

CleanCook Microfinance

CleanCook Statement of Problem

Cooking

Cooking is a basic activity in every household in Kenya. In a typical rural household of 4 members, cooking is done thrice a day. According to the Kenya National Bureau of Statistics 2009 Census report, 67.7% of the Kenyan population lives in rural areas and according to the Ministry of Energy 2007 survey, 90% of rural households use biomass energy to cook. Biomass energy is usually in form of firewood and sometimes charcoal, all of these are derived from cutting trees.

Cutting of Trees

Cutting of trees leads to reduction of forest cover which is key in attracting greenhouse gases being emitted from various sources including cooking using the biomass energy. In the long run, therefore, use of biomass accelerates global warming. In addition, use of biomass leads to emission of smoke that is harmful to human health especially school children who use the family kitchens as reading rooms in the night. Furthermore, the school children miss school so as to go and collect firewood from the bushes when the families cannot afford to buy the commercially available firewood and charcoal.

Cleanest Means of Cooking

According to the UN, the cleanest means of cooking include use of Electricity, Biogas and Liquefied Petroleum Gas (LPG). However, to use Electricity to cook, it requires connection of the rural households to the national grid. Also, to use biogas to cook, it requires that a household constructs a biogas plant and have sufficient and constant cattle and other relevant waste to use. But on the other hand, the use of LPG for cooking is relatively cheaper and easy to maintain because it requires a gas cylinder and gas refills from time to time.

LPG

Despite the attractiveness of LPG as the means of cooking, less than 5% of the rural households use it. Among the reasons for low usage of LPG as a cooking means is the high acquisition cost of the gas cylinder in relation to the income levels of the rural households (a gas cylinder with relevant accessories costs averagely Ksh.4500). Lack of a regular source of income for most of the rural residents also makes gas refilling difficult and as result lead to fuel switching back to biomass and kerosene use for those who already have gas cylinders. Gas refilling for a 6Kg gas cylinder costs averagely Ksh.1500 and for a family of 4 cooking thrice a day, that will be an average of Ksh.1500 for gas refill every month.

Challenge of Using LPG

The challenge with the rural households is that they cannot afford to get the money for cylinder acquisition and gas refills in lump sum as and when they are due. This makes the use of firewood

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and charcoal popular-which can be afforded by as a low as Ksh.50 or even sometimes free as for the case of firewood collected from the bush.

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CleanCook Microfinance Idea

To avoid the cutting of limited trees, air pollution, smoke-related human diseases and school time wasted to collect firewood, I intend to establish a social enterprise (CleanCook Microfinance) that will grow into a leading microfinance institution giving affordable leasing and microloans facility to poor rural households in Kenya and East Africa Community as a whole for LPG cylinder acquisition and gas refills for cooking.

CleanCook Microfinance Leasing and Microloans Facility

The CleanCook Microfinance Leasing and Microloans Facility will enable the rural households to acquire and refill LPG cylinders on lease and microloan basis; using Group Co-guarantee scheme and

the cylinders as collaterals complimented by affordable cash collaterals where necessary; with flexible payment/repayment package (1 day Cylinder Lease at Ksh.20, 6 months repayment period for the LPG Cylinder Microloan and 1 month repayment period for Gas Refill Microloan- with both micro credits charged an interest at 0.1111% per day for Cylinder Microloan and 0.6667% per day for Gas Refill Microloan rate), gradually enabling them to fully own the LPG cylinders with guaranteed gas refills from time to time.

Group Co-guarantee and Cash Collaterals

The poor rural households joining the Leasing and Microloans Facility will need to be in a group of 5 (to co-guarantee each other) and pay cash collaterals (equivalent to periodical lease fees or loan repayment installment for Cylinder Leasing and Gas Refill Microloan respectively) for using the gas cylinders on a lease and a Gas Refill microloan.

Clients Recruitment Drive (CRD) and Clients Training Program (CTP)

Once they have been recruited through an elaborate Clients Recruitment Drive (CRD), the clients will undergo a Clients Training Program (CTP) that will train them on how to effectively and efficiently use LPG for cooking; and on how the CleanCook Microfinance Leasing and Microloans Facility works.

Microloan versus Lease

After the training, the clients will be required to nominate the first two members in every group that will acquire the gas cylinder on microloan at a time while the remaining members acquire the cylinders on a lease awaiting the ones on microloan to finish repaying first (It will take one year and 6 months for all the 5 members in a group to own a gas cylinder).

