

## <sup>1</sup>STAR+ PROPOSAL

### Kiteiras – Danone’s Inclusive Distribution Model in Brazil

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## 1. BACKGROUND

### 1.1. Initiative Origin

In 2010, Danone Brazil launched a strategy to increase its market share in the northeast region of Brazil, by opening a new plant in the region to reduce the products' lead time and operational cost. This allowed Danone to surpass its competitors<sup>2</sup> and reach a market share of 32.9% in the region. However, per capita consumption of yogurt was low in the region, a problem the company attacked by developing the Kiteiras initiative in Salvador de Bahia.

### 1.2. Objective

The Kiteiras' initiative objective is to develop an inclusive distribution channel to increase Danone's dairy products consumption in Brazilian low-income households. This distribution channel employs women from low-income neighborhoods to promote, sell, and distribute Danone products door-to-door in their communities.

## Results

By 2015, Kiteiras involved more than 800 women selling around 22 tons of dairy products per month in Salvador city. The initiative increased yogurt consumption in low-income households, but also introduced Danone products in new cities and neighborhoods where the company did not have presence. The positive results in Salvador encouraged the company to expand Kiteiras into other cities. In 2016, operations started in Fortaleza and São Paulo,

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<sup>2</sup> <http://exame.abril.com.br/revista-exame/a-briga-da-danone-pelo-nordeste/> -

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where currently there are 2.061 *kiteiras* selling 144 tons of products per month. The Kiteiras initiative has become not only a distribution channel for Danone products in low-income neighborhoods, but also the company's communication channel for raising awareness about balanced nutrition and a strategy for empowering women and develop their entrepreneurial capacities.

## 2. CONTEXT

### 2.1. Organization history and aims to develop an inclusive distribution network

Founded in 1919, Danone is a French company<sup>3</sup> whose mission is “bringing health through food to as many people as possible”. Danone's business can be categorized in four types of products: fresh dairy -e.g. yogurt (50% of sales), baby nutrition - e.g. formula (22%), water (21%), medical nutrition (7%). In 2015, Danone had presence in over 140 countries and commanded 25% of the worldwide market share of fresh dairy products, with sales of EUR 11,057 Billion, 52% of them from emerging countries<sup>4</sup> (Danone, 2015). Ranked 55 among the most known brands in the world, the Danone brand alone had an estimated value of US\$ 9.197 Billion<sup>5</sup>.

Danone entered Brazil in 1970, when local production was started by the "Laticínios Poços de Caldas" company<sup>6</sup>. The dairy product line with fruit yogurt had great success and the company increased its production from 6.000 to 24.000 units in only 9 months. The company has since introduced other product lines such as Medical Nutrition (1996), Early Life Nutrition (2007), and Water (2006). In 2000, the company acquired Paulista Laticínios, a company with a strong door-to-door distribution network and overall market share in the southeastern Brazil. This acquisition consolidated Danone's position as the largest dairy company in Brazil. By 2015, the company was providing 400.599 liters of milk and ranked as the 9th biggest dairy company of Brazil<sup>7</sup>.

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<sup>3</sup> <http://www.danone.com/en/for-all/our-mission-in-action/our-heritage/>

<sup>4</sup> <http://www.danone.com/en/for-you/journalists/basics/>

<sup>5</sup> <http://interbrand.com/best-brands/best-global-brands/2016/ranking/>

<sup>6</sup> <http://danone.com.br/a-danone/no-brasil/>

<sup>7</sup> <http://www.leitebrasil.org.br/maiores%20laticinios%202015%20final.pdf>

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In 2009 Danone created the Fonds pour l'Ecosysteme<sup>8</sup> Fund, with EUR 100 million to foster social, economic and environmental development initiatives among local actors in its supply chain, in countries where Danone has subsidiaries. Brazil being the biggest market in South America, a number of initiatives such as Kiteiras were selected for investment.

