

The MicroConsignment Model

Bridging the “Last Mile” of Access to Products and Services for the Rural Poor

Innovations Case Narrative:
The MicroConsignment Model

Until recently, Carolina Amesquita, the principal at La Escuela Ramona Jil primary school in Chimaltenango, Guatemala, lamented daily that her students were drinking contaminated water directly from the tap, often contracting gastrointestinal illnesses that kept them out of school. Others in the community were suffering too. Juana Ramirez, an expert weaver in the village of San Mateo, could no longer see well enough to sort her threads by color. Her productivity had plummeted, further stressing her already struggling family. While preparing meals over an open-pit fire in her home, as Guatemalan women have done for generations, Alva Rios was inhaling harmful smoke for hours each day. Julia Garcia was spending more and more of her family income on electricity bills, while Benito Ramirez had no electricity in his home and at night had to study by candlelight.

These and similar problems confronting thousands of rural Guatemalans have now been solved through the hard work of two Guatemalan women. Yoly Acajabon and Clara Luz de Montezuma, local homemakers in their mid-40s, started their own enterprises in 2004 with no entrepreneurial experience or start-up capital. Working within the MicroConsignment Model (MCM), these extraordinary women are providing low-income villagers with essential products and services that help improve their health, nutrition, and economic situations—and they are earning incomes for their own families while doing so.

La Escuela Ramona now owns a water-purification device. Juana Ramirez got a free eye exam and bought low-cost reading glasses. Alva Rios now cooks on a fuel-efficient stove with a chimney. Julia Garcia has installed energy-efficient light

Greg Van Kirk, an Ashoka Lemelson Fellow, is the Co-Founder and Executive Director of Community Enterprise Solutions and the Co-Founder and President of Social Entrepreneur Corps. He is a former investment banker and Guatemala Peace Corps volunteer. He lives in New York City, where he also dedicates time as an “Entrepreneur in Residence” at Columbia University.



Shifting Work Paradigm. Soluciones Comunitarias MCM Entrepreneur Maria Vail administering an eye exam during a village health campaign.

While the hourly wage for most Guatemalan men is 50 cents U.S., these women (who typically earn less in Guatemala) earn an average of \$1.50 to \$2 per hour. Working within the MCM allows women to work part-time to boost the family income while continuing to attend to their household responsibilities.

bulbs in her home, and Benito Ramirez owns a solar panel and LED light that brightens an entire room.

By providing access to needed but previously unavailable products, Yoly and Clara are “bridging the last mile” in the supply chain of products needed by the rural poor in an appropriate and sustainable way. In the beginning they simply sold reading glasses, but over time their “basket of solutions” has become a growing enterprise. Known in our system as “Community Advisors,” these two women travel on buses to villages that often lack even a small *tienda* (store), let alone professional services accompanied by life-changing products. They work with local mayors and community leaders first to market to villagers’ needs, and then to offer products and services that will help meet them. These women are seen not as salespeople but as problem-solvers because what they offer has never before been available to these villagers, except in sporadic donations. Those who benefit often say “*Gracias a Dios*” (thank God) when Yoly and Clara find solutions to their needs.

Today Yoly and Clara are not only MCM entrepreneurs; they have also become regional coordinators in charge of training and supporting 10 other women,

including other new regional coordinators. They are leaders and shareholders in a newly formed social enterprise, Soluciones Comunitarias (SolCom). They have control over their economic lives and are helping others as well. They increase their income by selling products that help rural families solve healthcare needs, increase productivity and/or lower their cost of living, proving that sustainable, replicable access to critically needed services and products can be created through the MCM.

THE MICROCONSIGNMENT MODEL

The MicroConsignment Model emerged from my experience as a Peace Corps volunteer and social entrepreneur in Guatemala, as I will describe later in this case study. But first it's important to understand the MCM model, what makes it tick, and how it's different from other mechanisms such as micro-credit and micro-franchising.

What Is the Problem?

Poverty is only a symptom of a wider problem: lack of access to services and products. The microcredit revolution has offered one solution to this problem: access to capital for entrepreneurs in the developing world. Other innovations are providing access to education and medical care, including medicines to treat AIDS and TB. But so far no one has implemented—at scale—a model that creates access to economic solutions to a wide spectrum of issues, including chronic conditions such as pulmonary and gastrointestinal illnesses, vision problems, malnutrition, water scarcity, and lack of energy. Access can only be created if the product, place, price, and people work in concert to serve those in need in a way that takes into account their cultural, social, and geographic conditions.

The pieces for solving this access problem already exist. Stoves, water filters, reading glasses, solar panels, and hundreds of other products abound. All that is needed is a way to get them to the rural communities that most need them. There is no lack of human capital or local entrepreneurial spirit. Local transportation networks already reach vulnerable communities. Infrastructures, including those set up by micro-credit organizations, have been established by international and local organizations throughout the developing world. But what has been missing is a model that puts the pieces of the puzzle together, one that starts by asking what villagers need and then works to create an effective system to address those needs.

What Is the Solution?

The MicroConsignment Model solves this puzzle by delivering essential products and services at affordable prices to the rural poor in the developing world. MCM entrepreneurs, primarily young women and homemakers, provide solutions to health problems, save families money, help individuals increase their productivity, and help protect the environment. MCM entrepreneurs offer solutions to the population at the “base of the pyramid”—in this case, the most vulnerable rural com-

munities—by addressing the “what” (essential products and services), the “who” (rural villagers), and the “where” (rural villages). They do so by creating a “how”: a highly scalable local distribution network that works to diagnose and address the myriad obstacles confronting these communities in a sustainable way.

What Makes the MCM Tick?

The key is to introduce and deliver high value-added products such as near-vision glasses, water filters, energy-efficient stoves, and solar lamps, products that demand customer awareness and a service approach, into rural villages in the developing world effectively and efficiently. NGOs could donate them, but donating is not sustainable and often not effective in the long term. These items must be sold. And the only way to sell them in a scaleable and accessible way is through local entrepreneurs. So why not have local entrepreneurs use their savings to buy them and sell them? For two reasons: many have no savings, and they rarely have access to a local distributor who could provide them. Then why not use a typical micro-credit structure where entrepreneurs take out a loan? This solves the financing problem but fails to address the issue of access to local distributors. Then what about a micro-franchising mechanism? To help entrepreneurs get started and grow, organizations (microfranchisors) seeking to create access to products can empower local entrepreneurs (microfranchisees) to use or promote a micro-credit mechanism to provide financing. In Uganda, for example, Living Goods does a fantastic job empowering women micro-franchisees to sell health solutions and the like. It sources the products and sells them to women entrepreneurs who buy the products, with borrowed money, and then go door to door solving their neighbors’ needs. Thus they become “Avon ladies for the poor.” HealthStores does great micro-franchising in Kenya, helping individuals set up village pharmacies that sell medicines to the poor. BRAC, a very well resourced organization, has helped millions in Bangladesh. This approach works well for the products that Living Goods, HealthStores, and other micro-franchisors like them are promoting.

If microfranchising works so well to introduce new products in new markets, why introduce the MicroConsignment model? Is it actually different? Do we need a new approach?

The key difference has to do with the timing of the purchase. In a microcredit-financed model like microfranchising, the entrepreneur first buys the products on credit and then sells them. She then uses her sales revenue to pay back the loan, and ideally buys more products to sell after taking out her profit. When she sells, everyone is happy: the financing/distributing organization achieves its mission and earns revenues, villagers get what they need, and the woman can help support her family. But when she doesn’t sell, the villagers are in the same place, the organization does not achieve its mission, and the woman is stuck with both inventory and debt.