Contract Signing, Insurance and Delivery

Once the clients have classified themselves into those getting the gas cylinder on a microloan and those getting the gas cylinder on a lease, they will give the relevant cash collaterals and sign relevant legal documents (in the presence of a contracted Advocate of the High Court) before

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they are issued with filled and insured gas cylinders by a contracted supplier at a central shopping center in their respective County Assembly Wards.

Monitoring and Evaluation

Immediately after the issue of filled cylinders, the clients will be closely and continuously be monitored and evaluated (through phones and physical visits) to ensure that their gas cylinders are refilled as and when they are empty; and that their lease fees and microloans are paid as agreed (payment will be done through LIPA NA MPESA).

Default

If a client with a Cylinder Microloan defaults in paying her dues, the gas cylinder will be repossessed and sold to recover relevant expenses incurred with the remaining sales proceeds given to the defaulter while her cash collateral for Gas Refill will used to offset relevant expenses. On the other hand, if a client with a Cylinder Lease defaults, the gas cylinder will be repossessed and the cash collaterals for Cylinder Lease and Gas Refill be used to recover relevant incurred expenses. If the money raised from the collaterals will not be sufficient to recover the incurred expenses, the group members shall be required to offset the remaining amount owed by the defaulter.

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Marketing Plan

Target Market

- ✓ Poor rural households

Customer needs/characteristics

1. Lack stable source of income, low level of income with so many financial responsibilities; difficult to afford to pay for the gas cylinders at once
2. Irregular income flow; making gas refilling a challenge; cannot buy in large quantities and yet they have big families cooking thrice a day, so 3Kg gas cylinder is out of question;
3. Know each other very well because in most cases they are relatives. So group co-guarantee can best work
4. They are mostly semi-illiterate
5. They have phones and use Mpesa service
6. They fear use of LPG for cooking to be dangerous
7. They fear loans

Marketing Strategy

General Description

CleanCook Microfinance will use Niche Marketing strategy focusing all its marketing activities to the poor rural households.

Packaging

CleanCook Microfinance will offer the following service packages: Filled Cylinder Lease, Filled Cylinder Microloan and Gas Refill Microloan. A client shall not get a Filled Cylinder Microloan before taking the Filled Cylinder Lease unless she was nominated to be among the first two members of the group. However, it is not a must that once a client has been given a Cylinder Lease that she should also get the subsequent Cylinder Microloan. Also a client shall get a Gas Refill Microloan independent of the other services and without the need to have benefitted from the other two services first. Also, it shall not be a must that once a client has taken a Cylinder Lease or Microloan that she must also take subsequent Gas Refill Microloans.

Pricing

A CleanCook Microfinance Filled Cylinder Lease shall attract a Lease Fee of Ksh.20 per day and can be paid in a day, week or month through LIPA NA MPESA Paybill number of the company. Also, a CleanCook Microfinance Filled Cylinder and Gas Refill Microloans shall attract interest at 0.1111% per day and 0.6667% per day interest rates respectively with an option of paying installments in a day, week or month through a LIPA NA MPESA Paybill number of the company.

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Promotions

To promote CleanCook Microfinance and its services, a Clients Recruitment Drive (CRD) shall be conducted for every County Assembly Ward once in a quarter. CRD will involve Market mapping/Direct Marketing and Public Relations exercise with the objective of knowing the key opinion leaders and key organizations-through which women (who are believed to be the decision makers when it comes to cooking) can be mobilized-and building the case for the use of LPG as the cleanest means of cooking and a remedy to deforestation. After Market Mapping, advertising-using local radio stations, posters, strategic banners and word-of-mouth- will be conducted to urge people to attend a CRD event to learn more about CleanCook Microfinance. Then, the CRD Event will be conducted with the aid of flyers, brochures, flipcharts and PowerPoint presentations-to convince potential clients why they need to use clean means of cooking, specifically LPG and why they need to join CleanCook Microfinance to enjoy its leasing and microloans facility. The Event will also intend to recruit Clients interested. In addition, a free gas cylinder will be given-to the organization hosting the Event as a way of cementing the institutional bond while challenging potential clients to join CleanCook Microfinance-in the Event.

Methods of Sales and Distribution

CleanCook Microfinance will sell its services to clients who must be in a group of 5. A central shopping center in every County Assembly Ward-where the company shall be operating-will be identified to be used to distribute its services to the clients.

