



Silulo Ulutho Technologies

Bridging the digital divide in South Africa's low-income communities

CASE STUDY: Silulo Ulutho Technology & the Social Franchising Accelerator

May 2015



BERTHA CENTRE FOR
SOCIAL INNOVATION &
ENTREPRENEURSHIP



Authors: Khethiwe Cele and Carolien de Bruin, the Bertha Centre for Social Innovation and Entrepreneurship.

Edited by: Dan Berelowitz and Matt Towner, the International Centre for Social Franchising; Anita du Toit, Franchising Plus and Tine Fisker Henriksen, the Bertha Centre for Social Innovation and Entrepreneurship.

1. INTRODUCTION TO SILULO ULUTHO TECHNOLOGIES

Silulo Ulutho Technologies (Silulo) is a Cape Town-based one-stop-shop IT Company working to bridge the digital gap in South Africa's township and rural population. The company was founded by a dynamic duo of brothers, Luvuyo and Lonwabo Rani, who opened their first store in 2006. What started as a computer sales outfit in the back of Luvuyo's car has grown to 33 stores, each of which combines a training centre with a one-stop internet café.

Solution: A one-stop ICT centre

Silulo serves low-income communities (R1500 to R2500 per month) as well as middle-income communities (R2600 to R10 000 per month). The computer training targets the low-income bracket that are often unemployed and low skilled residents aged 15 to 35 years of age, though older family providers and small business owners participate as well.

Silulo brings ICT services to the doorsteps of people that are generally underserved by large infrastructure providers. Over the years, Silulo has found that the internet cafés have become an integral part of local communities as a hub for communication and business-related activities.

Silulo boasts an impressive track record over the past nine years:

- Over 20,000 people have graduated from the computer literacy across Silulo's training centres
- 60% of Silulo employees are graduates of Silulo
- 5% of Silulo employees have started their own businesses
- About 50% of Silulo graduates find employment in call centres, retail stores, or data capturing.

THE SOCIAL FRANCHISING ACCELERATOR

In January 2014, the Bertha Centre, in partnership with the International Centre for Social Franchising and Franchising Plus, launched the world's first Social Franchising Accelerator. Based at the Bertha Centre, and with funding from the Rockefeller Foundation, the Social Franchising Accelerator helped four social enterprises replicate their interventions through social franchising. The early insights from the accelerator are captured in a knowledge brief as well as four individual case studies of the social enterprises.

THE FOUR SOCIAL ENTERPRISES WERE:

IkamvaYouth provides tutoring and career guidance services to high school learners from disadvantaged communities. *Key focus area: Sector and partnership development*

Philani Child Health and Nutrition Project is a community health programme focused on maternal and child health. *Key focus area: Changing organisational culture*