A consignment model works in reverse. The entrepreneur is first provided with products at no cost. Then she sells them, pays the supporting organization, and

Scaling Access to Testing and Intervention for the Hearing Impaired

The World Health Organization estimates that 7.0 percent of the world's population is hearing impaired. That's a total of 312 million people, of whom two-thirds are living in developing countries. Yet only 12 percent of hearing aids are sold into these countries. The principle reason hearing impairment is so prevalent is the lack of any prevention as well as dearth of trained professionals to offer any treatment or therapy. It becomes rapidly evident that new methods of hearing testing and access must be used. The problem in developing countries is not the problem of ineffective intervention but unavailable intervention. The MCM will enable us to provide much-needed access to hearing testing in developing countries. Setting up MCM entrepreneurs will also enable us to scale and replicate our program on a global scale and will provide a vehicle to make our program sustainable.

—Howard Weinstein, Solar Ear

pockets her profits—but only *after* she completes a sale. At that point she gets her inventory restocked and the cycle begins again. Just as in a credit scheme, when she sells, everyone is happy. But when she doesn't sell, the repercussions for the organization and the entrepreneur are very different from those of microfranchising. Just as in a credit-financed scheme, when the woman doesn't sell, organizational capital is tied up out in the field. But this capital is tied up in the organization's products that the entrepreneur is simply holding for sale and not in a loan that the entrepreneur must find some way to pay back. The woman can go out and sell the next day, or the next week or next month. She lives to sell another day without the burden of a debt payment that is pushing her further into poverty.

Of course not every woman will be a successful entrepreneur. The MicroConsignment Model takes this into account and aims to “do no harm.” In this model, save the sunk training costs that are needed in both models, the organization's capital is not lost if the woman stops selling briefly or even entirely; the organization can simply take back the products and consign them to a new entrepreneur. A key component is that individuals can “test drive” an entrepreneurial opportunity. They get classroom and field training that enables them to make informed decisions and gain the skills they need. Thus, the consignment structure empowers women who have little education and no business experience to invest their time and “sweat equity” in a venture in which they can earn a profit from their first sale. If it doesn't work out, a woman is not left with burdensome debt and product inventory; ideally she will leave with new skills and knowledge but not a loan obligation.

A final difference between MCM and models such as microcredit and microfranchising is the way entrepreneurs reinvest their earnings. When credit is used as the enabling mechanism, entrepreneurs often use all or much of their earnings for personal or family consumption needs before they have time to restock

their inventories. That stunts their growth. Remember that they are usually low-income women who often live a hand-to-mouth existence, so they are easily tempted to consume their revenues. In contrast, MCM entrepreneurs reinvest efficiently in their ventures. Because they buy their goods after they make a sale, they do not see as theirs the portion of their revenues that goes to restocking their inventory. So they don't consume what isn't theirs. Of course they have to learn not to spend the revenues they need to reinvest. We have found that they never do spend them. We have trained and equipped nearly 200 entrepreneurs over the past five years, and not one has run off with the money. This is mostly because the MCM is not just a financing mechanism, but in fact creates a mutually respectful relationship between the organization and entrepreneur. The women entrepreneurs are offered a compelling opportunity that is empathetic to their situation. They respond in kind. This is human nature.

Certainly one school of thought considers debt necessary to give entrepreneurs a sense of ownership and to motivate them. I agree with this on some level: having a loan obligation can definitely focus the mind on one's work. But both our own experience and broader evidence contradict this idea. First, MCM entrepreneurs working in our infrastructure in Guatemala and Ecuador have already sold over 35,000 products, and we have only scratched the surface from a geographic scale perspective. And VisionSpring, which adopted the MCM in 2004, has sold thousands of pairs of glasses using the model. So clearly, an upfront debt obligation is not the sole motivator. Second, this belief contradicts the very premise behind the origins of the micro-credit: before it was implemented, the idea was that women entrepreneurs had ongoing concerns, and simply needed access to capital through credit to grow their businesses. They needed to be able to buy more stuff to sell more stuff. Therefore, it makes no sense to state that the loan obligation is what creates a sense of ownership and drives entrepreneurship. If it did, these women would never have been entrepreneurs in need of micro credit in the first place. What successful entrepreneur would say that debt created a sense of ownership and was a primary motivator? Steve Jobs and Steve Wozniak didn't start Apple in a garage because they had a loan. Apple exists because they believed in themselves and in what they were doing. The MCM has empowered Yoly and Clara to believe in themselves and in what they are doing.

Perception Versus Reality

One of the most compelling differences between credit and consignment is related to risk and uncertainty. Credit works in risky markets; the MCM works in uncertain markets. The MCM's power lies in its ability to create first-time sustainable access for new products in new markets through new entrepreneurs. As James Surowiecki writes in his *New Yorker* article "Hanging Tough," referring to economist Frank Knight, "Risk describes a situation where you have a sense of the range and likelihood of possible outcomes. Uncertainty describes a situation where it's not even clear what might happen, let alone how likely the possible outcomes are."¹

Soluciones Comunitarias
PRODUCTOS ECONOMICOS PARA SU BIENESTAR
 Ayude a su salud y economía familiar

www.solucionescomunitarias.com

¿So le dificulta a leer, tejer o trabajar? ¿Sus ojos le pican o arden?
 Exámenes: **o 50**
Lentes para leer y trabajar

Exámenes de la Vista
 Lentes de calidad a precios económicos **o 35**

o 26
Focos ahorradores
 ¡Consumo 70% menos energía y dura 10 veces más que los focos convencionales! Ahorre dinero en su cuenta de luz.

¡Ahorra dinero! y protege la salud de su familia!
 Fácil de usar y tecnología comprobada. Pagos a plazos **o 380**
Purificadores de agua

¡Use menos leña y proteja sus pulmones y la salud de su familia, ahora tiempo y mantenga su casa limpia!
o 775
Estufas mejoradas
 Existen tres modelos
 Pagos a plazos
 *Disponibilidad
 y precios depende de cada región

o 5
Semillas
 Alimento a su familia con verduras nutritivas. ¡Y, no olvide su GUA DE SEMBRAR!

Nueva Solución:
Gotas Purificadoras **o 35**
 (distribución única portable para purificar el agua)
 Purifica hasta 1200 litros de agua. Tecnología comprobada y saludable, no tiene sabor y no daña el medio ambiente

Soluciones Comunitarias S. A. es una empresa Guatemalteca especializada en combatir problemas socioeconómicos en las áreas rurales con herramientas empresariales. Trabajamos en más de 10 departamentos de Guatemala ofreciendo productos económicos que mejoran las condiciones de salud en comunidades rurales. Trabajando dentro del modelo de "microconsignación", Soluciones Comunitarias aprovecha otras facetas para fomentar productos y servicios al "último kilómetro".

Quiénes Somos: Soluciones Comunitarias es una empresa que se estableció con el apoyo del ONI estadounidense Community Enterprise Solutions (www.acesolutions.com). Aunque Community Enterprise Solutions sigue apoyando a Soluciones Comunitarias, los dueños y líderes son de Guatemala.

7832-6345
Comunicación al Cel.