## 2.2. Regional Situation

The Brazilian economy has experienced sustained progress since the 1990's, although the country is still the third most unequal economy in Latin America, with a GINI index of 51,3<sup>9</sup>. Women are most affected by this imbalance: according to the Brazilian Institute of Geography and Statistics (IBGE), the unemployment rate is higher among women than men (8,7% vs 5,9%) in all regions of the country.<sup>10</sup>

Women inequality is pervasive: In the northeast region of Brazil women have a 23% unemployment rate, and 62% are employed in informal jobs, despite 33% of women above 50 years old being the sole supporter of their families, and 23% being single mothers. The male/female unemployment gap is attributed to a lack of qualifications, due to early school dropout linked with teen pregnancy, gender discrimination, and flexible work schedule requirements.

Public and private organizations have attempted to develop women's entrepreneurship capabilities as a strategy to overcome poverty and discrimination in Brazil<sup>11</sup>. Despite these efforts, although 75% of women in Brazil have a favorable attitude to entrepreneurship only 7% had actually developed their business<sup>12</sup>.

## 1.1. Reasons to develop an inclusive distribution network

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<sup>8</sup> <http://www.danone.com/pour-tous/developpement-durable/entreprendre-autrement/fonds-danone-pour-lecosysteme/>

<sup>9</sup> <http://data.worldbank.org/indicator/SI.POV.GINI?locations=BR>

<sup>10</sup> This refers to the population over 14 years old who are interested in working.

<sup>11</sup> The most important organization working with entrepreneurship in Brazil is SEBRAE, created in 1964 as Fipeme and Funtec. However only in 1990 it was structured as a private organization and developed. [http://www.sebrae.com.br/sites/PortalSebrae/canais\\_adicionais/conheca\\_quemsomos](http://www.sebrae.com.br/sites/PortalSebrae/canais_adicionais/conheca_quemsomos)

<sup>12</sup> [https://www.amwayentrepreneurshipreport.tum.de/fileadmin/w00bfs/www/2015/Amway\\_Global\\_Entrepreneurship\\_Report\\_2015\\_print.pdf](https://www.amwayentrepreneurshipreport.tum.de/fileadmin/w00bfs/www/2015/Amway_Global_Entrepreneurship_Report_2015_print.pdf)

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Two aims merged to create the Kiteiras' initiative: the company's need to increase product sales in the Northeast region, and its social responsibility aims.

Regarding Danone's **sales** needs, the company wanted to improve their market share by increasing per capita dairy consumption in the northeast region, but faced difficulties in reaching low-income communities. Regarding Danone's **social responsibility** aims, its mission and core business connect with a set of global societal goals such as hunger alleviation, health global improvement, and nutrition awareness. These issues affect the company's entire value chain: from upstream production with agricultural issues, to downstream distribution and consumption with waste management issues.

The Kiteiras initiative merges these two aims by creating an inclusive distribution channel that employs women from vulnerable neighborhoods to promote and sell Danone products door-to-door in their communities, while simultaneously giving Danone access to a previously unreachable market, giving the community access to better products, and allowing women to improve their income and entrepreneurial skills.

## 2. INCLUSIVE BUSINESS MODEL

### 2.1. The Challenge

The Kiteiras' initiative started in 2011 in the city of Salvador in the state of Bahia, one of the biggest cities of the northeast region of Brazil. At the end of 2012, Danone already had the market share leadership in Salvador by a slim margin, with 32,9% of market share against 30,8% and 30,6% of its main competitors. With a population of 2,938,009 Salvador reflected the national trends of poverty and high gender inequality in the labor market<sup>13</sup>. In 2012 around 12,7% of Salvador population had a per capita household income under R \$140.00 (70USD)/per month, and the unemployment rate in the metropolitan area (RMS) was 7,2%.<sup>14</sup> Women were the most affected by this situation as 63% of unemployment was composed by women, and on average employed women's salaries were 71,8% less of men.

