

Name of the Project: Indigenous Handicrafts: luxury retail innovation –the inception of a social enterprise.

Date: March 13, 2015

impacto is an NGO based in Chiapas, Mexico. Our mission is to educate and improve access to knowledge and know-how of producers that are part of eligible local organizations of sectors relevant to local sustainable economic development, while applying innovative methodologies for value-chain optimization.

Our end-goal is three-fold:

- I. To reduce poverty and income inequality through sustainable, wealth-generating programs;
- II. To enhance human capital to meet the needs of a competitive global market;
- III. To increase private and non-for-profit sectors co-investments for shared-value creation.

In addition to sectors, we also prioritize critical functional areas such as: technology & systems; brand, marketing & communications; and leadership development & entrepreneurship. As to deliver long-lasting results and real impact, improving livelihoods in our area of influence.

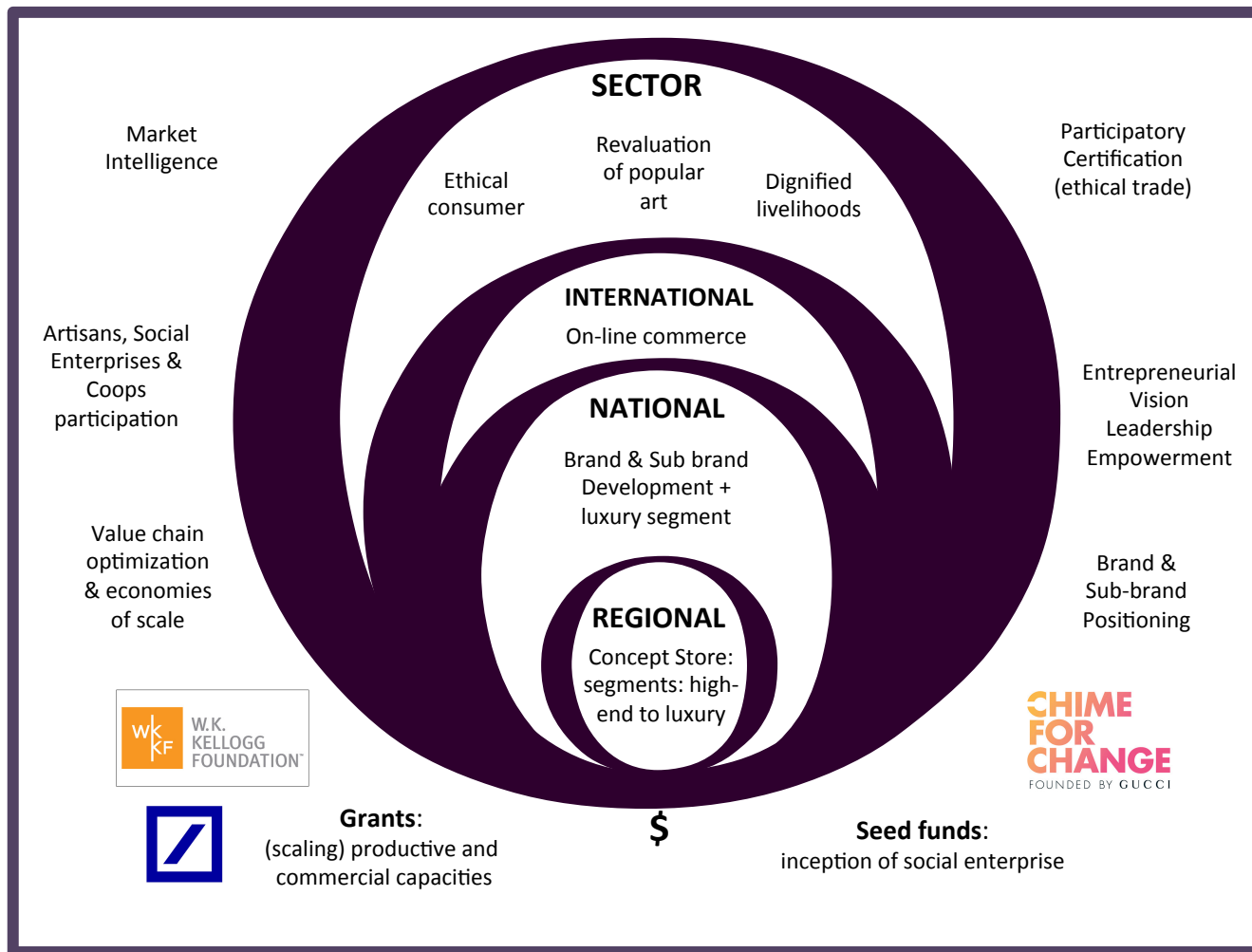
impacto textil a sector program under impacto, is an initiative already recognized for its actions of empowering and dignifying indigenous artisan women, in conjunction with the revaluation of handmade ancient crafts as well as the strengthening (positioning) of the ethical handicraft sector.