Calendario 2009

ENERO	FEBRERO	MARZO	ABRIL
D L M M J V S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	D L M M J V S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29	D L M M J V S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	D L M M J V S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
MAYO	JUNIO	JULIO	AGOSTO
D L M M J V S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	D L M M J V S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	D L M M J V S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	D L M M J V S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31
SEPTIEMBRE	OCTUBRE	NOVIEMBRE	DECIEMBRE
D L M M J V S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	D L M M J V S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	D L M M J V S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	D L M M J V S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

Marketing Must Adapt to Local Circumstances. One lesson we have learned in marketing is that when MCM entrepreneurs post flyers in villages, people rip them down. We decided to work with this habit, not fight it, so we put calendars on the flyers. Guatemalans love to hang calendars in their homes. If they are going to rip them down, let's make it work for us.

But one person's risk may be another person's uncertainty. Perception, not necessarily reality, defines this distinction. Although almost any endeavor involves some risk, actors in high-risk situations may feel so much discomfort that they cross the line from risk into uncertainty.

Credit-driven structures work when the entrepreneur perceives risk. An entrepreneur whose inventory is funded 100 percent up front through credit has little time for learning and a slim margin of error. She must sell immediately and sell consistently without fail, or she will likely fall further into poverty. Therefore, she must understand and feel comfortable with her risk before she takes out a loan to buy her inventory. So she first has to know her supply-and-demand equation and predict that she will likely be able to sell her products.

However, when potential entrepreneurs perceive the market as not just risky but uncertain, the MCM has proven to be an optimal solution. With new products for new markets, primarily high-value-added products, sometimes an entrepreneur simply cannot calculate risk. There is no knowledge on which to base a risk assessment. An entrepreneur who is highly skeptical of a new product, her ability to effectively sell that product, and market demand will not want to take out a loan and bear all the up-front risk. And even if she wants to, she probably shouldn't.

Conversely, the implementing organization with a different, more informed perspective, such as Community Enterprise Solutions, simply sees risk, not uncertainty. So it utilizes the MicroConsignment model.

Thus, the MCM was designed to fill the gap for previously unknown and/or inaccessible products from the perspective of both the entrepreneurs and the villagers—their potential customers. MCM entrepreneurs engage in businesses where supplies never existed, perceived demand is highly unpredictable, and thus the environment is uncertain. Where the MCM is most effective, many of the client beneficiaries never realized they needed those particular products and services. For example, MCM entrepreneurs have instantly helped thousands of village weavers who thought they were going blind by giving them a free eye exam and then selling them a simple \$5 pair of reading glasses. The weavers would never have thought to seek out this solution because they did not even understand their problem. And the MCM entrepreneurs would have never thought they could offer such a service. They are homemakers, often with limited education, and thought only “doctors” could provide these services. This is a highly uncertain situation for an entrepreneur. I cannot count the times a woman has given me a “What are you smoking, gringo?!” look when I said she could start a business giving eye exams and selling reading glasses. “Who me?” she responds. “Impossible!” “Yes, you,” I reply. “It’s totally possible!” Therefore, on-the-job learning must be a part of this enterprise and is inherent in the MCM—potential entrepreneurs can learn by doing. They must be empowered through a mechanism that provides the support and time needed to overcome the barrier of high uncertainty and turn obstacles into opportunities.

New Products to Grow Entrepreneurs’ “Basket of Solutions”

The MicroConsignment Model intervenes at all levels by creating an ecosystem with symbiotic relationships in which needs are diagnosed and solutions are identified and implemented. High-quality products and services are assured, as the beneficiaries are paying clients who are “voting” by using their scarce resources to buy what they want. Both the organization implementing the MCM and the entrepreneurs continually encounter incentives to solve community problems by selling the appropriate products. Both parties can only succeed by achieving greater geographic and product scale. The entrepreneurs have an incentive because only by selling more products to more people can they make more money while also helping more of their neighbors. The organization implementing the MCM is motivated to increase scale for various reasons: to achieve its mission, to attract funding to continue operations, and/or to cover costs and possibly earn a profit. The MCM empowers and teaches everyone involved—customers, entrepreneurs, NGOs, and social enterprises, and donors and investors—how to address poverty effectively and efficiently in a sustainable, scalable way.

With the MCM, the first indication of success comes not when an entrepreneur pays back a loan, as with microcredit, but rather when she creates access in a

village. Impact is measured in sales to villagers, not sales to entrepreneurs. Metaphorically speaking, this means that the entrepreneur and implementing organization are sitting on the same side of the table and are motivated to build a mutually beneficial relationship. In this way, the organization is more like a venture capital investor than a bank: it sells products not to the entrepreneur but through her. Therefore, everyone involved looks first at the villagers' needs and the sale of the products.

The MCM uses both a bottom-up and a top-down approach to push new products out into the communities. From the bottom up, an entrepreneur discovers a need and looks to the implementing organization for a product solution. From the top down, the organization first finds a new product and then looks to the entrepreneurs to assess the need for it, as they are a continuous, reliable source of real-time market knowledge. To succeed, the entrepreneurs must be responsive to villagers' needs—and the organization must be responsive to the entrepreneurs' need to serve those villagers.

As an example of the bottom-up approach, in 2005, two of the first MCM entrepreneurs, Esperanza and Margarita, identified a need to treat pterygium, a noncancerous growth of the thin tissue over the white part of the eye (conjunctiva). There is no cure for this condition and the precise cause is not known, but it is aggravated by exposure to sun, dust, and smoke, all of which affect individuals living in the rural developing world. These two women identified the need for treatment and asked us for a solution. Now, working within our model, these entrepreneurs have sold over 5,500 pairs of UV protection glasses to address this problem in Guatemala—part of the tens of thousands sold through VisionSpring worldwide.

When approached from the top down, MCM entrepreneurs are an unbeatable initial vetting resource for new technologies and marketing strategies. They have a vested interest in responding quickly about what will and will not work. For example, in June of this year we presented one-watt solar panels with LED lights to the MCM entrepreneurs as a potential new product. As a true test we discussed the benefits and then offered to sell the lights to them outright at a price only slightly discounted from the projected village price. They bought them all on the spot. For further confirmation, we then worked with them to conduct surveys in the field. The word came back that they would “sell like hotcakes.” We have now ordered 1,000 units as an initial pilot. We had an idea for a solution, and they confirmed a perceived need for it by “voting” with their purchase; together, through the surveys, we have confirmed a perceived need throughout Guatemala. Now we both have “buy in”; together we can confidently pilot a new solution.

Leveraging Existing Infrastructures

In Guatemala, we have created an MCM entrepreneur-owned social enterprise, Soluciones Comunitarias (SolCom) as our implementing mechanism. But creating a new entity is only one way to implement the MCM and grow it sustainably. Any

organization in a developing country that focuses on serving rural constituents can start an MCM venture. If an infrastructure already exists, the training and initial product purchases are the only up-front costs. From then on, costs are associated with revenues and are variable. An organization can identify, train, equip, and support five entrepreneurs or fifty. It can conduct village campaigns three times a month or once every three months. It spends money only when it offers activities. But these organizations do have to watch out for mission creep as they adopt the MCM system and services, and be sure whatever they take on is compatible with their own organizational mission.

National and regional microcredit organizations can add the MCM to their existing initiatives, which creates powerful leverage. For example, as an MCM implementation platform, a microcredit organization can create effective new income-generating opportunities for its borrowers. An example is the microcredit institution *Fundación Paraguaya*; my partner and I trained them to implement the MCM for VisionSpring's reading glasses initiative. A group of the *Fundación's* borrowers are now earning money and serving their communities by selling reading glasses through the MCM—and the *Fundación* now has both a new revenue source and another way to serve its clients. Although an MCM always requires some modification, it can be started and implemented without creating a whole new organizational infrastructure. It can be an “add on” implemented at the scale the organization desires to achieve.