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<sup>13</sup> <http://cidades.ibge.gov.br/xtras/perfil.php?codmun=292740>

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[http://www.ibge.gov.br/home/estatistica/indicadores/trabalhoerendimento/pme\\_nova/retrospectiva\\_2003\\_2012.pdf](http://www.ibge.gov.br/home/estatistica/indicadores/trabalhoerendimento/pme_nova/retrospectiva_2003_2012.pdf).

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## 2.2. Population involved

The Kiteiras' initiative involves vulnerable populations inhabiting the outskirts of Salvador city. The context of poverty and violence limits their employment and market offer opportunities. The initiative allows this population to have access to a nutrition assessment and a set of Danone food quality products in their residence.

Particularly, Kiteiras profiles housewives between 18 and 58 years old, with low schooling degrees and living near violent contexts. Some of these women are informally occupied as street vendors, bakers or domestic cleaners. Kiteiras incorporates them into Danone's distribution network by providing training in entrepreneurship and nutrition, to act as a door-to-door salesforce of the company's products. This opportunity enhances their household income and provides flexibility to care for children and other family members.

## 2.3. Organizations involved

This section presents all the organizations involved since the Kiteiras initiative started until now.

### Danone ecosystem fund

*Fonds Danone pour l'Ecosystème*, is a financial fund established in 2009 by Franck Riboud to increase the company's partnership with local business ecosystems, supporting long-term local initiatives with social, environmental and business impacts<sup>15</sup>. By 2016, the fund has financed about 63 projects in 28 countries, having more than 3 million beneficiaries and empowering 32,000 people around the world, 16,240 of these being women. The fund has a particular interest in empowering women, funding more than 30 of these projects, including Brazil's Kiteiras initiative<sup>16</sup>.

### World Vision Brazil (WVB)<sup>17</sup>

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<sup>15</sup><http://www.danone.com/en/for-all/sustainability/unique-business-approach/danone-ecosystem-fund/#.WBOXtvkrJEY>

<sup>16</sup><http://www.danone.com/en/for-all/sustainability/unique-business-approach/danone-ecosystem-fund/#.WBOXtvkrJEY>

<sup>17</sup> <https://visaomundial.org/>

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World Vision Brazil, a filial of World Vision International, is an NGO created in 1975 with the mission of contributing to reduce social inequity through transformative and sustainable development in the country. One of their programs is called REDES, and it aims to empower low-income people through the application of the Groups of Local Development Opportunities (GOL.D) methodology, which involves community members in collaborative problem-solving and encourages pursuing business and income-generation opportunities.

### **Multilateral Investment Fund (MIF)<sup>18</sup>**

The Multilateral Investment Fund is the innovation lab for the Inter-American Development Bank Group. It promotes developing new models for engaging and inspiring the private sector to solve economic development problems in Latin America and the Caribbean. The MIF addresses poverty and vulnerability by focusing on emerging businesses and smallholder farmers with the capacity to grow and create economic opportunities.

### **Aliança Empreendedora<sup>19</sup>**

This NGO was founded in 2005 with the mission to “Join forces and enable access to help low-income people and community to become entrepreneurs, promoting social and economic inclusion and development.” The organization developed the career development program for Kiteiras, on three pillars: knowledge, credit and marketing.

### **Véli<sup>20</sup>**

Véli is a Brazilian human resources organization founded in 2011, whose mission is offering training and development, organizational diagnosis, and career development services. The organization has offices in four Brazilian states, including Bahia. Véli handled the recruiting process in the first phase of the Kiteiras initiative.

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<sup>18</sup> <http://www.fomin.org/>

<sup>19</sup> <http://aliancaempreendedora.org.br/quem-somos/>

<sup>20</sup> <http://velirh.com.br/2016/>

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## Qualikits<sup>21</sup>

Qualikits was founded in 2014 by members of a family of former beverage distributors when Danone invited them to join Kiteiras to handle the distribution of Danone products to Kiteiras in the low-income communities of Salvador and region.

