

A close-up photograph of a woman with dark hair drinking water from a chrome tap. The water is captured mid-pour, creating a dynamic, splashing arc. The background is a soft, out-of-focus green. The woman's face is in profile, looking down at the water.

HULT



Global Case
Challenge

Hitotsubashi University Team 1

5th March 2011

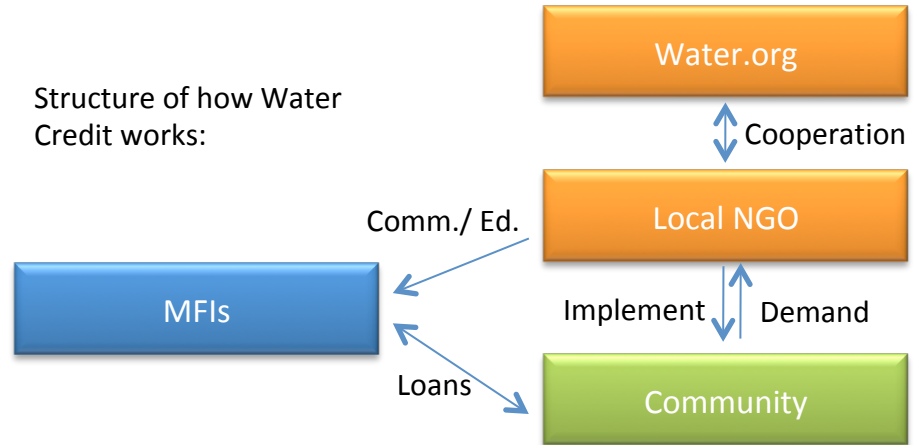
TZ, Yuko, Grace, Ginger, Linnette

Key Issue

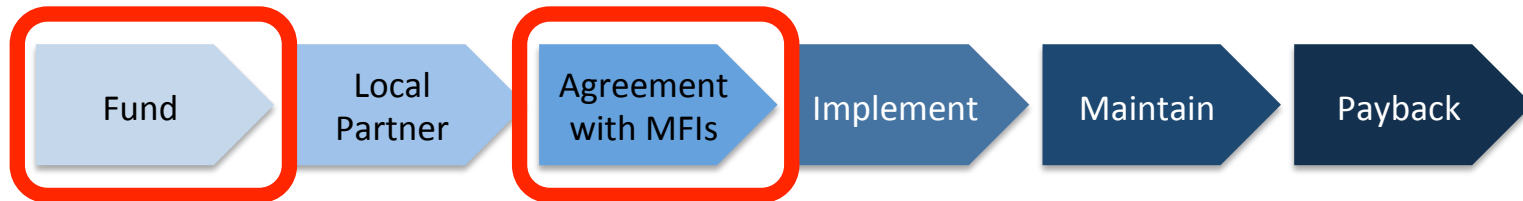
Water.org is doing a great job!

- Leverage the business model of MFIs
- Not simply give local community the money, but let local community to take responsibility

Structure of how Water Credit works:



Steps of Water Credit:



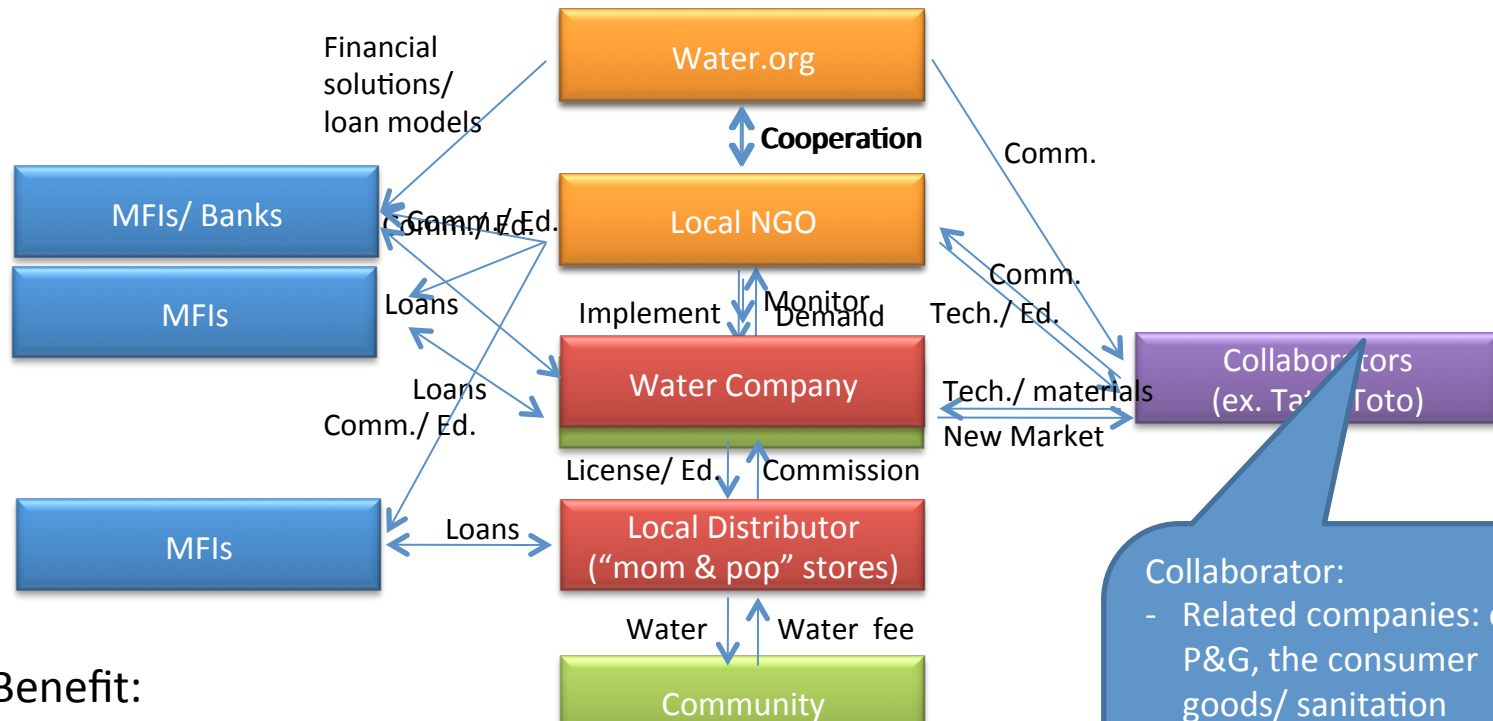
GOAL: 100 MILLION PEOPLE IN 5 YEARS

Our Suggestions

1. From Community to Corporation
2. Improve Fund Raising

1. From Community to Corporation

Current Model



Benefit:

- Lower MFI hurdle ← Profit-making organization
- Strong engagement of locals ← Company run by local/
- Improved quality assurance ← Company is responsible maintenance
- Better education ← Utilize “mom & pop” stores which is the center of the community to educate the people

Collaborator:

- Related companies: ex. P&G, the consumer goods/ sanitation companies
- Local engagement: Tata → Water purification/ high credibility

SHARED VALUE

2. Fund raising

Key issue:

- Low awareness of Water.org
- Targets are too broad

Actions:

1. Leverage on the connection of existing donors
2. Target on companies: CSR program for companies/ future markets in BOP

Comparison Between Current and proposed

Water.org now

1. Availability: Medium
2. Accessibility: Low
3. Actionable: High
4. Sustainability: Medium
5. Scalability: Low

New Water.org

1. Availability: Medium
2. Accessibility: Medium
3. Actionable: High
4. Sustainability: High
5. Scalability: High

Implementation Plan

| Actions | Month | | | | | |
|--|-------|---|---|---|----|----|
| | 2 | 4 | 6 | 8 | 10 | 12 |
| Drafting and finalizing Water.org training package to local NGOs | ■ | | | | | |
| Communicating with local NGOs | | ■ | ■ | ■ | ■ | ■ |
| Searching for potential MFIs/banks | ■ | ■ | ■ | ■ | | |
| Communicating with local distributors/raising awareness | | ■ | ■ | ■ | ■ | ■ |
| Sign agreement with MFIs/banks/local NGOs | | | | ■ | ■ | |
| Start collaboration with local NGOs to set up water company and construction | | ■ | ■ | ■ | ■ | ■ |
| Confirming commitment from local distributors/ local suppliers | | | | | ■ | ■ |
| Providing training to the local companies and distributors | | | | ■ | ■ | ■ |
| Market testing | | | | ■ | ■ | ■ |
| Actual operation | | | | | | ■ |

