

Rural ICT Services the i-point company 16th Sept 2012

Build a company "i-point" that operates a network of village franchises providing solar charging for lanterns and ICT equipment.

1. Background

Felix Maganjila operates a successful BDS company in Daressalaam for over ten years. He has been involved as a member of the consortium that implemented the pilot project financed by FEPA, a Swiss NGO. This pilot introduced solar lantern charging and ICT services in remote villages operated by groups of local youths as a commercial venture.

This pilot venture has been successful in that operational lessons could be learned, the operations are continuing after termination of the pilot with established financial mechanisms in place, and both operational and financial data could be collected to make a more detailed analysis for upscaling the effort.

During this pilot effort Felix has recognized the big potential that such services can have for the economic development in rural villages. He has particularly realized that reliable ICT-connections to remote rural villages can also give him an opportunity to expand his BDS services to rural areas through distance-course mechanisms and e-learning. It is therefore his wish to establish a network of reliable points in villages that can provide the ICT connections and the lighting required for later expanding his BDS to such areas.

Also, he has realized that many further business opportunities in rural areas become possible if ICTs can be reliably provided in villages. It also became clear to him that such ICT points must be operated by people who run them as their own commercial venture. He therefore intends to set up and train a network of franchised operators who are licensed to use his brand "i-point" for their village-level ICT venture combined with solar lighting.

2. Business Idea

The company "i-point" is a network company that franchises local entrepreneurs in the villages to operate their own commercial venture with the license to use the brand "i-point".

Sales of franchised village entrepreneurs operating an i-point "Village Station":

A typical i-point business in the villages will provide the following services as straight sales or against fees:

1. Charge batteries of lanterns that provide light in households and rural businesses
2. Charge batteries of mobiles and any other electronic equipment, eg. laptops, cameras, etc
3. Sell and service solar equipment that is suitable and affordable for villagers
4. Sell and service ICT equipment that is suitable and affordable for villagers
5. Provide rental services for solar or ICT equipment
6. Provide secretarial services
7. Provide trainings for using ICTs and connection to online training opportunities
8. Sell connectivity vouchers for mobiles and modems
9. Operate a cash-point for mobile payment systems
10. Etc.

Typical expenses of franchised i-point village entrepreneurs:

1. Rents to i-point company for solar charging equipment, eg. for lanterns, laptops, etc
2. Purchase lease of ICT equipment and other required equipment
3. Fees for franchise services provided by i-point company
4. Own salaries and normal expenses
5. etc

Franchise services sold by i-point company to franchised village entrepreneurs so that they can keep using the i-point brand:

1. Rent of solar equipment to franchisees
2. Purchase lease of ICT equipment to franchisees
3. Trainings to operate the equipment

4. Assistance in setting up and launching the franchised venture up to break-even
5. Continuous business trainings and coaching, quality control of services
6. Regular update of skills required to expand and enhance the services provided in the village
7. Develop and provide new business opportunities for new income streams
8. Materials and procedures for marketing, typical contract templates, etc.
9. Cheaper bulk SMS shared among the whole network
10. Internal audits, templates for accounting etc.
11. Database for accounts, sales statistics, etc.
12. Assistance in registrations and negotiations with local authorities
13. Assistance in finding funding opportunities for ventures
14. etc.

Typical expenses of i-point company

1. Purchase of equipment (solar and ICT) to be rented out or leased to franchisees, servicing of the respective loans and depreciation.
2. Servicing fees to companies taking care of the equipment, eg. Amour Usi
3. Expenses for providing continuous training and coaching on-site but also via e-learning platforms etc.
4. Expenses for Research and Development to explore and test new services and equipment
5. Expenses for negotiations with other service providers so that they can use the same network of franchisees for their services, eg. solar- and ict-equipment, mobile payments, vouchers systems, bulk SMS, e-learning vocational training courses, Transaction Security Services (Bahat Tweve), etc.
6. Other normal operational expenses

Unique selling proposition:

What is different of “i-point” services from other companies operating in Tanzania?