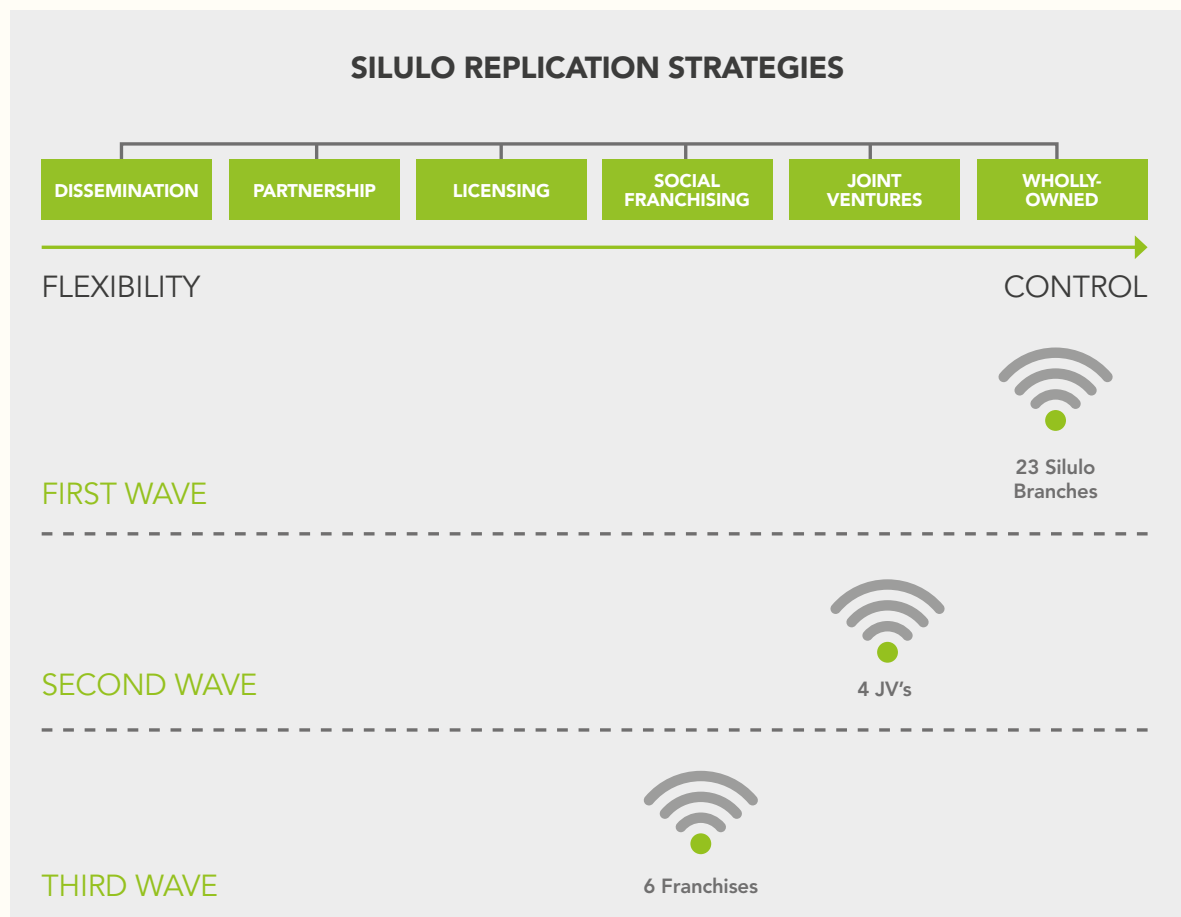
Silulo Ulutho Technologies fills the digital gap in underserved communities. *Key focus area: Market-based franchising*

U-turn Homeless Ministries rehabilitate homeless people by providing vocational and life skills. *Key focus area: Replicating in pieces and stages*

2. SILULO'S PATHWAYS TO SCALE

Silulo has tested multiple replication strategies with various degrees of success. Of the 33 stores that make up the business, 23 branches are wholly-owned, four are joint-ventures and six are franchises:

FIGURE 1: Silulo's scaling strategy prior to the Social Franchising Accelerator



Going forward, Silulo sees growth opportunities in the townships and rural areas of South Africa that are currently not receiving ICT services and training. According to Silulo's market research, over two thirds of the population in these areas are unemployed. Offering Silulo's services to this market could improve these statistics.

Silulo's vision is to establish a presence in all nine South African provinces within the next 5 years. Silulo aims to have stores in each province by 2017 and to move into other Southern Africa countries by 2020. They have identified social franchising as the quickest way to achieve this.

3. SOCIAL FRANCHISING: REPLICATING SILULO THROUGH SOCIAL FRANCHISING

Silulo applied to the Social Franchising Accelerator following the realization that their wholly-owned model would not be able to grow fast enough to reach their goals?

A franchisee of Silulo can expect to sign a three-year franchise agreement with the company, which starts off as a 50/50 ownership between the parent company and the franchisee. After this three-year term, the franchisee can buy out Silulo and have 100% ownership of the franchise.

Silulo's ongoing support to its franchisees includes maintenance of computers, marketing support and training materials. Apart from the technical support, Silulo invests a lot of time instilling its values in the franchise operations in order to create a consistent experience across the brand.

