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BURRO: TOOLS FOR A BETTER LIFE IN GHANA

Amy Lin, Caleb Chan, and Michelle Yick wrote this case under the supervision of Professors Nicole Haggerty and Francis Ayensu solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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As country manager of Burro in Ghana, Carol Brown had led the company to profitability in February 2015, after seven years of operation. Having achieved her primary goal, in May 2015, she was focused on her next objective: developing the Burro team. With demand for Burro’s sustainable products growing quickly in the booming Ghanaian market, Brown needed to determine a direction for growth to maximize the success of Burro’s future.

GHANA

Located in West Africa along the Gulf of Guinea and the Atlantic Ocean, Ghana had a growing population of 27 million people and English was its official language. Ghana had one of the most developed educational systems in West Africa, with tertiary education growing in enrolment and infrastructure over the past two decades.

Ghana was the largest cocoa producer in the world and had the ninth-largest economy in Africa. Its economic prosperity was credited to the production of petroleum and natural gas; Ghana had more than 5-trillion cubic feet of offshore natural gas deposit.[[1]](#footnote-1) With its booming economy, local purchasing power had grown with the increase of the minimum daily wage from GH₵2.30 in 2012 to GH₵7.00[[2]](#footnote-2) in 2015.[[3]](#footnote-3) Unemployment rates had also dropped from 12.9 per cent in 2006 to 5.2 per cent in 2015.[[4]](#footnote-4)

KOFORIDUA

As the capital of the Eastern Region, Koforidua was the eighth-largest city in Ghana with a population of 130,000 people. The city was famous for hosting West Africa’s largest bead market and oldest cocoa production centres. Koforidua’s economy thrived on local entrepreneurs and small businesses. Despite being less urbanized than other major cities in Ghana, Koforidua had become a major hub for education, with more than 70 primary schools, prominent high schools, Koforidua Polytechnic, and All Nations University College. More than 3,000 students were enrolled at All Nations University College, and many graduates sought careers in Accra (Ghana’s capital city), Nigeria, or overseas in North America and Europe.

HISTORY OF BURRO

Burro was founded in 2008 by Whit Alexander, the inventor of Cranium, a popular board game in North America. Burro was a privately owned American company focused on providing innovative products that specifically addressed the local needs of Ghanaians. While spending his twenties living in Africa, Alexander had discovered the need for a distribution channel to connect people with the best products from various industries to improve their quality of living. With this goal in mind, Alexander had founded Burro, with the vision to profitably and sustainably deliver tools for a better life. Burro began as a rechargeable battery rental business that helped locals save money by eliminating the need to constantly purchase new batteries.

Burro’s motto, “Do More,” embodied its mission to help people save more, earn more, and do more. With the majority of its consumers being low-income agricultural workers, its products needed to be affordable. To achieve this goal, Alexander set a benchmark: every tool sold needed to have a six-month payback period. Although Burro got its start by renting rechargeable batteries, the service was discontinued due to macroeconomic factors. Its bestselling products were solar-based although Alexander wanted to boost sales in other products. Burro measured success through its number of resellers, number of stock-keeping units in stores, revenues, and profits. With the company becoming profitable in February 2015, Burro had finally found a business model that worked in Ghana.

Carol Brown

Brown was one of Burro’s first employees. She grew up in the United States and completed her undergraduate studies in mathematics, but also had a keen interest in business. As a close friend of the daughter of Whit Alexander, Burro’s founder, Brown had spent the summer of her junior year as a marketing intern at Burro’s office in Koforidua. She performed market research and promoted Burro’s rechargeable battery rental business to locals. She enjoyed her internship and became passionate about improving the lives of communities in the developing world through equipping people with tools for a better life.

When she returned to the United States, she continued to work part-time for Burro to promote its brand through social media and used crowdfunding to raise more capital. Upon graduation, she returned to Burro as the full-time acting country manager in June 2013. Brown’s top priorities were to maintain Burro’s profitability, build and develop her team, and continue to grow Burro’s brand. She also worked closely with Alexander, Burro’s founder, to pioneer the company’s expansion plans. Brown wondered how she could find a suitable candidate to succeed her, so she could begin establishing Burro in another African country.