Another way to implement MCM is on the local level, as we have proven in Guatemala. In 2008, our leadership team identified a new opportunity to increase scale efficiently. In the past we worked almost exclusively with local organizations and associations to help us identify potential women entrepreneurs in new regions, but now we have developed a full-service approach: the organizations themselves act as entrepreneurs and sell products at kiosks in locales where foot traffic is highest and in local village campaigns. Just as the women MCM entrepreneurs are known as *asesoras comunitarias* (community advisors), the organizations are known as *socios comunitarios* (community partners). This structure can create great leverage because these organizations already work with rural beneficiaries who can buy the MCM solutions. The local groups benefit as they earn revenue and are seen as contributing in their communities. Often they train their own entrepreneurs, or we do.

SolCom members have especially succeeded as MCM entrepreneurs with some rural libraries that the Reicken Foundation has created in Guatemala. The libraries use the income generated from product sales to pay for their Internet signal. From June to September of 2009, three such libraries, acting as *socios comunitarios*, sold a combined 174 pairs of eyeglasses, 85 bottles of eye drops, 16 water filters, 105 energy-efficient lightbulbs, and 63 packets of vegetable seeds. This not only helped the libraries' constituents and enhanced their own reputation, it also earned the libraries a combined profit of \$525, with no up-front investment, so the libraries are less dependent on donations. SolCom earned revenues of \$2,100, which it used

to pay expenses and invest in new products. This is a great example of the “win-win-win” solution this model can create.

Finally, the MCM can be implemented through micro-franchisors, in one of two ways. First, some microfranchisors currently use a credit scheme to enable their microfranchisees to buy their products. Those using this credit scheme can offer their microfranchisees new value-added products and services through the MCM. The franchisees can add products that are initially “uncertain” to complement their “risky” mix. Instead of the MCM replacing existing, functional, micro-credit-based strategies, it can be added as an effective complement. Second, new product innovators and manufacturers can promote the MCM as a way for organizations to get new technologies out the door. Nick Swoden of ToughStuffOnline, an innovator in solar energy and lighting solutions, recently said to me:

ToughStuff’s microfranchising effort, the Business-in-a-Box program, has partners that love the MicroConsignment Model. The partners prefer this model to microcredit because it greatly limits the risk an entrepreneur must bear. This is especially critical when launching new technology, like solar products. The other benefit we hear is that the MCM is much simpler and easier to manage and scale. Whereas microcredit, with its scheduled loan repayments, is actually quite a complicated model with high transaction costs, our partners who aren’t financial institutions are able to launch and scale a MicroConsignment Model program without taking years to learn this business.

HOW DID THIS ALL GET STARTED?

I first learned about the problems of access that face rural people in the developing world in April of 2001, while I was working as a Peace Corps volunteer in Nebaj, Guatemala, a town of approximately 10,000 located in the remote Western Highlands. Nebaj is the main entry point for the Ixil region, home to a primarily Ixil-speaking Mayan population of approximately 120,000 people. The region includes two other towns, Chajul and Cotzal; the three towns are the commercial hubs for hundreds of outlying villages. The villagers face myriad problems: high rates of illiteracy, few employment opportunities, poor health care, language barriers, sporadic transportation, and an almost total lack of access to essential products, except those provided intermittently by donor organizations.

I arrived in Nebaj with no development experience. I had taught at and managed a language school in Japan for over two years and worked in investment banking in the U.S. for more than four. I had just turned 30 and knew I wanted to work in economic development, but I knew nothing about the field. I joined the Peace Corps to gain grassroots experience. At the time, I had no notion that my work would lead me to create the MicroConsignment Model, but I had quickly sensed a profound need, assessed whether current models could address that need, and

found them inadequate. That led me to develop a new model based on the old concept of consignment.

In my role as a small-business Peace Corps volunteer, I was tasked with supporting two organizations: a microcredit institution and the local Chamber of Commerce, which was in charge of an Internet center financed by USAID. After living in Nebaj for eight months, I also received permission from the Peace Corps to open a restaurant, though all I knew about restaurants was how to eat in them. My personal mission was to learn about best practices while having a positive impact. In retrospect, the lessons I learned working in these three initiatives—a microcredit institution, the Internet center, and a small business—have proven fundamental to the approach we took with MCM. Unfortunately, I learned most of these lessons the hard way.

Learning from the Micro-credit Experience

FAFIDESS (Fundación de Asesoría Financiera a Instituciones de Desarrollo y Servicio Social), the microcredit organization I worked with, was implementing a village banking strategy. I was delighted to discover this, as I had specifically requested a placement where I could work in microcredit. In fact, I had finally quit my investment banking job as a direct consequence of reading David Bornstein's book about Muhammad Yunus, *The Price of a Dream*, which made me a true believer in the power of microcredit. But my inspiration quickly turned to doubt and frustration—for several reasons.

In Nebaj, the micro-credit manager met twice a month with village banks, informal groups of 20 to 30 members who receive individual loans and are predominantly female heads of household. One monthly meeting focused on disbursing loans or collecting principal, interest, and savings from the women, and the other was designated for small business training, for which I was responsible. Each meeting was to last one hour.

Soon after I began teaching, it became evident that no one valued the training—neither the women borrowers nor the institution. Managers were evaluated on the number of banks they developed, the number of borrowers, and the size of their loan portfolio and delinquencies, and were often hard pressed to spend adequate time with borrowers in any capacity, let alone a support capacity. With the emphasis on increasing numbers, training—my job—took a back seat. Moreover, the women borrowers often had very different businesses, were in different cycles of those businesses, and had varying levels of education, literacy, and Spanish language ability. And they had little time. So the trainings I designed and gave had to be thematically universal and very basic—broadly applicable to all of them, but specifically helpful to few. Most participants viewed training as more of a burden than an opportunity. In fact, looking back, my most successful training day was the one when I leaned against the house door of the woman who was hosting the training, ripped the door off its hinges, and fell backwards onto the bed in her daughter's room. I couldn't stop apologizing, and the women couldn't stop laughing. That day, they listened to me.

Later, as a consultant in Senegal and Paraguay, I saw microcredit being implemented successfully, but it was the hard lessons from my Guatemalan experience that have most helped me develop the MCM. First, I learned that an organization must determine its desired outcomes from the start and use appropriate techniques to measure those outcomes. The MCM's desired outcome has always been to increase sustainable access to products that will improve villagers' standard of living. We first aim to identify the real and perceived needs of villagers and then provide solutions that address those needs. By nature, the MCM gauges success by the number of buyers and where they live. At monthly meetings we discuss the optimal village targets, restock the inventories—and divide up the revenues. Entrepreneurs determine their profits and we calculate the economic impact on buyers. We also talk about the health benefits embedded in most of services and products: eyeglasses improve vision, water filters provide purified water.

Second, an organization is simply a mechanism used to execute a model that serves a desired outcome. Achieving that outcome cannot be subservient to sustainability. Because the MCM only works if villagers purchase the products, the organization cannot have a sustainability strategy that would supersede the desired outcome. The only way an implementing organization can succeed is if the product, price, place, promotion, and people facilitate more access. The MCM only works if villagers buy what the entrepreneurs are selling. There is no shortcut.