### 2.4. Business Model Scheme

Kiteiras' business model involves an alliance between Danone and local organizations for promoting, selling, and distributing their products by, and for, the low income consumers. By doing this, Danone increases product sales, local organization provide work opportunities to their beneficiaries, and *kiteiras* obtain income source. The initiative's financial model involves products markups along the inclusive distribution system.

Six processes (Mobilization, Recruitment, Development, Sales, Payment, and Product delivery), involving four main actors (Danone, Local Organizations, Distributors, Sellers, and Consumers), need to take place in order for the initiative to work. The initiative's process have evolved over time. A description of its most recent incarnation follows.

**Mobilization:** This process involves the marketing activities to enhance the neighborhood interest in the Kiteiras' model and Danone products. These activities cover media communication through community radios and sound trucks, and community activities such as visits to churches and bazaars, child recreation and cooking classes using Danone products.

**Recruitment:** This process involves engaging interested women, who must file an application form and provide identification documents to the recruiter. After approval, women receive training as a distributor. Women with entrepreneur skills or experience in sales can be directly selected as godmother. Godmothers help to recruit and manage their selling group, and intermediate the communication between the *kiteiras* and the distributor.

**Development:** This process involves kiteiras' career development program. It involves 5 steps: consume, sell, indicate, care, and lead. Once recruited, each *kiteira* is assessed to determine their appropriate stage, expected engagement with the initiative, and a plan to further develop her skills. They receive 36 hours of training through workshops around three main themes: entrepreneurship, nutrition, and life. The regular career starts women as consumers, and they need to attend workshops, sell products and show leadership skills to advance. The process encompasses a virtual program in a closed Facebook group and a

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<sup>21</sup> <http://www.qualikits.com.br/sobre-a-qualikits/>

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series of video training called TV Kiteiras. The end of the program sees women becoming godmothers who sell, recruit and lead other *kiteiras*.

**Sales:** This process involves the exchange of product between local distributors, *kiteiras* and customers. *Kiteiras* receive product catalogs every two weeks. Catalogs are updated by distributors every three months based on shopper insights and local sales analysis. *Kiteiras* sell door-to-door in every neighborhood, accepting payment in cash or credit card and even doing forward sales to selected customers. *Kiteiras* inform all sales orders to their godmothers, who in turn inform the distributor for product delivery. Current product markup for the local distributor is 37% and *kiteiras'* markup is 30%. Distributors pay Godmothers and additional 3,5% as sales commission.