Thank you

Appendix 1

Proforma Income statement for local terminals (mom & pop stores)

| | | |
|--|-----------|-----|
| # of people | 100.00 | (1) |
| # of days | 365.00 | |
| # of buckets per day | 4.00 | |
| Price of one bucket | 0.10 | (2) |
| Annual Revenue (Rupee) | 14,600.00 | |
| Annual Revenue (USD) | 324.44 | |
| Cost | 162.22 | |
| ---Cost of water | 81.11 | (3) |
| ---SG&A for the store | 81.11 | (3) |
| Income | 162.22 | |
| Initial cost per facility | 106.00 | (4) |
| # of years to recover initial investment | 65% | |

Notes

(1) Indian population 1.18 billion/mom & pop shops in Indian 12 million = 100 person per store.

(2) From the case, purchasing 4 buckets of water from neighbor is 1 rupee (0.25 rupee per bucket). We propose a lower price at 0.1 rupee per bucket.

(3) Assuming cost of water for local terminals is 25% of revenue, SG&A cost for local terminal is 25% of revenue

(4) USD3.4million/32,000 loans=USD106 per loan (per facility)

Appendix 2

Proforma Income statement for local water companies

| | | |
|--|------------------|-----|
| Annual revenue per store for the company | 81.11 | |
| # of M&P stores run by a company | 400.00 | |
| Company's annual revenue | 32,444.44 | |
| Material cost | 16,222.22 | (1) |
| Annual salary per person | 811.11 | (2) |
| # of employees | 10.00 | |
| Human labor cost of company | 8,111.11 | |
| Profit before tax per company | 8,111.11 | |
| Tax rate | 50% | |
| Profit after tax | 4,055.56 | |

Notes

(1) Assuming raw material cost is 50% of revenue

(2) Average local salary 100 rupees per day*365 days/exchange rate 45

Appendix 3

Growth forecast for 5 years

| | Year 1 | Year 2 (2) | Year 3 (2) | Year 4 | Year 5 |
|--|------------|------------|------------|------------|-------------|
| # of NGOs | 10 | 12 | 14 | 17 | 21 |
| # of companies run by an NGO | 30 | 36 | 43 | 52 | 62 |
| # of companies | 300 | 432 | 622 | 896 | 1,290 |
| # of terminals (M&P stores) run by a company | 400 | (1) 480 | 576 | 691 | 829 |
| Total # of terminals (M&P stores) covered | 120,000 | 207,360 | 358,318 | 619,174 | 1,069,932 |
| Total population covered | 12,000,000 | 20,736,000 | 35,831,808 | 61,917,364 | 106,993,205 |

Notes

10 persons/company. Each person responsible for 40 stores, visiting one

(1) store 6 times a year (once two months)

Assuming that growth rate for # of NGOs, # of companies run by an NGO and # of terminals (M&P

(2) stores) run by a company is 20% per year.

Appendix 4

| | | |
|--|-----------|---|
| Current philanthropic cost per person (\$) | 13 | |
| Number of people benefiting from each loan | 8 | (P7 of case, 245,000 people/32,000 loans) |
| Current philanthropic cost per loan | 104 | |
| Cost reduction due to economies of scale | 52 | |
| Expected philanthropic cost per loan in year 1 | 52 | |
| Expected number of loans to be made in year 1 | 120,000 | |
| Philanthropic donation needed for year 1 | 6,240,000 | |
| Budget for watercredit in 2011 | 7,000,000 | |