CURRENT ISSUES

The Demand for Power

For the past three years, citizens and businesses in Ghana had been heavily impacted by inconsistent power supply. The crisis was caused by the country’s inability to produce enough power to meet the national demand. Although many industries were affected by inconsistent power supply, Burro’s sales had skyrocketed due to the booming demand for alternative power sources, particularly solar energy. With the imminent federal elections in 2016, Brown wondered how the new government would handle the national power crisis, and whether its actions would affect Burro’s business.

Competition

Burro’s wide network of partnerships had created a unique non-competitive environment.Instead of competing with manufacturers to produce similar products, Burro initiated partnerships to sell third-party products through its distribution channels. This strategic decision was partially influenced by Burro’s limited resources for conducting internal research and development. On the retail side, Burro distributed its products to many resellers. However, Brown was concerned that her partners would become competitors if they decided to bypass Burro in their distribution chain. Alternatively, she wondered whether Burro would benefit from increased vertical integration.

Shipping and Delivery

Ghana’s underdeveloped infrastructure also created challenges for Burro’s operations. Burro employees frequently drove across the country to deliver products and collect payments from its resellers, many of whom were based in remote communities. Due to the poor condition of many roads, delays and detours were unpredictable and resulted in common issues such as late deliveries, extra expenses, and dangerous driving conditions.

Another prominent issue was inventory stockouts caused by delayed shipments from Burro’s suppliers in China. Without a company representative in China to communicate with suppliers and oversee operations in person, Burro had limited control over its supply chain. When shipments finally arrived at the port in Ghana, the products still needed to go through customs, which took days to weeks. Consequently, Burro had damaged many customer relationships due to constant delivery delays.

Talent Acquisition

To expand Burro, Brown needed to find the right people to build her team. Despite Ghana’s high unemployment rate, suitable talent was difficult to attract and retain because top candidates often went abroad to pursue higher education or careers. Without the competitive salaries and international opportunities offered by larger companies, Brown struggled to convince qualified candidates to commit to furthering Burro’s social mission and growth. Without new hires to grow the company, Brown was unsure of Burro’s future.

OPTIONS FOR GROWTH

When Burro became profitable, Brown was focused on growing the company. She considered two opportunities: geographic expansion and in-house product development.

Option One: Geographic Expansion

Burro had 24 resellers in Ghana, located primarily in Greater Accra. Brown believed that partnering with more resellers across different regions of Ghana would spread Burro’s brand presence, expand its customer base, and further the company’s mission. For the long term, she considered expanding into other African countries once she had developed an established and scalable business model. Brown had budgeted ₵30,000 for the current geographic expansion plan.

Revenue collection was the primary challenge for geographic expansion. Before Burro could expand, Brown needed to increase the effectiveness of its revenue collection system. Currently, Burro collected revenue through a remote distribution system that allowed employees to make purchases, distribute orders, and operate the business from the Koforidua office. Brown was deliberating between two ways of improving the revenue collection process.

The first solution was to build or rent a new office. This option would shorten the payment period from 90 to 75 days. It would also enable Burro to provide better service to its resellers, such as shorter delivery times. Brown estimated that a new office would attract 10 more resellers annually, resulting in a 10 per cent increase in sales. In 2014, Burro had ₵198,000 in revenues. Building a new office required several investments and expenses, including three additional full-time employees (see Exhibit 1).

The second solution was to hire more regional representatives without renting another office. The representatives would collect payments and feedback from resellers, and promote new products. This option would also shorten the payment period from 90 to 75 days. Each representative would be expected to find two new resellers annually, resulting in a 2 per cent increase in sales. With the high level of responsibility entrusted to the representatives, Brown wondered how she could build relationships and develop their skills while minimizing costs (see Exhibit 1).

As Brown weighed both options, she knew that she needed to hire the right people regardless of her decision. She also wondered which solution would yield higher profits.

Option Two: Product Development

Brown also had the option to invest in product development to expand Burro’s product catalogue. By creating its own products, Burro could rely less on foreign suppliers. In-house product development would also further the company’s mission by catering to the unique needs of the Ghanaian market.