As of today, the program has focus on value-chain innovation, with the following outcomes:

- Product placement at unique trade channels, niche specific, focused on local ethical markets.
- Tangible results, significantly improving product design and product quality, promoting efficiencies in production processes; all within groups of artisans participating with the NGO in ad-hoc training programs. Importance is given to the understanding of costing (hand labor) and sale prices (ethical markets); both with the end goal of increasing women's income.
- Knowledge transfer (more so regarding commercial links); these exchanges working both ways, while implementing robust participatory methodologies.
- Additional training workshops focused on gender, women's health, and children's education.

- Uplifting of the Mexican textile handicraft sector and positioning, through social media campaigns (#ViernesTradicional) promoting the use of traditional and designed fashion products, as well as infographics to bring awareness and to educate consumers and women artisans on ethical value chains and markets.

The following diagram summarizes our current program strategy:



In this new strategic phase, **impact@textil** plans to conceptualize, design and kick-off a social enterprise, an innovative retail space in conjunction with an innovative ownership and governance structure, where artisans (as formal groups), cooperatives and brands / social enterprises are partners of the new venture.



:: Social Enterprise Mission ::

Our purpose is the integrated human welfare of everyone who is part of this unique social enterprise.

Our success will be measured by the ability to maintain and improve our exceptional position as retailer of Mexican high-end handicrafts, as well as by our ability to contribute to a dignified life of indigenous artisan women and men of Mexico and Latin America.

:: Vision ::

Being recognized as the first Mexican social enterprise that promotes the collective welfare of those involved in ethical trade of high-end Mexican handicrafts, operating with a democratic and a participatory set of values at all levels.

Our long-term plan is to strategize and to operate an innovative participatory solution to commercialize high-end handicrafts tapping into ethical markets, thus targeting the ethical consumer, a growing trend more so among the millennials & Lifestyles of Health and Sustainability (LOHAS) segments; in order to eradicate poverty and disparities of vulnerable indigenous populations of Latin America, with a gender approach.

The solution encompasses both product and commercial transformative innovations:

On the productive value chain:

- (1) Design led by the artisans: the plan includes the development of a design training center equipped with state-of-the-art technology, both software and hardware, and technical expertise for knowledge transfer.
- (2) Unique selling propositions (USPs): continue with a design-USPs leveraging local knowledge, while adopting simplified design techniques for cost-effectiveness.
- (3) Purchases: given the scale of sales achieved, aggregated raw material purchases will lead to significant savings (sourcing of natural materials, primarily).
- (4) Natural materials: put in place innovative local techniques for natural dyes (threads and/or fabrics). This also includes hardware and technical support.

On the commercial value chain, the strategy is to position the product offering at the local, national and international level, with specific selling tactics/channels for each market:

- (1) At the local level, to develop and operate a concept store to market high-end handicrafts, leveraging the living cultures of the towns/cities that are already recognized hubs. The first concept store (the pilot) to be located in San Cristobal de Las Casas, Chiapas (the most vulnerable state in Mexico). Replicating concept stores in at least other 5 locations in Mexico.
- (2) At the national level, to develop a differentiated high-end department store located in the country's capital, with a unique experience proposition, aligned to the positioning of the product nationwide. Depending on success, other Mexican major cities may follow. The replication is feasible in all Latam countries with a strong handicraft sector.
- (3) For international markets, to develop an on-line commercial site, tapping into technology for life story telling (linked to artisans).

Finally, the proposed model includes a percentage of profits to be shared with local NGOs for ongoing social investments, as part of the actual CSR strategy of the social enterprise (focusing investments on community sustainable development plans, those communities based in our area of influence, where our artisans live and work).