Customer Service

CleanCook Microfinance shall-in collaboration with a contracted supplier- issue Gas Refill Cards to clients to be used in gas refilling. Also, the company shall introduce a loyalty programme (a free gas refill for every 12 consecutive gas refills) to encourage clients, especially those with Cylinder Microloans, to stay with the company even after they have fully repaid their microloans. In addition, CleanCook shall offer a free training-to clients before they are issued with LPG filled cylinders-on how to effectively and efficiently use LPG for cooking to dispel fear that LPG is dangerous to use for cooking and ensure that the gas cylinders are properly maintained.

Marketing Strategy Implementation

In-House Responsibilities

CleanCook Microfinance shall appoint a Marketing Manager who shall be in charging of the marketing plan implementation but the CEO will be the overall marketing strategy implementer.

Outsourced Functions

The company shall outsource Public relations and Branding functions to experienced practioners.

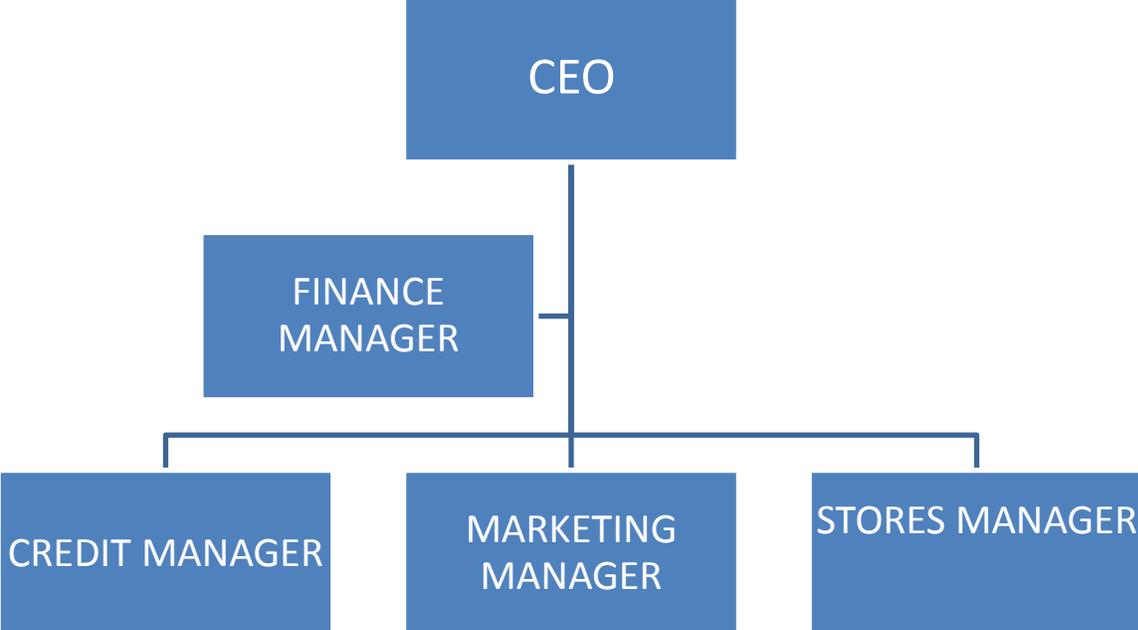
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Assessment of the Marketing Effectiveness

To assess the effectiveness of marketing, CleanCook Microfinance will use marketing budgets, use of the Key Performance Indicators (KPI) and establishing of Standards to be followed by all company staff.