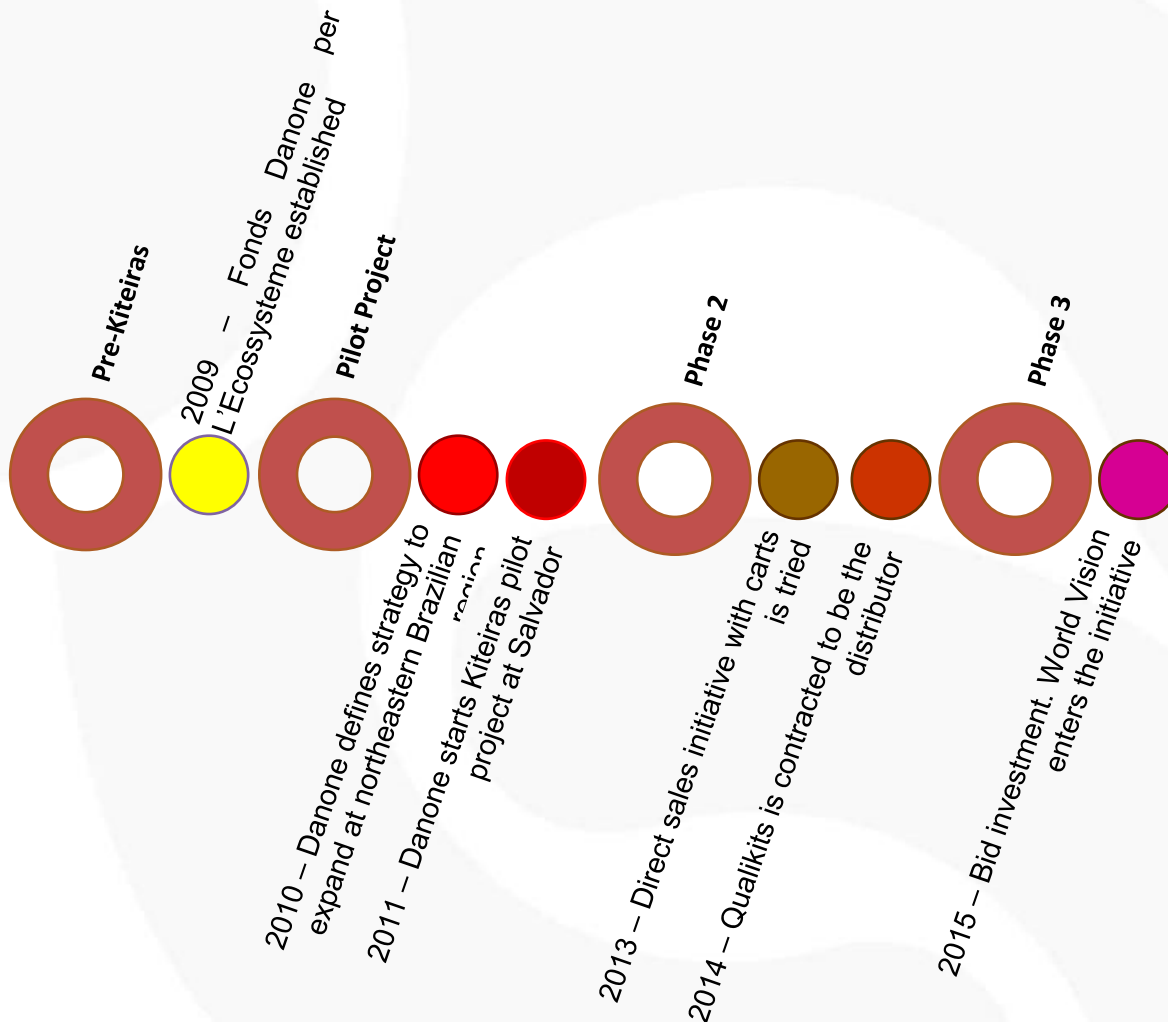
**Product delivery:** This process involves product transportation from Danone to the customer via local distributors and *kiteiras*. Orders are placed weekly by godmothers to the local distributor, who refer them to Danone. Danone delivers products to local distributors, who deliver to the *kiteiras*, who in turn deliver them personally to the customers. Dairy products need to be consumed fresh, so product delivery is strict. Danone delivers product to distributors at least 20 days before the expiration date. The distributor cannot keep the product for more than 3 days in storage before making the deliveries to the *kiteiras*. Once received, products need to be delivered right away to the customer. *Kiteiras* with many customers can keep part of the product refrigerated for one day at most. If the product gets damaged during transportation or is close to its expiration date, clients can return them for replacement or refund.

## 2.5. The Business Model Evolution

*Kiteiras'* business model has evolved in three stages: a) Pilot, at the start of the initiative (2010 -2012); b) Transition, in which the initiative reached profitability comparable to Danone traditional channels (2013-2015); and c) Scaling, in which the initiative expanded activities to other cities (2015-until now). Each stage has presented particular challenges to the business model scheme including the activities and organizations involved as it is shown in Figure 1.



**Figure 1. Timeline of the Kiteiras' Initiative**



The Kiteiras initiative started in 2010, selling food through a direct sales model that included door-to-door micro distribution. This model had been very successful in the cosmetics market, but hadn't yet been tried with food. Danone together with *Aliança Empreendedora* formulated and presented the initiative to *Fonds Danone pour l'Ecosystème*. The initiative obtained the approval of the fond with an initial investment of EU 400,000.