This business concept is innovative and unique as it shares benefits to women artisans in three relevant ways through: the costing of the product (labor), the profit sharing scheme, and the ongoing social investments via CSR.

In regards to the philanthropy arm, **impacto textil** will continue with the development of artisans' skills and leadership in the region. Through transferring knowledge/workshops both in situ and in field on various topics such as: product development, design innovation, value-chain optimization & efficiency, costing & pricing, enterprise systems, commercial links and leadership & entrepreneurial development. In addition to the ongoing actions to continue to strengthen the handicraft ethical sector: social media campaigns (Traditional Fridays & Fashion Revolution Day); education and awareness of the artisan and the consumer on ethical trade through info-graphics and social theater; participatory certification on ethical production; and impact on public policy for a comprehensive system on communal copyrights.

2015 Financials Planning

Grants:	WKKF, Deutsche Bank (proposal) & US individual donations (via CAF America)	\$100,000 USD
Seed funding:	Global Giving / Chime for Change, GUCCI (proposal)	\$100,000 USD

1st Year Social Enterprise Plan: Conceptualization, design, pilot kick-off and initial operations of the social enterprise.

Year-I plan includes three general strategies and activities: legal and governance; market research and brand and sub-brand development; and conceptualization and inception of a pilot *concept store*, targeting the regional market in San Cristóbal de Las Casas, Chiapas, Mexico.

:: Legal Strategy & Action Plan ::

The success and sustainability of the social enterprise will largely depend on its legal structure and governance guidelines. The textile handicraft sector is comprised of a diverse group ranging from artisans who work individually, families or groups of women working together, cooperatives and collectives, to already established social brands with a strong reputation in the luxury sector. Considering this particular context, we are interested in designing an organizational structure and legal form that are sufficiently flexible to facilitate integration and exit of partners, without this affecting the proper functioning of the enterprise.

To achieve this, we will carry out two simultaneous actions: on one hand the social-field team will develop a diagnostic study in order to deepen the understanding of the characteristics, abilities, needs and expectations and potential partners; on the other hand the legal team will analyze the challenges and realities of the ecosystem in which it is intended to operate, and design a legal, tax and accounting structure -using data derived from the diagnostic, to ensure democracy and appropriate participation of each partner, strengthening the long-term sustainability of the company.

:: Marketing Strategy & Action Plan ::

Given the current market's dynamics, one success factor for the enterprise resides in the developing of a strong marketing plan, closely related to the development of an appropriate branding and communication strategy. The market research that will be carried out will provide the elements to strategize communications while detecting a motivational opportunity of this niche market, one that is currently booming. The market study aims to identify attitudinal factors in the ethical luxury handmade handicraft sector. The information will lead to prioritize actions as to launch a differentiated and uniquely positioned brand(s) in the luxury retail sector, with a *concept store* (sub-brand) supporting regional efforts and acting as a product development platform plus a full luxury retail experience in Mexico City (retail brand), planned to kick-off in Year-II of the plan (future funding will be needed).

Specific actions include: a benchmark of current offerings and retail experiences (competition), a deep understanding of current industry dynamics, a deep understanding of consumer preferences taking into consideration the business strategy of the social enterprise, and a deep understanding of sales channels, promotions and communications. By systematizing these four areas, a brand positioning and communication strategy will be developed. With this information/diagnostic, a creative brief will be generated to develop the design and guidelines of the brand (Retail DF) and sub-brand (Concept Store, San Cristobal de Las Casas) as well as the tactics for a PR and communication plan for the opening the Concept Store in San Cristóbal de Las Casas (first quarter of 2016).

:: Concept Store Strategy & Action Plan ::

In this first stage (pilot), the social enterprise proposes the creation of an innovative space, the *concept store*, which will serve not only as retail space for handicrafts, but also it will offer a space for visitors to experience the living Mayan culture of Chiapas. A place to learn and see firsthand the positive effects of ethical trade practices; a place to hold training and knowledge sharing (events and conferences) on issues and topics related to the artisans, design and ethical trade. A space with this type of offering does not exist in Chiapas or Mexico today. It is a highly innovative model that shall be replicated in several locations in Mexico (future store locations planned in Oaxaca, Mérida, Tulum, others TBD).

