Fund, 2006

Exhibit 8

Acumen Fund Business Plan Revenue Assumptions for Scojo India Operations

Revenue Assumptions	2006	2007	2008	2009	2010	2011	2012
Vision Entrepreneur Channel							
Per Vision Entrepreneur							
Number of campaigns per month	2	2	2	2	2	2	2
Glasses sold per campaign per VE	4	5	5	5	5	5	5
Additional sales per month (pairs)	10	10	10	10	10	10	10
Number of VEs per district	20	25	30	35	40	40	40
Number districts with VE sales	7	10	14	20	28	28	28
Number of states with VE sales	1	1	1	2	2	2	2
Annual attrition rate for VE	50%	45%	40%	35%	35%	35%	35%
Months of revenue lost per dropout	3	3	2	2	2	2	2
Partner Channel							
Per Partner							
Number sales per VE per month	15	15	15	15	15	15	15
Number VEs per partner	150	150	150	150	150	150	150
Number of partners	2	4	7	10	14	14	14
Number months in operation per year	12	12	12	12	12	12	12
Wholesale Channel							
Number of accounts	50	100	200	350	550	550	550
Average Opening Order	84	84	84	84	84	84	84
Average Additional Order	36	36	36	36	36	36	36
Number of follow-up orders/year	4	6	6	6	6	6	6
Number months in operation per year	12	12	12	12	12	12	12

Source: Adapted from Scojo Foundation's Business Plan submitted to Acumen Fund, 2006

Exhibit 9

Scojo India's Three Distribution Channels

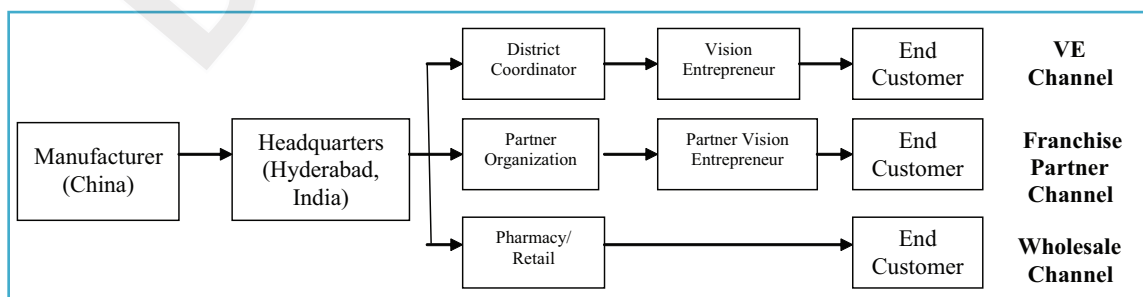


Exhibit 10**Scojo India's Reading Glasses**

Deepti (single-vision)



Kranti (bi-focal)



Jyoti (tube readers)



Usha (low-cost)

Exhibit 11**Vision Entrepreneur Margins on Reading Glasses in INR****Type of Glasses a % of Sales**

(1 US Dollar = 45 Indian Rupees)

Glasses Type	Price (INR)	VE Margin	% of Sales
Jyoti (tube readers)	165	54	17%
Kranti (bifocals)	165	54	62%
Deepti (single-vision)	155	49	18%
Usha (low-cost)	95	39	3%
Sunglasses	165	26	n/a

Exhibit 12

Scojo Foundation Customer Story



Srinivasa Chary ran a successful goldsmith business until his failing up-close vision threatened to destroy his life's work.

A friend who worked as a Scojo Vision Entrepreneur got him the right pair of glasses and restored his livelihood.

Customer-Srinivasa Chary, Age 36

Mahbubnagar, Andhra Pradesh

Over the past year, Srinivasa, a successful goldsmith, started to strain to see up-close when he worked. Unsure of the reason, he would tire more quickly and suffer frequent headaches. Eventually, he stopped being able to work once the sun set due to lack of light. Even with sufficient light, he found it difficult to fit small stones into the jewelry he made. He started to outsource the setting of rings and bracelets to another jeweler he knew. He estimated he was losing half of his potential earnings.

One day, his old friend, Chandra Shekhar, arrived at his shop in a Scojo Foundation shirt and offered to give him a free vision screening. The Scojo Vision Entrepreneur quickly determined that Srinivasa suffered from blurry up-close vision and needed a pair of +1.00 reading glasses. Srinivasa purchased the high quality reading glasses for approximately US\$3 and thereby doubled his productivity. Now, Srinivasa no longer sends out business to other goldsmiths. He is able to work as hard and as long as he did when he was younger. Currently, it is the wedding season in India, which is his most profitable time. Srinivasa often can be found in his shop working until midnight without pain or strain. "I could not imagine that blurry up-close vision had such bad repercussions for me. These glasses have brought a great relief to my life. I am very happy and thankful to Scojo Foundation for screening and selling glasses at affordable prices right at my doorstep. Also, I am grateful that this has created livelihoods for poor rural youth like Chandra Shekhar whom people here trust more than any stranger who comes and then leaves."

Source: Adapted from the Scojo Foundation website

End Notes

- ¹ Aravind Eye Hospital is described in Prahalad, C. K., *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits*, Wharton School Publishing, 2005: 131-135.
- ² Prahalad, C.K., Hart, S. 2002. "The Fortune at the Bottom of the Pyramid." *Strategy + Business*, 26: 55-67.
- ³ 2006 World Population Data Sheet, Population Reference Bureau, available at: <http://www.prb.org/pdf06/06WorldDataSheet.pdf>
- ⁴ Estimated based on results of Burke AG et al, "Population-Based Study of Presbyopia in Rural Tanzania" *American Academy of Ophthalmology*. 2006; 113: 723-727. Approximately 25% of population is over 35, of which 61.7% have presbyopia, of which 70% have "functional presbyopia", meaning they would benefit from reading glasses.
- ⁵ Based on field research and estimates by Scojo Foundation.
- ⁶ <http://www.ms-india.com/india.htm>
- ⁷ According to Scojo Foundation's Business Plan submitted to Acumen Fund, 2006.

Notes

DO NOT COPY

Notes

DO NOT COPY

Notes

DO NOT COPY



THE WILLIAM DAVIDSON INSTITUTE
AT THE UNIVERSITY OF MICHIGAN

The William Davidson Institute (WDI) is a non-profit, independent, research and educational institute which is dedicated to developing and disseminating expertise on business issues in emerging economies. It was established at the University of Michigan in 1992, and today integrates research, executive education, and practical project-based assistance in order to:

- generate knowledge of, and enhance management skills for, emerging economies
- offer unique educational opportunities to individuals and both indigenous and multinational companies which operate in emerging economies
- provide a forum for managers and public policy-makers to discuss business issues in emerging economies

For more information: www.wdi.umich.edu



GlobalLens is the William Davidson Institute's online resource for international business educators. It features:

- Cases: a searchable catalogue of international business cases, exercises, and other teaching materials
- Courses: a searchable library of syllabi for developing international business courses
- Community: an interactive space for discussing international business cases, courses, and teaching issues

For more information: www.globalens.com
