



Insights from TRANSFORM entrepreneurs on building refill business models



Alner, Indonesia

TRANSFORM has funded and supported 18 SMEs that focus on building the circular economy, ranging from those pioneering technical innovations to those improving the lives and working conditions of informal waste-workers.

Four of these entrepreneurs are working on reuse and refill models for the fast moving consumer goods (FMCG) sector. Here we share some of their insights on building refill business models to move towards a waste-free world in low-income markets in Africa and Asia. If you are an enterprise considering venturing into refill/reuse, remember that:

Refill solutions can provide cost savings for consumers and/or shop owners, but this takes time.

A common misconception is that refill solutions provide cost savings from day one. In order to establish a refill model, enterprises must build partnerships with store owners and change consumer shopping patterns which takes time. Volume uptake is often slow at the start, and refill models won't be suitable for all products. It is therefore important to prioritise items which are most suitable and that can be launched and scaled quickly, and to support consumers through behaviour change.

Rigid margin structures are the biggest challenge for enterprises.

Existing distribution systems often have rigid margin structures, with set amounts allocated to the manufacturer, distributor and shopkeeper that have existed for decades, and accompanying logistics that have been optimised over time. Refill models have the potential for higher total margins (due to reduced packaging costs), but the current cost and margin structure needs to be redesigned, and all the players in the chain need to be engaged to make that happen.



Bopina, Kenya

“Asides from the obvious environmental advantages, the biggest benefit of refill models in low-income markets is providing consumers with cost savings as they are paying just for the product and not the packaging.”

**- Zahid Mitha,
CEO, Novek, Africa.**



Bopina, Kenya

Enterprises need to work closely with brand stakeholders.

As they need to work with all stakeholders within an FMCG company, from the packaging experts to the formulation experts to the marketing team, entrepreneurs need to dedicate significant time to managing these stakeholders and getting a clear understanding of constraints and expectations from the beginning, ideally by setting up a cross-functional working team

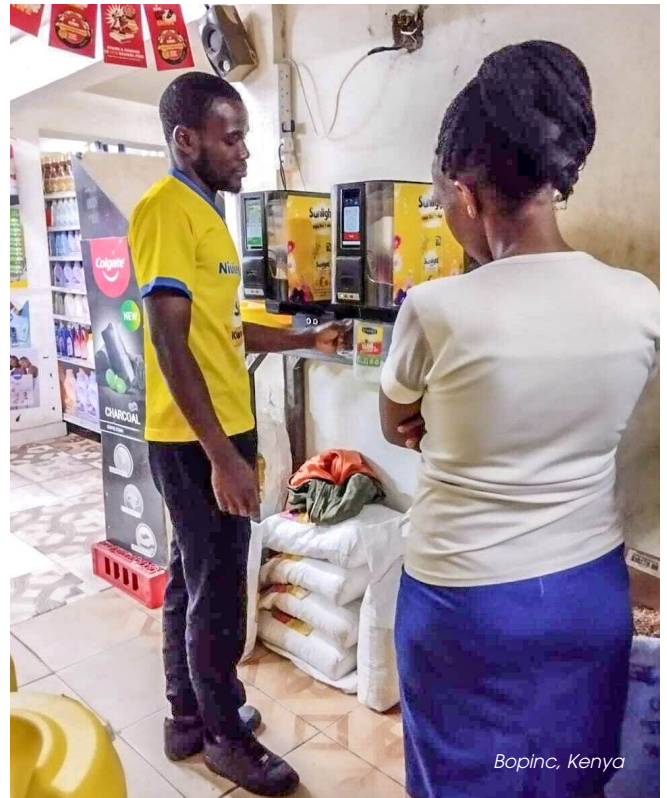
Consumers often prefer to bring their own packaging.

Enterprises have seen that consumers prefer to bring their own packaging. When it comes to homecare products, consumers prefer the packaging to be functional and are not concerned about packaging appearances. For personal care products, the packaging is a more important and needs to look good. Labels can be used to add brand and product information to these packs.