The concept store action plan includes a year of intense activities, culminating in the launch of the store. The social enterprise will be led by a strong and capable team to ensure its initial success and continuity. The team is comprised of retail experts in luxury retail, textiles, fashion, marketing and business, also having extensive experience of working with master artisans of Chiapas.



Expected impact

As this is an income-generating project, the concept store is planned to be financially self-sufficient by mid 2017 onwards. The success of the project and the retail enterprise is not only measured in terms of financial profitability and sales, but also in terms of improving the livelihoods of the artisans, supported through the partnering NGOs. As mentioned, this includes the continued development of skills of the artisans: personal growth (leadership), business skills, product innovation, product development & sales; in addition to capacity development across the region, and in carrying-out initiatives to position and strengthen the textile handicraft sector.

The direct beneficiaries of this initial pilot totals 1,500 women artisans, living in various municipalities of the Highlands of Chiapas, Mexico (Mayan background). Ages range between 14 to 40 years (median age 25 years). On average each woman has 4-5 children, indirect beneficiaries of the program (family income directly impacts nutritional quality, health, and increases the chances for formal basic education for both girls and boys).

Groups, Cooperatives and Social Enterprises included in the initial due diligence for the retail enterprise.

Group, Coop or Enterprise**	# Women artisans	Group, Coop or Enterprise	# Women artisans
1. Bordados Saklum	30	10. La Compré *	30
2. Chamuchic *	18	11. La Milpa *	20
3. Corazón Artesanal	15	12. Malacate	25
4. El Camino de Los Altos *	130	13. Mujeres Sembrando la Vida	50
5. El Gato con los Pies de Trapo	10	14. Pepen	10
6. Fundación León XIII	200	15. Skinal Nichimetik	20
7. Impacto Textil	90	16. Stalelal Maya	90
8. Jalabil	15	17. Artisans Unión (ATA)	500
9. Jolom Mayaetik	200	18. Carmen Rion *	50
Total			1,503

* Well-established luxury brands / social enterprises

** A variety of product categories: accessories, house & bedding, women's clothing, babies & children, handbags, among others.

Other key performance indicators to monitor impact and success, in addition to women's income improvements, are: indicators on human development (education, health, gender equality, empowerment); entrepreneurial, leadership and organizational skills; commercial links (in addition to the participation at concept store); livelihood improvements (medium to long term); experiential learning with a cohesive follow-up in field and at training center.

Team

Name	Role	Experience
Adriana Aguerrebere	MD impacto	MBA Kellogg, NWU; founder of NGO impacto ; marketing & comms director E*Trade (UK) and Motorola (USA); consulting (Product RED) & private equity (NAEFund) experience; entrepreneur.
Claudia Muñoz	Advisor, impacto 's Board	Master Fashion Coordinator Marangoni Institute, Milan; Founder and CEC of social enterprise Chamuchic; Fashion manager, Cotton Incorporated.
James Ritch	Legal Affairs	Partner at Capital Común. Extensive experience in corporate legal aspects and the social sector.
Courtney Lindahl	Advisor, <i>concept store</i> (pilot)	Co-founder of Chiapas Bazar; HR manager, Marc Jacobs International and Louis Vuitton North America. More than 10 years of professional experience for multinational fashion and social enterprises.
Shawn McDonough	Market Intelligence & Branding	Strategic planning director, Terán/TBWA Mexico and Grey Group Mexico; Comms director, Pronatura Chiapas; Creative director, J. Walter Thompson, Mexico; more than 15 years experience as a strategist and creative for communications and branding.
Silvana Avila	Communications impacto	Comms Coordinator & Designer, Social Media, Crowd Funding campaign.
<i>External advisors</i>		
Gudrun del Moral	Advisor, Luxury retail	More than 15 years experience in luxury retail business in Mexico.

Additional links:

- impacto's promo video: <https://vimeo.com/82211785>
- Viernes Tradicional Group (FB page): <https://www.facebook.com/viernes-tradicional>
- Impacto textil blog: <https://impactotextil.wordpress.com>
- Carmen Rion mocheval fashion show: <https://youtu.be/dC8WGNuPDpg>
- Chamuchic & AMEX do what you love: <https://youtu.be/AlfYLgVPAgM>
- El Camino de los Altos (FB page): <https://www.facebook.com/pages/El-Camino-de-Los-Altos>

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