If she chose this option, Brown wanted to produce kits of edible insects. During her years in Africa, she had discovered that insects were a common menu item. Africa was home to at least 527 types of edible insects,[[5]](#footnote-5) many of which were high in protein, fat, and minerals. Edible insects were also eaten by livestock and were important contributors to the incomes of the locals.[[6]](#footnote-6) Brown believed that developing a starter kit for locals to harvest edible insects would be profitable while helping customers support their families and provide food for their communities.

In-house development required time, capital, and skill. Given Burro’s steady availability of funding, Brown’s primary concern was finding a suitable product developer, as she lacked the expertise to develop the kits. To recruit the right talent, Brown thought of two options.

The first solution was continuing to hire local graduates. Burro valued its Ghanaian employees because they were familiar with the local culture and needs. The salaries of local graduates were also generally lower than foreign hires. However, many local employees had left Burro in the past to pursue higher education or find careers abroad.

The second solution was to partner with North American or European universities to offer placements for bright engineering students. Burro would provide basic accommodations, meals and minimal pay in exchange for the engineers’ project work. Foreign workers would be unfamiliar with Ghanaian culture and needs, but Brown believed that they would be able to come up with solutions once they became adjusted to the new environment.

MOVING FOWARD

As Brown pondered these decisions, she knew she had to make a decision quickly. With Burro’s future on the line, she wondered how she could live up to the company’s motto of “Do More.”

Exhibit 1: NEW OFFICE INVESTMENTS AND EXPENSES (in Ghanaian Cedi—GH₵)

|  |  |  |  |
| --- | --- | --- | --- |
| **Building a New Office** | | | |
| **One–Time Investments** |  |  |  |
| Office supplies |  | 700 |  |
| Renovations |  | 1,000 |  |
|  |  |  |  |
| **Expenses** | | | |
| Rent |  | 1,150 | per month |
| Salaries per month |  | 300 | per employee |
| Utilities |  | 100 | per month |

|  |  |  |  |
| --- | --- | --- | --- |
| **Hiring Representatives** | | | |
| **Expenses** | | | |
| Salaries |  | 300 | per month |
| Fuel |  | 250 | per month |
| Transportation |  | 90 | per month |
| Miscellaneous |  | 50 | per month |

Note: GH₵0.3062 = CA$1 as of June 1, 2015.

Source: “Rent,” GIPC: Ghana Investment Promotion Centre, accessed May 17, 2015, www.gipcghana.com/invest-in-ghana/doing-business-in-ghana/cost-of-doing-business/rent.html; “Cost of Living in Accra,” Numbeo, accessed May 17, 2015, www.numbeo.com/cost-of-living/city\_result.jsp?country=Ghana&city=Accra.

1. Samuel K. Obour, “Atuabo Gas Project to Propel More Growth,” Graphic Online, May 13, 2013, accessed October 27, 2013, https://www.graphic.com.gh/business/business-news/atuabo-gas-project-to-propel-more-growth.html. [↑](#footnote-ref-1)
2. GH₵ = GHC = Ghanaian cedi; all currency amounts are in GH₵ unless otherwise specified; GH₵0.3062 = CA$1 as of June 1, 2015. [↑](#footnote-ref-2)
3. “Minimum Wages in Ghana,” Mywage.org/Ghana, last updated December 27, 2017, accessed May 14, 2015, www.mywage.org/ghana/home/salary/minimum-wages. [↑](#footnote-ref-3)
4. “Ghana Unemployment Rate,” Trading Economics, accessed May 14, 2015, www.tradingeconomics.com/ghana/unemployment-rate. [↑](#footnote-ref-4)
5. “Edible Insects: Food for Thought,” Modern Ghana: News Blog, February 21, 2008, accessed May 16, 2015, www.modernghana.com/blogs/158221/31/edible-insects-food-for-thought.html. [↑](#footnote-ref-5)
6. Sandra Chao, “Eat Insects, Scientists Urge Hungry Africa,” *Africa Review*, July 18, 2013, accessed May 16, 2015, www.africareview.com/Business---Finance/Eat-insects-scientists-urge-hungry-Africa/-/979184/1918534/-/juoi95/-/index.html. [↑](#footnote-ref-6)