Third, training and outreach must be relevant, offered in the local language whenever possible, and embedded in the model as an integral activity, not as a separate obligation. People should seek training because they believe it will improve their chances of succeeding. Within MCM, entrepreneurs and regional leaders are forced to meet monthly. Because the entrepreneurs are not buying anything, no one is succeeding unless the end users buy products. Interdependence and the sharing of best practices are in the DNA of the model.

Finally, I prefer an approach that provides high-quality, targeted support to a relative few, who, in turn, help many others, rather than trying to help many at the same time and failing with all but a relative few. Looking at it through the lens of the Pareto Principle (the 80/20 rule), in my micro-credit trainings I tried to reach 100 percent of the women and was only reaching 20 percent at best. The other 80 percent were not benefiting—so I was using my time very inefficiently. Within the MCM the approach is to reach 100% of people by focusing direct support on 20%, who then support the other 80%. When inputs and activities are focused on benefiting a core group of people, they can benefit exponentially more people through their work. For us, the 20% are the entrepreneurs and the 80% are the villagers.

My “Field of Dreams” at the Nebaj Chamber of Commerce

In 2001, USAID opened the first Internet center in Nebaj and helped establish a local Chamber of Commerce to operate the center as a nonprofit organization. The Chamber's board of directors hired personnel to run the day-to-day operations. USAID provided all of the equipment, negotiated contacts with an ISP, and, to get



Empowerment through Opportunity. *Entrepreneurs from three distinct regions of Guatemala share ideas for effective marketing techniques at the Soluciones Comunitarias 2007 National Conference.*

the center into a position where it could be financially self-sustainable, agreed to pay most of the bills for the first few years. This subsidy was designated to allow the center to set aside revenues from user fees, which would be used for operations and reinvestment once USAID's support ended. My leadership role was to support the board of directors and center personnel to create a successful Internet center that would serve the community. Problems arose, as they unfortunately often do, from unintended consequences.

When USAID formed the Chamber, it chose board members who were business leaders. They had not necessarily diagnosed a need for an Internet center. Without a common vision or history of working together as a team, they brought disparate views to the task. USAID had expected that Chamber members would work to make the center succeed, but because they worked voluntarily they had no "skin in the game." The center was essentially a business being run by quickly assembled volunteers. Businesses can't be run by volunteers.

Moreover, the reality on the ground was out of line with the expectations, from both USAID and the Chamber, about demand and technical performance. Both had expected that, as in the movie *Field of Dreams*, "If you build it, he (they) will come." People did come, but not for the reasons or to the extent expected. Furthermore, the Internet signal was slow and erratic, and the clients who did show up, many using the Internet for the first time, often left in frustration and saw

little value in the experience. The key to a successful Internet center is high usage, but because usage didn't meet expectations, management raised prices in a counterproductive effort to increase revenues, which reduced usage even further. All of these factors led to conflict and mistrust between stakeholders and the Chamber and the clients it sought to serve. The Nebaj Internet center closed after just four years.

I learned many lessons in my work with the Chamber and the Internet center. Above all: opportunity must be earned. There had been no vetting process; the Chamber members were simply given an opportunity they did not earn, and they had not proven through their efforts that they merited the opportunity.

By contrast, MCM entrepreneurs put in sweat equity to earn the opportunity they are given; that ongoing process begins with the training, a course of roughly eight weeks. Four "classroom" sessions are followed by three field-training sessions. When training new entrepreneurs in a new territory, we begin with up to eight women, knowing that fewer will attend each subsequent meeting. Attrition is actually desirable and is built in. By the time the women who remain are consigned their products and begin their field work, they have proven they are willing to put in the necessary effort and that they share our vision. In effect, the training works as a mutual vetting process.

Second, when the goal is creating access, the pricing structure must allow for the highest possible usage while also compensating the service providers appropriately. This is a continuous balancing act. A volunteer-driven model is unsustainable because no one is compensated, and volunteers' motivation will wane as other priorities take over. Conversely, pricing products or services too high may boost income in the short run, but it cannot create broad access.

With the MCM, prices are established by the implementing organizations after they test how end users perceive the value of products. If prices are too low people see the product as cheap; if prices are too high no one can buy it. The entrepreneurs' needs for compensation are also key. Prices must maintain a balance between providing broad access for villagers and sufficient earnings for sellers. We have found that establishing a price point at the start and stating it on the advertising materials is a better strategy than allowing entrepreneurs to set their own prices. Because revenues must be divided at monthly meetings, MCM entrepreneurs cannot charge less than the stated price for the products. Admittedly, they may sometimes charge more for their products without our knowledge, but because we set goals for sales volume, these altered prices do not hinder usage, for two reasons. If a woman is charging a higher price but is reaching her volume goals, then there is no actual problem: she earns more and all the goals are met. But if she is charging more than people will pay, she will not meet her volume goals. Then she will lower her price to achieve the volume goals and start earning profits! In either scenario the outcome is positive.

I learned a third lesson at the Internet center. A "push strategy" with a service approach is essential in marketing new and high-value-added products. If you build it, they won't come. You must look at potential users and consider how the

product will benefit them. The Chamber failed to attract potential users because it failed to demonstrate how the Internet would benefit them. Within the MCM, entrepreneurs “push” to remote communities and are called community advisors because they are seen as such. As service providers who are trained to market and sell health and economic benefits at an appropriate price in the appropriate place, entrepreneurs with little experience quickly come to be seen as experts. So, villagers not only purchase their products but also ask them for new solutions to other problems. The entrepreneurs then share this information with their field leaders, who respond by seeking appropriate new solutions to the problems that have been learned about from the villagers.

You too Can Learn Quickly! My Tourism Businesses Start up

After six months in Nebaj, I realized that tourists were visiting and leaving quickly without spending any money. I identified the problem as a lack of tourism infrastructure: no tourist center, no attractive restaurants, and only one guiding service. The Peace Corps gave me permission to use my own funds to start several tourism businesses with some local residents. The first business was a restaurant; we soon added a Spanish language school, a hiking and trekking service, an artisan store, and an Internet café (unrelated to the Chamber of Commerce venture). I wanted to bring new money into Nebaj by tempting tourists to stay an extra day or two. The long-term vision was to have local entrepreneurs gain ownership of the ventures through sweat equity and to take over fully when we had become self-sustainable, both financially and administratively. This hand-off took place in early 2004, and these ventures are still operating profitably. My \$2,000 investment, supplemented with approximately \$15,000 from CE Solutions, resulted in a group of businesses that have earned over \$600,000 to date and have been a catalyst for tourism growth in the region.

Starting and running businesses that I knew nothing about proved to be my most instructive experience. I learned that lack of knowledge was no hindrance to starting new ventures and that basic information could be learned quickly. For example, the local Ixil women quickly learned how to cook beef stroganoff in the restaurant, high school-age youth learned how to operate administrative systems, and former farmers learned how to serve as guides for tourists. In the beginning, I admit, the stroganoff was sometimes a bit of a “mystery dish.” After all, they learned how to cook it from me, a vegetarian with no cooking experience whose only guide was a book called *How to Cook Everything*. But the stroganoff soon improved.

Similarly, using the MCM, we can teach semiliterate women how to give an eye exam, demonstrate a water filter, and describe the benefits of a solar-powered lamp—and quickly. In two days, a mason can learn how to build a stove. Individuals with only the most basic education can learn new skills if they are motivated and receive appropriate training. Through what Geoff Colvin calls “deliberate practice” in *Talent Is Overrated*, entrepreneurs are stretched beyond

their existing abilities and continually increase both their knowledge and their level of business sophistication.