In 2011, Kiteiras' pilot started with *Danone* and *Aliança Empreendedora* hiring of *Véli* to do the recruitment of the new sales force. *Véli* developed mobilization and recruiting processes for low-income neighborhoods in Salvador. Recruited *kiteiras* entered into the development process of *Aliança Empreendedora*, involving 36 hours of workshops at the distributor's

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facilities. *Danone's* traditional sellers were in charge of the distribution process, and *Kiteiras* were charged with the sale and product delivery processes. By January 2013 the project had 210 women involved, who were selling around 22 tons of dairy products per month, generating an average monthly income of R\$269 (US\$ 84). Product markup for distributors at the time was 55%, and 25% for *Kiteiras*. Distributors paid *Godmothers* and additional 3,5% as sales commission.

The transition phase started in May 2013. The pilot's positive results prompted the initiative from a Corporate Social Responsibility program of the sustainability department, to being a corporate social innovation model led by the commercial department. The first incarnation of the project involved product distribution based on Yakult<sup>22</sup> carts. *Kiteiras* received sales carts with *Danone* products to be sold during the day. The experience failed as the necessary level of sales was never met. The total loss was estimated over US\$ 50,000 and the distributor went broke. Some *Kiteiras*, including *godmothers*, got indebted for the product loss and decided to leave the program at the end of 2013.

In 2014 *Danone* signed a contract with *Qualikits*, a former beverages distributor from *Salvador* looking for something with social impact. This distributor inherited two *godmothers* from the previous distributor and a diminished salesforce of *kiteiras*. To recruit more *kiteiras*, the sales markup scheme was adjusted to 37% for local distributors and 30% for the *kiteiras*. Within 3 months the new distributor had developed a network of 350 *kiteiras*, and 2 *godmothers*. This group, working an average of three hours a day, was selling around 31 tons of monthly dairy product and generating an average monthly income of R\$320 (US\$106).

However, these results were still below the company's breakeven standard, which was around 450-500 *kiteiras*, each selling an average of 80 kg of products, totaling 36-40 tons of products. *Danone's* commercial department, which then controlled the initiative, requested the termination of the project. Despite not meeting internal revenue goals, the *Kiteiras* initiative saw an opportunity in the MIF *Scala* program and applied for it. The initiative was selected by *Scala*, and received a US\$2.070.500 funding and advisory for expanding to 2.000 *kiteiras* nationwide.

The scaling phase started in early-2016 with support from the MIF *Scala* program and required making several changes. The first change was to transfer the program leadership

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<sup>22</sup> <http://www.yakult.com.br/Yakult/default.aspx?mn=217&c=229&s=0>

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back to the sustainability department of Danone while the commercial department focused on commercial intelligence operations. The second change was to terminate de collaboration with *Véli* and involve World Vision Brazil (an organization with greater community credibility) in the recruitment functions. The third change involved widening the *Kiteiras*' career development system with a virtual training component, in response to the rapidly growing number of *kiteiras* and their time constraints<sup>23</sup>.

The training program also involves a series of short (7-8 min) videos called TV *Kiteiras*, where a Godmother presents common work-related problems, explains possible solutions and ends by presenting tips for healthy eating. A test is presented at the end of the video, to assess the *kiteiras*' understanding of the view goals. Five training sections has been produced: "Kiteiras Day", "Sell More and Better", "Dreams and Financial Planning", "Formalization (Entrepreneurship)" and "Financial Management". 15 more are being produced.

Finally, the initiative has expanded geographically to São Paulo and Fortaleza, respectively Danone's biggest market in the country and the second-biggest market of the northeast region. This requires solving four challenges: a) systematizing the model and designing a franchise format to facilitate its expansion; b) implementing the required organization, team and logistics; c) designing and implementing the marketing strategy; and d) identifying and establishing partnerships with local organizations such as distributors, financial institutions, and so on.

