

Company Profile: Rayco

Rayco is a Colombian retailer, distributor, and financier of domestic goods including appliances, housewares, electronics and motorcycles. Rayco's mission is to provide Colombian households with a greater access to goods and services that can improve the quality of their lives.

The Challenge

In Colombia, most of the elderly population must rely on Many Colombian micro enterprises work long hours for very little pay. Most enterprises that are labor intensive use outdated hand tools that are often inefficient and can be dangerous to use. Studies have shown that laborers using hand tools earn up to 60% less than those using power tools. For many Colombian laborers, power tools are out of reach due to the limited geographical distribution of tools and/or limited financial resources to purchase them. Many of these laborers live in a cycle of poverty where saving enough money to purchase power tools is almost impossible. Without financing, these micro enterprises have very limited options to increase their income level and improve their quality of life

The Sustainability Innovation Grant

In February of 2015, Rayco was awarded a \$50,000 CAD Sustainability Innovation Grant (SIG) through Global Affairs Canada and managed by Mennonite Economic Development Associates, with Rayco contributing \$100,000 CAD. This grant contributed to the offering of productive products and financing arrangements to purchase these products for laborers to be able to work more efficiently. The idea for this initiative was generated from low income clients in the southern region of the Department of Huila. Rayco identified the opportunity to open specialized stores providing agricultural tools and credit for Colombian communities of up to 300,000 inhabitants, whose main economic activity is agriculture.



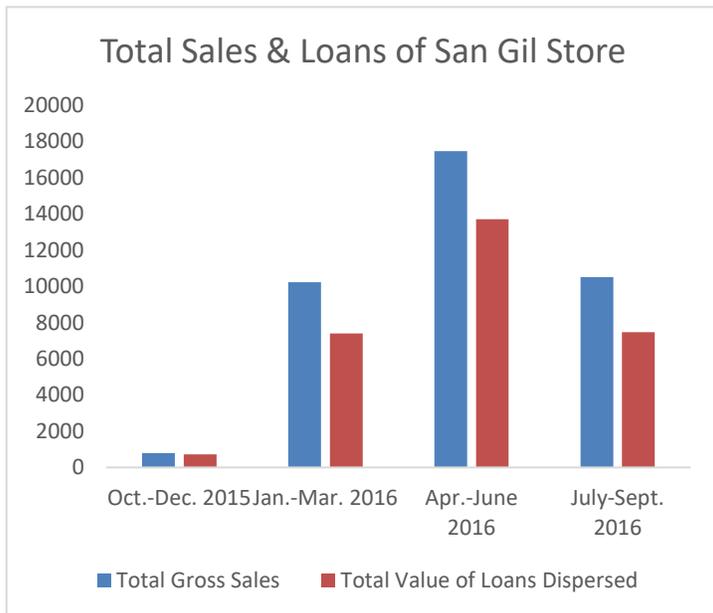
A Total of 41 men and 19 women received loans to purchase agricultural tools and another 52 men and 7 women purchased agricultural tools with cash.



SIG Impact

Increased Business Performance

The average sales each quarter over the implementation period was \$ 9,752 CAD (\$21,671,640 COP) with an average gross margin of 22%, contributing to the economic growth of the agricultural sector. The total loans disbursed throughout the implementation period was \$29,391.81 CAD (\$65,141,793 COP), providing an average loan size of \$488 CAD to the 60 new clients. These loans provided access to new agricultural tools that clients might otherwise not have been able to purchase themselves.



Sustainability

This project contributed to the Sustainable Development Goals 1 'no poverty' and 8 'decent work and economic growth' by providing access to finance and better tools that support the growth of businesses.

1 NO POVERTY



8 DECENT WORK AND ECONOMIC GROWTH



Lessons Learned

Although Rayco could establish the San Gil store, the company faced major challenges in meeting sales targets.

Inaccurate Market Assessments

The market assessments which Rayco conducted for sales in the region were inaccurate. The company was found that there was a low demand for customers physically coming into the San Gil store due to mobility and time issues. For this reason, Rayco soon learned that a mobile sales agent model would work far better than a fixed location so that sales staff could go to the customer instead. In hindsight Rayco would likely yield better returns from investing in a mobile sales model rather than the fixed location. Rayco adapted to a mobile agent model towards the end of the project which is showcased in the documentary production "Poquito a poco: Little by Little."

Management change-overs

Rayco faced a major management change over during the SIG which caused two challenges. Firstly, a lot of background knowledge was lost during the management transition and secondly, the buy-in from the new management team at the early stages of the project was weak. This was because Rayco was facing financial and sustainability issues at the time of the transition and the focus of the new management team was on those matters. With heavy communication and in-person visits from MEDA's team, the new management got fully oriented on the project.