Another lesson I learned is that people will only do better work if they see value in it. If the goal is for individuals to take ownership—which it should be for any development project—they must truly feel the need to do high-quality work or their enterprise will fail. Odd as it may seem, to achieve this, entrepreneurs must be allowed to fail. While running the restaurant, for example, I found that staff would not keep careful records. They began keeping precise systems in place only after I left them in charge and they ran into problems. When they failed they saw the need to improve, which enabled them to move from dependence to independence. Ownership must be felt; people often value something only when they feel the negative consequences of potentially losing it.

With the MCM, we achieve this transition to a sense of ownership through field trainings that teach budding entrepreneurs how to conduct a village campaign. The first campaign is led by regional coordinators with support from the budding entrepreneurs, the second is co-led, and the third is led by the entrepreneurs with much diminished support from the coordinators. As training progresses, the entrepreneurs learn through both their successes and failures. When they are allowed to make mistakes, they also see the need to improve. When first training entrepreneurs, I often went on village campaigns where they set up their product display tables inside a town hall or school. In theory these were natural places to set up, especially because the space had been offered. But they were invisible. The familiar real estate mantra also applies in developing countries: location, location, location. The best place to set up, of course, is outside, where everyone walks by. So for the first hour few people would come and I would stay quiet. I could see the worry and anxiety on the women's faces. Then I asked them why no one was coming. They nearly always replied that no one knew they were there and then decided to move their tables outside. Invariably more people came. It was painful to do but necessary to help them take ownership of their learning and see that they needed to make their own decisions to succeed.

The most important lesson I learned was that even with limited financial resources, people can achieve the seemingly impossible through a model based on teamwork. I had established the tourism businesses with very little investment and with people who knew nothing about how to run these businesses—including me. But we did well. We worked as a team with a common goal, thus proving the whole to be greater than the sum of our parts. This team approach is at the core of the MCM and empowers everyone involved to overcome seemingly insurmountable obstacles. Every product or service offered through the MCM is the first of its kind. In effect, no other organizations in Guatemala are selling eyeglasses, wood-burning stoves, water filters, solar lights, seeds, or energy-efficient lightbulbs in remote villages. The model empowers everyone, especially the women, to see a lack of access to products and services as an opportunity, not as an insurmountable problem. They start out timid and intimidated but soon become confident self-starters,



An Incubator for Development. *The original team of waiters and cooks at El Descanso Restaurant in 2002. Benito (third from left at top) and Silvia (second from left at bottom), then 17, are now teachers at our Centro Explorativo rural education center. Rosa (third from left at bottom) and Nila (fourth from left at bottom), then 17 and 20, respectively, are now professional staff members at Soluciones Comunitarias. Miguel Brito, then age 23 who took the picture, is now the president of Soluciones Comunitarias.*

seeking out more and better ways to provide solutions to other problems, and repeatedly converting the impossible into possibilities.

THE MODEL EMERGES: THE STOVE

The MCM first emerged when I donated profits from the tourism businesses to a wood-burning stove project in La Pista, a village 40 minutes' walk from Nebaj. This donation supplied stoves to 10 families in the village. Like millions of Guatemalans, these families had always cooked campfire-style on their dirt floors. Cooking this way is extremely energy inefficient, it harms the health of family members, and destroys the local environment. Pulmonary illness is a top cause of death in Guatemala and deforestation is ubiquitous. Relief agencies had determined that locally manufactured concrete stoves could immediately and dramatically reduce energy costs and improve the health and safety of Guatemalan families. But once that money was spent, no one else would get a stove. I realized that many more people could obtain a stove if distribution was built on a sustainable

Yoly Acajabon: Our Guiding Light

Yoly Acajabon is among the Guatemalans who have contributed the most to developing the MicroConsignment Model. Yoly, a mother of three, lives in Santo Tomas, Sacatepequez. In November 2004, we asked her to join us. She had no business experience and she was highly skeptical, but as an MCM entrepreneur she has helped increase the standard of living of thousands of Guatemalans. Through her leadership as a regional coordinator, she has trained other women who have helped thousands more. She is now training other regional coordinators, but her contributions go much further.

Yoly was a driving force behind our village campaign strategy. When she first started, she often went door to door, offering her services and products to the people in her town. No one bought anything, but she didn't quit. In fact, she taught us how to improve. She told us "*Nadie es profeta en su propio pueblo*" (No one is a prophet in his own town). But what she really meant was that no one would buy sophisticated products and services from a woman who was known as a simple homemaker. She taught us, somewhat ironically, that MCM entrepreneurs had to go to places, often remote villages, where they have no history. Only after word of their success got around could they slowly gain credibility in their own communities.

In November 2007, Yoly confirmed for me what this work is really all about. I visited Yoly in her home, where I found her in bed and somewhat depressed. She had just had a hysterectomy and was in pain, physically and emotionally. She did not have that Yoly smile and "we will prevail" spirit I had gotten used to. Honestly, I didn't know what to say or do to make her feel better. I asked her how she felt, told her I was thinking of her, offered to help if I could, and tried to reassure her that she would be better soon. But none of this seemed to lift her spirits much. So I started to talk about our work together. As she began talking about the needs in her town for water filters and how we could best help meet them, she was transformed. She said, "Gregorio, I want to get out of bed as soon as possible and get out there and see if people will buy these. There is such a need!"

After leaving Yoly's house, I thought about what had happened and realized something that drives me now on a daily basis when work gets difficult. Yes, the MCM gives people access to things they need to improve their health and save money. It also creates income for women. But it is about much more than that. It gives women like Yoly a sense of purpose. It inspires hope. These are benefits we cannot measure, and they will far outlive any of our measurable achievements.

model. In response, I developed what I then called "the stove model," which would later become the MicroConsignment Model.

Ignoring the widespread opinion that no one would buy a stove, I decided to find a way to make stoves continuously available and affordable. My first thought



Beneficiaries Waiting in Line. *Villagers feel a sense of urgency to attend campaigns, where they are being offered products and services they have never had access to before. They are asked to “vote” for what they truly need and want by purchasing products with their limited resources, thereby ensuring quality products and services. They feel a sense of dignity by purchasing solutions rather than receiving handouts.*

was to pay someone to build them, but the few hundred dollars I had wouldn't pay anyone for more than a few months. I then met with Augustín Corrio, the mason who had built the original stoves, and offered to lend him money to buy the materials to make and sell stoves. His reaction mirrored that of others: he perceived uncertainty, not risk. “No one will buy a stove, Gregorio”: villagers simply wouldn't buy stoves because they were used to getting them for free or they cost too much. At the time, materials to make stoves like those Augustín had built in La Pista cost roughly \$75, plus labor. Putting the donation issue aside, I first decided to tackle cost.

To find a less expensive stove, I conducted extensive research on stoves being built throughout Guatemala, but could not find another compelling option. So I asked Augustín to help me modify the \$75 model to bring down the cost. After a few weeks, we got the cost down to approximately \$50 without hurting the integrity of the design and function. But this still seemed prohibitively high for families earning \$120 a month. To lower costs further, I proposed that we make the legs of the stove out of wood rather than cinder blocks. Although Augustín protested that



The First Stove Model. A family purchases the first stove in La Pista, Guatemala.

wood would rot and no one would buy a stove with wooden legs, he agreed to build a pilot model in the home of one of the restaurant's cooks. The stove performed as intended. We had it! In fact, that stove is still in use six years later.