## 2.6. The Investment

The initiative has known three phases of investment. The pilot phase involved an investment of EU 400,000 from *Fond Danone pour l'Ecosystème*. The transition phase involved an additional monetary injection of xxx from Danone. The escalation phase is scheduled to have a 36 month execution between 2016- 2018, has involved US\$2.070.500. This amount is provided 39% by the Multilateral Investment Fund – MIF US\$ 800,000, and 61% by Danone US\$ 1,270,500.

## 3. RESULTS

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<sup>23</sup> The main reasons for the *kiteiras* not to attend to training sessions were family, time and distance to the training. And they imagined the training as being classes and education, associated to school, which intimidated many of these women.

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### 3.1. For Danone

The Kiteiras initiative has provided Danone with a new door-to-door sales and distribution channel, which has grown by continuously incorporating new women and increasing product sales (see Table 1), even at times of economic downturn in Brazil. Today, the Kiteiras channel represents 15% of the company sales in Salvador. The initiative has generated a new consumer base at the base of the pyramid, which doesn't overlap with consumers from traditional distribution channels.

**Table 1. Number of *kiteiras*, product sales, and average income evolution**

Year	Number of <i>Kiteiras</i>	Tons of daily products/month	Average monthly income
2012	170	7.4	XXX
2013	210	22	U\$84
2014	365	31	U\$106
2015	800	XXX	U\$155

### 1.2. For Kiteiras

The Kiteiras initiative has generated income opportunities for 1,200 vulnerable women, who otherwise would not work due to family duties, and who are earning an average R\$ 500 (approximately 63% of Brazil's minimum monthly salary of R\$ 788) working 20 hours a week. These women have developed their sales and entrepreneurial capacities, and are now running their own businesses as micro entrepreneurs.

### For the Community

The Kiteiras initiative has benefited around 80,000 people who now have access to nutritious products and information on how to improve nutrition habits and health. Many of these people have changed unhealthy nutritional habits for healthy ones. The change has been particularly important in infant feeding.

### For MIF

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The Kiteiras initiative complements the MIF's objective of facilitating the economic empowerment of low-income people through the integration into inclusive distribution networks. Additionally, as per the focus on women, this project also aligns with the Gender and Women's Economic Empowerment Initiative of the MIF by contributing to the reduction of the additional obstacles women face, and by building capacity in their businesses.

The initiative results, accomplishing the escalation objective of reaching 2000 *kiteiras* one year before planned, provides the MIF with evidence and lessons about: a) the implementation and effectiveness of cross-sector partnerships between anchor companies and NGOs (WVB, Aliança Empreendedora and Danone partnership) for community development; b) the successful scaling of a corporate social innovation model aimed at expanding the offer of economic and social development solutions. The Kiteiras initiative shows how private social and business organizations can complement each other to multiply their social impact.

### **1.3. For World Vision**

The Kiteiras' initiative provides World Vision with a job opportunity for their REDES program beneficiaries. REDES women were already trained in basic entrepreneurship but did not have the financial capital to start their own business, nor a job opportunity that allowed them to work around their time restrictions. Additionally, *kiteiras* at the World Vision centers participate in activities of mobilization, recruitment and training mixed with the NGO daily routines such as domestic violence seminars, handicraft training, internet training and child care.

### **1.4. For Aliança Empreendedora**

The Kiteiras initiative has benefited Aliança Empreendedora in its operational focus and methodology. The expansion of Kiteiras also expanded Aliança Empreendedora's operation from a south-region scale to a national one. Additionally, Kiteiras presented an opportunity to produce and launch interactive methodologies to develop entrepreneurial skills. The organization developed a national virtual initiative called "Entrepreneurial Generation" aiming to provide entrepreneurship skills to young Brazilians.