1. I-point services are available in the village itself
2. I-point village entrepreneurs have a back-up service that guarantees the quality of their service through the brand. Customers can complain directly to i-point company which will then make corrections and redress
3. I-point reliably connects to the world through internet because it also has agreements with the service providers
4. I-point is a service specifically designed for rural conditions. It is not a service designed for urban areas that is trying to operate in rural areas.

3. Operations:

I-point operates a franchise network. The network is subdivided into sub-networks. Each sub-network is taken care of by a franchised network manager taking care of the village entrepreneurs in his/her area. The network managers organize and coordinate the services of i-point to the village entrepreneurs.

Operations are as much as possible organized and coordinated through the internet in order to reduce costs related to distance (eg. time and costs for travel of expensive trainers and coaches, and paying for venues etc.). Regular periodic face-to-face events are not for training and coaching that can be done online, but for discussing typical problems and procedures and for assessing and planning for new things to try out

4. Legal

I-point already has a simple registration with Felix as the sole proprietor. Once a larger operation requires investors with loans and equity, the company will be re-registered as a share-holder company.

5. Launching

The launching is in and around Kigwe near Dodoma for gaining first experiences with replicating/adapting the FEPA experiences in the area. An estimated 9 village enterprises along with a local network manager shall first work in central Tanzania around the Dodoma area before expanding the service to other areas.

6. Scaling up

The business data from the first operations of at least one year with at least 5 village enterprises shall be analysed to build a comprehensive business plan that can be submitted to investors for step-by-step expanding the geographic reach of i-point. This is then when a share-holder registration is envisaged.

7. Role of RAVI

RAVI will provide conceptual support to launch this company. RAVI will track the hours spent to do this work and then contribute these hours as shares in i-point once it registers as a share-holder company. The hours will be calculated as 90 USD each. However, RAVI will only take maximum 20% of shares in i-point. Example: When Felix (and potential other investors) together put in the equivalent of 1000 USD as launching capital, RAVI will only work for hours that amount to total 250 USD because $1000+250=1250$, and 250 is 20% of 1250

Felix will keep records of all his inputs into the business and this will form the basis for discussing share-holding with investors, including RAVI.

RAVI will only do this work if the financial books of the launching of i-point are correctly managed. This means RAVI will have access to the accounting data of i-point. RAVI will submit invoices for the work done at 90 USD per hour, which can be either paid or later converted to shares.

Once RAVI is a shareholder, a new arrangement will be negotiated between RAVI and i-point for the services that RAVI provides to i-point. Also, i-point is free to enter any time into agreements with other companies that offer similar services as RAVI. However, if other companies also provide such services as options for equity into the emerging company, RAVI will be free to demand the conversion of its equity options into loans to the company.

RAVI will also assist in finding loans or grants for equipment or other costs. RAVI will charge a 5% commission on any funds it could organize for i-point. Example: When RAVI can find somebody who provides loans or grants for 1000 USD, RAVI will invoice i-point with 50 USD once the 1000 USD become available to i-point. Note that hours required for negotiating with potential providers of such funds are not counted in the above hours tracking by RAVI.

8. Next steps

This is not an official contract, just a concept note that shall be the basis for a future contract between i-point and RAVI.

After the successful pilot the next steps are:

1. Felix registers the company and the brand "i-point".
2. RAVI assists in setting up a draft financial analysis of the venture that can be taken to investors for discussion.
3. Felix comes up with initial capital to launch the operations, including his own work. Initial operations should be such that a minimum of tangible service is achieved in any new location. This shall be the foothold to then expand further in such a new location.
4. When first efforts are about to be launched, RAVI and i-point will assess what exactly shall be monitored in order to be able to easily build the later business plan for expansion.

This concept note belongs to Felix. RAVI will not share it with anyone unless authorized by Felix.