Though this design succeeded, I ultimately had to abandon the wooden legs. This experience taught me that even in rural villages, form is just as important as function, and sometimes more so. Moreover, I realized, perceived need trumps real need and desire drives sales. A family cooking on the floor has a real need for a stove. One might think that any stove would do, but no. Just because someone is poor doesn't mean they want a "poor" solution. People make purchases based on their perceived needs and their desire for a particular solution to that need. The wooden-legged stove passed the first two tests: it addressed the real need and it addressed the perceived need. But it didn't address the desire. Nobody desired a wooden-legged stove. This lesson was reinforced in our work with VisionSpring, when cofounder Jordan Kassalow concluded that people want high-quality glasses and are willing to pay for them. Even poor people want what we want, not donated used glasses that look like they should be worn with a polyester disco suit. Development initiatives fail when they base their strategies only on real needs described in a report or on perceived needs, without gaining a true understanding of actual desires.

Given that the wooden-leg solution was unworkable, I decided to go with the \$50 model. But I still had two problems: how could I get people to buy the stoves

at that price, and who would sell them? To solve the first problem, Augustín and I concluded that villagers needed a payment plan. To solve the second problem, I came up with the idea of consignment. In fact, consignment seemed to solve a number of problems. I would consign to Augustín the construction materials up front; to cover his profits and administrative expenses, I would add a margin onto the price. This meant Augustín would not have to bear the up-front risk. I was confident we could make it work and took the risk. My risk-taking allowed him to work with uncertainty. We devised a six-month payment schedule for our customers: the stoves saved so much on energy that they could pay for themselves. This is a critical element of the MCM. Customers either save money, as with the stoves and water filters, or they create the ability to make money, as with the eye-glasses. Buying the products creates equity, essentially putting money in customers' pockets.

Augustín needed to invest his time to find buyers. He was willing to bear this risk because the opportunity cost of his time was effectively zero. I would purchase the materials for him at a local hardware store, and as people made payments on their stoves, Augustín would earn a profit. Meanwhile, as he repaid me for the materials, I could reinvest that money for more material to make more stoves—a rotating capital mechanism. Augustín would be motivated to sell and would have a long-term opportunity: providing stoves to more and more families. Because he wasn't a businessman by training and was only compensated if he succeeded, we had built-in business training. If something didn't work, he would tell me and we could make modifications. He had incentives to get training. And, this method assured me that the funds I was providing went directly to the intended purpose. For argument's sake, if I had simply loaned Augustín the money for his stove business and he took the risk, he could have spent the money on other things, as tends to happen at times with microcredit. A microcredit lender doesn't stipulate, much less direct, the credit recipient's business investment. But using the consignment process assured me that Augustín would build stoves.

No one had done this before. In fact, I was anxious that people wouldn't pay him back for their stoves because they were accustomed to handouts. But I needn't have worried: to date, Augustín and other entrepreneurs in the Ixil region have sold over 1,600 stoves, and everyone has paid back their loans. People will buy what they need and want with their very limited resources if a quality product is provided through an approach that responds to their needs, desires, and limitations.

Realizing the Potential

After finishing my stint in the Peace Corps, I decided to stay in Nebaj to continue the work I had started and to work as a consultant for USAID. At this point, CE Solutions and Social Entrepreneur Corps cofounder George Glickley joined me. George had been a Peace Corps volunteer in another part of the country and became my partner in all my initiatives from then on.

In March 2004, the Scojo Foundation (now VisionSpring) contracted with us to help them find an effective way to distribute reading glasses to low-income vil-

lagers in El Salvador. They estimated that over 90 percent of people over age 40 will need reading glasses to see up close. Of course, “reading glasses” is a misnomer in countries like Guatemala, where many who buy them cannot actually read. The glasses simply help them see up close.

Although we were originally hired to address what VisionSpring saw as a marketing issue, while working with their programs leader, Neil Blumenthal, we concluded that the overall implementation model needed to be changed. VisionSpring was using a microcredit model to give local women the means to give basic eye exams and distribute glasses door to door, but it wasn’t working effectively.

We noted that lending the women money to buy the glasses created problems at three distinct points in time. At inception, we faced the same problem I had encountered with Augustín. When women were presented with the opportunity to give eye exams and sell glasses, many would decide not to take it. It was an entirely new business and appeared impossible at first glance. Perceived uncertainty was an obstacle. Later, some women did take the plunge, and they initially experienced an enthusiastic response. But many then saw a downturn in sales but still had to both repay their loans and buy a predetermined number of glasses. Many of them came to meetings without money and asked for an extension, which led others to do the same, essentially creating a domino effect. After a few months, many simply stopped coming to meetings and the VisionSpring staff had to go to their homes and reclaim the glasses. In many cases, what was intended to be a collaborative relationship instead became antagonistic. Moreover, the project did not achieve its aim of creating access; instead the women were left with debts. All of this was totally contrary to the VisionSpring mission.

Finally, because the sales were made to the women and they simply had to pay back the loan and buy more glasses, VisionSpring wasn’t continuously learning about the market. Moreover, the training was separated from administration, just as it had been in my microcredit experience. VisionSpring and the entrepreneurs were essentially sitting on opposite sides of the table, not on the same side looking in the same direction.

After considerable analysis, we concluded that the “stove model” could mitigate the challenges VisionSpring was confronting with its microcredit model. VisionSpring decided to adopt a modified stove model as its mechanism for implementation. Although I didn’t name it until a year or so later, this is effectively when the stove model became the MicroConsignment Model. For George and me, this was the “Aha!” moment. We realized that the MCM could provide a unique way to deliver myriad products and services that addressed health, economic, environmental, and educational needs to villagers in remote areas.

Soluciones Comunitarias: The Mechanism for Local Self-Sustainability

This realization led us to establish CE Solutions as the engine to develop, test, implement, and expand the MCM in Guatemala, and ideally in other countries in the future. VisionSpring offered funding for our start-up in Guatemala. To create national scale and local self-sustainability, we saw that the key was to train an

Why Didn't I Think of That?

Some business ideas are so straightforward and make so much sense that you wonder, "Why didn't I think of that?" This is definitely the case with the MicroConsignment Model. When our students heard Greg Van Kirk present the model, it made perfect sense to them; the idea in itself was entrepreneurial and encouraged entrepreneurial activity in rural communities. The model provides the training and tools for micro-entrepreneurs to sustain their businesses, as well as purchasing power, which can then be used to spur economic development in their own communities. Our students keep mentioning the model because it just makes sense.

—Melissa A. Paulsen,
Social/MicroVenturing Programs Manager
Gigot Center for Entrepreneurial Studies
Mendoza College of Business, University of Notre Dame

increasing number of entrepreneurs, primarily women, to offer a growing list of essential products and services to ever more rural villages. We wanted to solve as many problems as possible, leveraging one delivery mechanism. We also wanted to create a local social enterprise that could achieve financial and administrative self-sustainability, could access its own equity capital or loan financing, and was owned and run by leaders who would emerge naturally through their work. This led to SolCom, which is owned and run by entrepreneurs who have risen through the ranks.