3.1. Ideal social franchisees

Silulo is interested in franchisees (organisations or individuals), which are committed to working in low-income communities, and has:

- A passion for social change and share the company's values
- An interest/background in ICT
- An interest/background in entrepreneurship, or would like to venture into business.

4. LESSONS LEARNED: REFLECTIONS FROM THE SOCIAL FRANCHISE JOURNEY

Although Silulo had some franchising experience prior to the Social Franchising Accelerator, the programme helped the Silulo team to develop more strategic growth plans and tighten some aspects of their current operations. These experiences fed into eight critical success factors for social franchising, which are captured in the Social Franchising Accelerator insights brief. Silulo's key learning outcomes are framed below within this context.

8 CRITICAL SUCCESS FACTORS TO SOCIAL FRANCHISING

BEFORE you decide to pursue social franchising

1. Validate upfront that replication as well as social franchising is right for your solution and organisation.
2. Confirm all members of the organisation are ready to systemise and adopt a "scaling mindset"
3. Ensure that sufficient processes, systems, and resources are in place before deciding on an SF strategy
4. Articulate your SF strategy - i.e., your vision, outcomes, model, values & approach - collectively, upfront

AFTER you decide to pursue social franchising

5. Franchise only those elements of your model that are critical to your target outcomes and replicable
6. Be clear on which individuals and organisations you will work with: Set clear selection criteria
7. Systemise vigorously to ensure reliability, yet dare to customise your model to local needs and demands
8. Don't cease to learn and adapt & pace your scaling efforts: Getting your 1st franchise right is key

CRITICAL SUCCESS FACTOR 3:

Critical success factor 3: Ensure that sufficient processes, systems, and resources are in place before deciding on an SF strategy

SILULO: Measure your impact

One of the most important benefits of participating in the accelerator for Silulo has been the opportunity to build social impact measurement tools. *"We need to balance our impact with the business side of things, especially as we grow. If we neglect this aspect, we won't remain relevant to our market, and we won't know whether we are adding value"* says Luvuyo. A better understanding of their social impact will be a valuable asset, both as a marketing resource for attracting socially minded investors or donors, and as a management tool for improving product offerings and business practices.

CRITICAL SUCCESS FACTOR 8:

Don't cease to learn and adapt & pace your scaling efforts: Getting your 1st franchise right is key

SILULO: Be goal-oriented, but flexible

While Silulo has the ambitious goal of growing to 100 stores throughout South Africa, they are uncertain whether they will achieve this solely through franchising, or whether they will co-own some stores. *"This is essentially an ICT business and it is easy to franchise parts of it, like the training centre where it's easy to monitor quality and operations. On the internet café side however, it is difficult because things change quickly. In a few years, people will be accessing the internet on their own devices, so we have to think about what value we will be adding over time,"* says Luvuyo. That said, Silulo considers social franchising as the most appropriate strategy in the short-to-medium term, especially when going to communities they do not yet understand. Replicating through local entrepreneurs in new areas will increase the chances of success.

5. NEXT STEPS

Silulo has adopted a franchising action plan and will continue to scale their social franchising model. As a key step in achieving this, they will employ a dedicated scale manager, which is to be driven from a central point.

A franchisee of Silulo can expect to sign a three-year franchise agreement with the company, which starts off as a 50/50 ownership between the parent company and the franchisee. After this three-year term, the franchisee can buy out Silulo and have 100% ownership of the franchise.

Silulo's ongoing support to its franchisees includes maintenance of computers, marketing support and training materials. Apart from the technical support, Silulo invests a lot of time instilling its values in the franchise operations in order to create a consistent experience across the brand.

REFERENCES

Information on this case was collected throughout Silulo's participation on the Social Franchising Accelerator. The content informing this case study was collected through regular field visits with Silulo, field notes, existing material on Silulo, and interviews with the organisations senior management.

Interviews were conducted with the following people:

Luvuyo Rani – Silulo Ulutho Technologies

Unotida Nyoni – Silulo Uluttho Technologies

The Social Franchising Accelerator was part of the Bertha Centre's work to test innovative ways of scaling social entrepreneurship. The work continues under the caption Pathways to Funding and Pathways to Sustainability.