## **5. BEST PRACTICES:**

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## 5.1. Determinants of Success

The Kiteiras' initiative has been successfully running for the last 5 years. Some lessons for developing and escalating inclusive distribution networks are:

- **Developing partnerships with organizations working closely in the community.** By dealing with vulnerable women, the initiative had to deal also with their social problems (such as domestic violence, crime, diseases, among others). Working with *World Vision* shows that organizations with extensive experience in the field provide anchor companies with the knowledge and legitimacy necessary to conduct effective recruitment processes and reduce turnover rates.
- **Leveraging technology to increase the efficiency of the model.** The evolution of the career development workshops prepared by Aliança Empreendedora, from classroom to blended learning, shows that even low income communities can benefit from the efficiency and flexibility provided by technology services. This is complemented by Danone's management strategy, which employs ICTs to follow Key Performance Indicators (KPI) such as sales made, frequency of sales, average of sales, Stock Keeping Units (SKU) sold, turnover from the salesforce, and new Kiteiras registered.
- **Aligning the field actors' economic interest.** Different conflicts have emerged throughout the initiative's implementation which have resulted on *kiteiras* or distributors exiting. The expected service and sales level could only be provided once the different actors met their financial and risk expectations.

## 1.2. Challenges Faced

- The main challenge of the initiative has been **to align the different interests of each actor**. In the pilot phase, while *Danone* and *Aliança Empreendedora* prioritized quality over quantity, the opposite was true for *Véli* and *distributors*. To manage this situation the initiative created a core team with representatives from all organizations to develop the managerial decision protocols in the field. A similar situation occurred in the scaling phase, when the entrance of *World Vision* brought back the parties' goal conflict with Danone's commercial department. World Vision's aims of providing social benefit for the community created conflict with Danone's pressures to meet sale goals. This is problematic for a project that involves social action with a female salesforce that works part hours. As an example, the commercial department of Danone wanted to call *kiteiras* "consultants", which was perceived by World Vision as problematic because it would

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separate them from the community.

- Another challenge in the scaling phase relates to **the relationship with the recruitment of *kiteiras* and development of new Godmothers**. During all the initiative development there has been a high number of *kiteiras* dropouts from, especially on the recently recruited. About 30% of a new *kiteiras* make 1 or 2 sales to their close network and drop out of the program. Some of the reasons identified by *World Vision* are a lack of interest, a lack of training, or family-related problems. A similar situation occurred in Salvador, where the different distributors' problems and turnovers during the transition phase made the *kiteiras* and godmothers quit. Only two godmothers stayed and supported the recruitment and sales processed when the new distributor arrived. In São Paulo, godmothers were inherited from the door-to-door distribution business models that existed in the region. These women previously worked as sales supervisor, with a salesforce designed to them, and functions very similar to the godmothers' model. As a consequence their link with the community is weak, making them difficult to recruit more *kiteiras*.
- The final challenge involves the **financial tensions between Danone, the distributor, and *kiteiras***. Between Danone and distributors, tensions emerge from the need of financial support during channel implementation. As shown in the Implementation phase in Salvador, *Kiteiras*' direct sales business model depends on building and consolidating a social network to operate. Distributors, which have the *kiteiras* as end clients, need to consolidate their revenue through a big number of active *kiteiras* with a big number of customers. Between distributors and *kiteiras*, tensions emerge from the imposition of a minimum product order. In São Paulo that order is of R\$ 80 (about U\$ 21,85) in the first 3 months. In Salvador that order is of R\$ 280 (U\$ 76,50) which can be considered unreasonable for a low income market. Some *kiteiras* have the means to cover the front costs of the minimum order, but most don't. Additionally, informal income has a certain seasonality which poses difficulties to develop the sales networks during the incubation period.

### 1.3. Future plans

Danone, World Vision, and Aliança Empreendedora will continue scaling their community-based inclusive distribution model in other states/cities of Brazil. By December of 2016 the *Kiteiras* initiative started also activities in Fortaleza, capital of the state of Ceará, a city with a population estimated of 2,609,716. Although internationalization plans are not being made as of now, attempts to extend the initiative Mexico and Guatemala are over the table.

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