Social Entrepreneur Corps: The Mechanism for Continuous Growth

MCM's successful growth in Guatemala through CE Solutions support led us to challenges typically associated with expansion: we need additional capital, both human and financial. During our first phase, we depended solely on donations for financial capital. But donations can be sporadic. Sustainability in the field was a primary driver and we were slowly achieving it through SolCom's income from sales, so we wanted to create a sustainable mechanism from an overall organizational perspective. So, in 2005, we established Social Entrepreneur Corps (SEC) as a sister organization to CE Solutions. SEC offers students and recent university graduates, primarily from the U.S., the opportunity for a paid internship in Guatemala supporting the entrepreneurs and the MCM's innovations and growth. This was an elegant solution to our financial and human resource constraints. Training students who would in turn support and fund the MCM work was a much more efficient and effective use of time than splitting our work between fundraising and implementation. Fundraising remains an important financing mechanism, but it is hardly our only source of support and growth. Social Entrepreneur Corps now covers over half of the expenses we once covered through donations, and everyone benefits greatly from the experience.



Volunteers Can Make a Difference. *Social Entrepreneur Corps interns preparing to give a talk to a group of women about strategic planning. MCM regional coordinators have learned how to use SWOT (Strengths-Weaknesses/ Opportunities / Threats) planning analysis from the Social Entrepreneur Corps.*

WHERE ARE WE NOW?

Since George and I trained the first two entrepreneurs in Nebaj in the summer of 2004, we have focused on growth in Guatemala as our innovation incubator; we are expanding to other select countries to test the concept and create scale. During the first three years, we focused on geographic expansion only within Guatemala. Since then we have prioritized sustainability and expanded our product line. We saw that we first needed to build an infrastructure, learn from and train a critical mass of entrepreneurs to sell a few products, and then work with those entrepreneurs to add on additional products and services.

With this strategy in mind, the MCM entrepreneurs offered only glasses and eye drops until December 2007. We began in Nebaj and then expanded to the towns of Antigua, Quetzaltenango, Sololá, and Cobán. We opened up a new hub in Huehuetenango in September 2009. Each town has a regional coordinator who can work with 15 to 20 entrepreneurs.

After growing the number of entrepreneurs to 75 and conducting feasibility studies, and then developing and piloting an integration strategy, we began offering additional products through the MCM entrepreneurs at the end of 2007. These included water-purification buckets, energy-efficient lightbulbs, and an assortment of vegetable seeds that come with planting and harvesting guides. Solar-powered lamps are being introduced as I write this.

Building a “basket” of products has been challenging at times on several levels, but it ultimately has proven the fundamental strength of the model and benefited all of the key stakeholders. Villagers have increased access to useful products and services, MCM entrepreneurs earn more and are happier with their living standard

and more satisfied with their work, and SolCom earns more while reducing any negative effects of short-term regional saturation and/or competition from donors for any one product.

The lightbulbs and seeds are generally what we call piggy-back products; Miguel Brito, the president of SolCom, calls them *propinas* (tips). Because both entrepreneurs and villagers already appreciate the benefits of these products and because they are relatively inexpensive, they fit more into the risk than the uncertainty paradigm. From SolCom's economic perspective they are in many ways "free riders": they benefit from being in the product mix but contribute little to the bottom line. However, these *propinas* are important for other reasons.

First, they benefit the users tremendously; the fact that they turn over fairly quickly is already enough reason to include them. Second, they provide an easy way for an MCM entrepreneur to earn extra money with relatively little effort—they simply place the *propinas* on their tables and offer them along with other products and services. And third, in the eyes of community leaders, villagers, and the MCM entrepreneurs themselves, offering these other products reinforces the fact that the women are visiting communities not as sellers, but as service providers. So we continually seek more *propinas*.

In June 2008, we piloted and launched our initiative to train and equip local organizations as MCM entrepreneurs. Social Entrepreneur Corps interns led this effort under our guidance, and two months after we identified and spoke to organizations, we had set up five of these *socios comunitarios*. This effort helps us to scale up in regions where we currently have regional coordinators and to expand into new regions to establish a footprint.

As of September 2009, through the combined support of CE Solutions and Social Entrepreneur Corps, SolCom has trained over 200 local entrepreneurs who have executed approximately 1,800 village campaigns and sold over 35,000 products. After subtracting the purchase price and using conservative assumptions about savings—for example, \$12 per month with a wood-burning stove, \$16 per month with a water-purification bucket—we project a total savings (equity) for product purchasers in excess of \$1,000,000. Though this figure is not exact, it still represents a whole lot more money in the pockets of rural villagers to spend on health care, education, food, and developing their own businesses—money that in the past was ill spent.

Gross revenues from the sales of the products total approximately \$330,000, and MCM entrepreneurs have earned profits of approximately \$60,000. Using the official Guatemalan daily minimum wage of \$6.75—though few rural people, especially women, can earn anything close to this—these earnings equate to approximately 8,888 days of work. At present there are 65 MCM women entrepreneurs and 10 *socios comunitarios*. Some women drop out after a month of "test driving," while others, like Yoly and Clara, have been working as entrepreneurs for up to five years. SolCom now earns revenues of approximately \$6,200 per month and has 11 staff members, who earn a combined \$2,400 per month. SolCom cur-

rently has losses of about \$1,500 a month after accounting for the cost of goods sold. CE Solutions subsidizes this loss.

We have been able to achieve all this with a relatively small donor base. Total donations to CE Solutions, including those targeted for the tourism initiatives and education center we created in Nebaj, were \$20,000 in 2004 and have never exceeded \$135,000 in any one year. Increased scale and impact are now simply a function of increased financial resources. The model works, so it is time to scale it up. George and I have been able to do this work drawing very small salaries/stipends while earning a living as consultants. Social Entrepreneur Corps has also proven instrumental in this process. In 2006 we started with seven interns and no university relationships; by the summer of 2009 we had 74 interns from a broad range of universities including, Notre Dame, Columbia, Duke, the University of Connecticut, William and Mary, Miami University (Ohio), and Franklin and Marshall, all schools with which we now have forged strategic partnerships. In 2009, revenues of over \$100,000 from Social Entrepreneur Corps went directly to our development work. Financial self-sustainability is being created at the field level in Guatemala through SolCom's rotating capital mechanism (no income goes to CE Solutions or Social Entrepreneur Corps), and increasingly through Social Entrepreneur Corps at the operational level. And we are expanding.

WHERE ARE WE GOING?

We are at a point of inflection. In March 2008, I had the good fortune to be awarded an Ashoka Fellowship, based on my work with the MCM. This has been an incredible blessing. Recently I was also honored to be selected as one of 25 inaugural Ashoka Fellows for the new Ashoka Globalizer program. Ashoka created this initiative to identify the most effective international social entrepreneurs within the Ashoka network in order to expand their impact on a truly global scale through enhanced marketing and dissemination.

We will continue to grow and consolidate our work in Guatemala in the coming years. In the summer of 2009, we expanded to Ecuador, with great initial success, and we will now expand to Nicaragua. We are offering the MCM solution to organizations across the globe through our online guide in development, www.microconsignment.com, and through direct collaboration. VisionSpring continues to use the model. ToughStuff is using it as an implementation mechanism. Howard Weinstein of Solar Ear sees it as a mechanism to solve hearing problems throughout the world. Several Ashoka Fellows in Latin America are interested in using the MCM. All this shows that it works and it is gaining traction. Our greatest challenge now is how to grow most effectively while supporting adoption of the model. We are already a bit exhausted, to be honest, but I believe and hope that our work has just begun.

1. James Surowiecki, "Hanging Tough". The Financial Page, *The New Yorker*. April 20, 2009. Can be accessed at:

http://www.newyorker.com/talk/financial/2009/04/20/090420ta_talk_surowiecki#ixzz0Z5z28GW6