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Organizational Structure



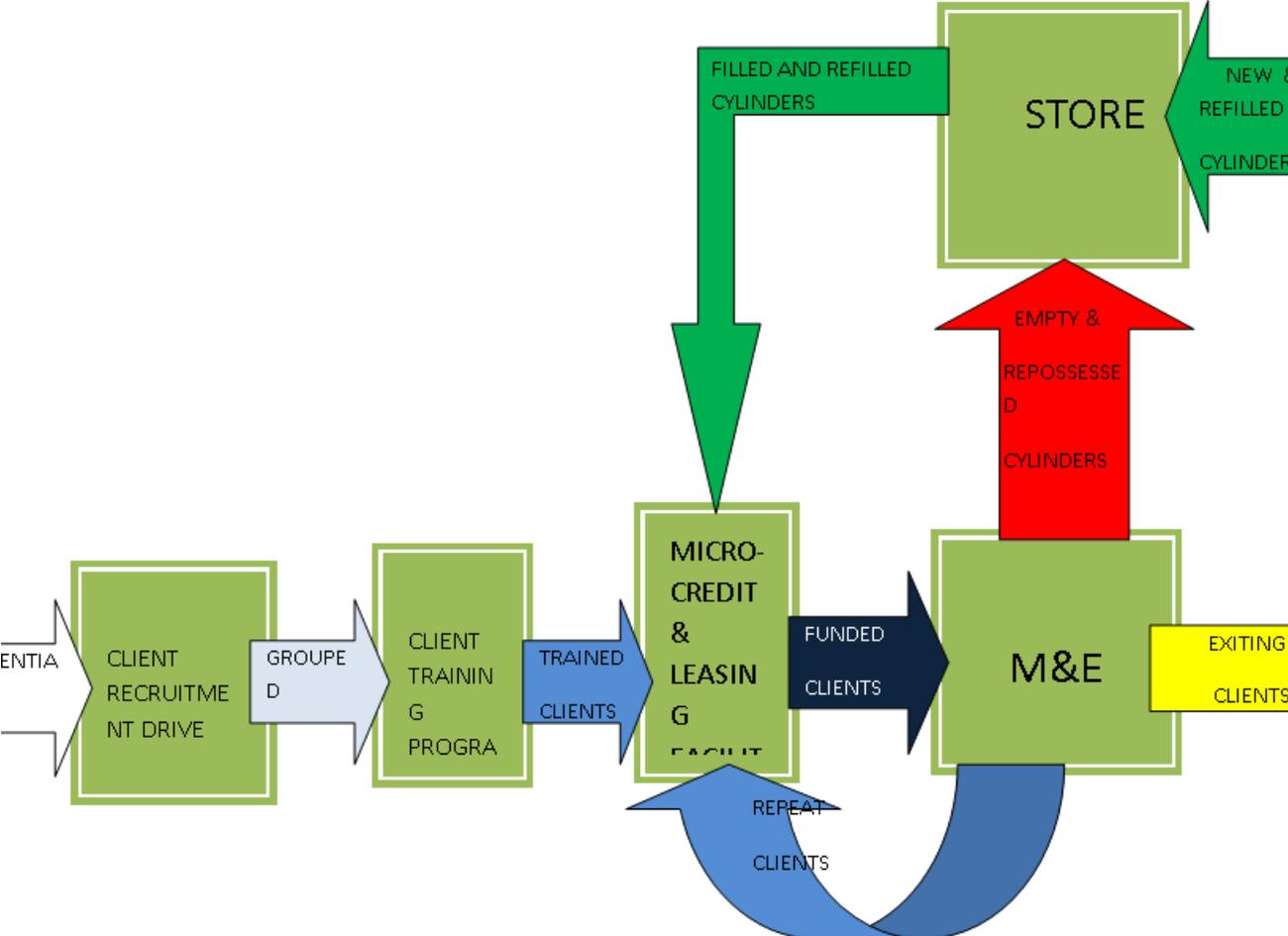
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Cleancook Microfinance Expected Outcomes

	1ST YEAR	2ND YEAR	3RD YEAR
Number of Clients Owning LPG Cylinders On a Microloan	360	720	1080
Number of Clients Owning LPG Cylinders On a Lease	360	540	720
Number of Clients Fully Owning LPG Cylinders	180	540	900
Number of Cylinders Being Refilled	900	1800	2700
Number of Clients Being Served	900	1800	2700
Number of Kisii County Assembly Wards Covered	45	45	45

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CleanCook Microfinance Process Flow



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Assumptions and Facts Used In the Cleancook Financials (attached)

1. There are 45 County Assembly Wards in Kisii County
2. 1 group will be recruited per Ward in the 1st quarter of the business and eventually, 1 more group shall be added in every quarter.
3. A gas cylinder cost is estimated at Ksh.4500 while gas refill is estimated to be costing Ksh.1500.
4. It is assumed that a household will take a month to empty a filled gas cylinder.
5. 1 Client Recruitment Drive shall be conducted every quarter
6. Legal fees per client will Ksh.500
7. It will cost Ksh. 2 to communicate to a client per day
8. It will cost Ksh.100 to transport a cylinder to the ward.
9. A rented premise to host the company's store and office will cost Ksh.10,000 per month
10. It will cost the company Ksh.450 (10% of cost of cylinder) to insure a cylinder
11. The company will take Ksh.4 million loan on the 2nd quarter of the first 1 year at 10% p.a interest rate for four years.
12. Additional capital of Ksh.1 million will be injected at the beginning of the 2nd year
13. Corporate tax will be 30%
14. There will be no dividends in the first 3 years.
15. All clients are retained
16. Clients pay/repay their lease fees and microloans weekly
17. The cylinders do not depreciate
18. Variable costs are shared equally between the cylinder microloans, cylinder leases and gas refills