Understand the technology, consumer and regulatory requirements in your market to determine if you need a high-tech or low-tech solution.

- **High-tech refill machines** create more security on product quality for consumers and brands, but they come with much higher costs – a challenge when operating with low margins and in low-income markets. High-tech machines are also more complicated to deploy and set up and can come with unexpected drawbacks. For instance, in countries that have regular power cuts, they can stop working, and need additional support, such as battery back-up, which can add further cost. It is critical for brands and entrepreneurs to match the technical specification of their refill machines to the requirements of specific markets and ensure adequate consumer education.
- **Low-tech refill solutions** are much easier to set up and therefore easier to scale across multiple locations, meaning they likely have more potential for creating impact at scale. They also have lower operating costs which is beneficial when operating in low-income markets that need to keep costs for consumers as low as possible. However, such models are not always possible due to local regulations and government engagement is key to this model. Both quality and quantity of product is more vulnerable to being tampered with.



“Refill is a logical solution for brands and consumers to reduce waste and achieve long-term cost savings. For retailers, it offers a unique value proposition. We’ve seen successful examples in Indonesia, proving its viability across the supply chain.”

**- Bintang Ekananda,
Co-Founder & CEO, Alner, Indonesia.**



Ensuring consumers and brands trust product quality is critical.

Enterprises must ensure they put in place strategies to build trust, as refill models can be perceived to allow for product tampering, which can leave brands and consumers concerned. A low-tech solution to this problem is sampling to ensure product quality is high: entrepreneurs and brand owners should compare the quality of the refill product with the product from the manufacturer. A high-tech solution is providing traceability on the product through the refill machine reporting each dose back to the manufacturer.



“I think the refill model has a strong chance of success in low-income markets. Especially in markets like Kenya I have seen some interesting cases with a lot of promise.”

**– Rolph Droste,
Circularity and Regeneration Lead,
Bopinc, Bangladesh and Kenya.**

Store owners have a critical role in scaling refill enterprises, but they require training and convincing.

Store owners can convince their consumers of the benefits of switching to refill products and therefore can influence the success of the model. Enterprises can educate store owners on the environmental and cost benefits of refill products and provide marketing training to store owners, to help them boost sales of refill products. Shopkeepers can be reluctant to adopt new technology, especially when shelf space is highly valuable and refill devices can be large. However, once convinced to adopt the refill units, shopkeepers in Kenya wanted posters to advertise them.

Leveraging local champions can accelerate refill models.

Tapping into local community champions, such as store owners, housewife communities, and NGO leaders, is a powerful strategy to encourage consumers to use refill stores. By engaging with someone who is well-respected in the local community, they then help bring the rest of the community along. It's also important to build trust with people in local communities, for instance through educational workshops that explain the concept of refill and the benefits to them and the environment.

To find out more about partnering with TRANSFORM, learn about other successful collaborations here:

www.TRANSFORM.global



TRANSFORM is an impact accelerator that unites corporates, donors, investors and academics to support visionary enterprises across Africa, Asia and beyond. Together, we test and scale new solutions that tackle environmental challenges, improve health and wellbeing, and build inclusive economies.

Combining grant funding, business insight and research, TRANSFORM is advancing the development of innovative business models to help solve global challenges. It was established in 2015 and is led by Unilever, the UK's Foreign, Commonwealth and Development Office, and EY.



Take a look at these TRANSFORM enterprises trialling refill solutions:

AIner provides reusable packaging to FMCG companies to be filled with their products and distributes the finished goods. They work with TRANSFORM on a unique combination of low-tech refills and container reuse where shoppers can refill products from three Unilever brands using their own containers or those provided by AIner.

Bopinc is operating refill station distribution models in Kenya and Bangladesh and are running a behavioural change campaign to help consumers switch from single-use sachets to using refills.

Novak designs and develops hardware and software solutions to eliminate single use plastic from FMCG supply chains and operates a refill station distribution model in Kenya.

Refillable provides a reuse, refill and return service in India which helps eliminate packaging as well as reducing costs. It is a zero-waste delivery platform which delivers consumer homecare products without single use packaging.