

Forum

What Does a Goat Have to Do with Development? Diasporas, IT, and the Case of Thamel.com*

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Introduction

Considerable untapped resources are available to foster base-of-the-pyramid (BOP) business development, including the intersection of diasporas, information technology, and transnational entrepreneurs who capitalize on both.¹ Diasporas represent an enormous fund of human capital. Recent estimates of global economic remittances place them on a par with total official development assistance (estimated at \$70 billion per year in 2004, \$125 billion in 2005, and \$176 billion in 2006) (World Bank, 2004, 2005, 2006). In addition, information technology is affording access to new markets and opportunities for the co-creation of value throughout the developed world. Why not in developing countries?

This paper examines one such example. Thamel.com's business model links the Nepali diaspora with their families and loved ones, while nurturing local businesses and turning a profit. Its unique combination of home market services, remittance services, and business development services demonstrates how diasporas and information technology can change the landscape of BOP opportunities. Thamel.com's story provides lessons not only for other diaspora entrepreneurs, it also illustrates how many of the common challenges to developing BOP markets can be overcome. Such lessons can provide the fodder for continuing creativity as the global community seeks to generate employment and reduce poverty under the most challenging circumstances. Before describing the case, a brief review of diasporas and key concepts on BOP markets is in order.

Diasporas

The most noticeable and formally recognized contributions of diasporas to their home territories include: repatriation for the purpose of capacity building, economic remittances, and international advocacy (see Brinkerhoff, 2008a). Recent perspectives on remittances promote attention to a broader perspective that includes social remittances, that is, skills transfer, and cultural and civic awareness/experience (Nyberg-Sorensen, 2004). Skills transfer and economic remittances hold particular promise for private sector development in the homeland. The UNDP acknowledges that diasporas are "supporting entrepreneurs in their homelands with remit-

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1. Base of the pyramid (BOP) refers to the approximately 4 billion people who live on less than \$1,500 annual per capita income (Prahalad & Hart, 2002). For a discussion of BOP market development, see Prahalad (2004).

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tances, informal financing of small businesses, and business advice and mentorship” (Commission, 2004, 30). To date, there is little documentation of formalized diaspora efforts and investments to create BOP businesses. In terms of constructive contributions to homelands, research has focused primarily on economic remittances.

However, economic remittances do not automatically contribute to national development. According to the International Organization for Migration, remittances tend to follow three spending phases with attention to: 1) family maintenance and housing improvement; 2) conspicuous consumption; and 3) productive activities (Nyberg-Sorensen et al., 2002, 14–15). A large percentage of remittances do not extend to phase 3. Furthermore, such remittances often do not reach the poorest of the poor, who may be less likely to have links to diaspora communities (Massey et al., 1999), and remittances to socio-economically unequal societies may further polarization (Gardner, 1995).

Successful mobilization of diaspora contributions to their homelands is dependent on a number of factors, including: building a shared social identity, providing an organizational or networking base, and generating a sense of efficacy and subsequent impact (Brinkerhoff, 2008b). The Internet is increasingly instrumental to diasporas’ ability to negotiate their identity and retain psychological links to the cultural identity of their homelands (Brinkerhoff, forthcoming). It provides an organizational and networking base and facilitates information dissemination related to generating a sense of efficacy and impact. Through Internet technology, Thamel.com effectively channels diasporans’ interest in connecting and contributing to their families in the homeland.

Thamel.com: Linking Diasporas to the Base of the Pyramid

Following his undergraduate business studies in Portland, Oregon, Bal Joshi returned to Nepal and began selling beverages out of a pushcart on the streets of Katmandu. In 2003, the World Summit on the Information Society recognized Thamel.com as one of three businesses in the world that are “most contributing to poverty alleviation” (Katauskas, 2004). How did he move from street vendor to founder of an award-winning \$1.3 million transnational business based on the Internet? The follow-

ing case description draws on a personal interview and correspondence with the founder and his associates, a review of empirical data and observation of the Thamel.com Web page (www.thamel.com), and organization reports and media coverage. Unless otherwise noted, the source of information is Joshi (2004).

It Started with a Goat

Thamel.com began as a market guide to local businesses to entice tourists to both come to Nepal and spend money with local businesses. Joshi and his associates discovered that most of the interest in Thamel.com was coming from diaspora members, not the tourists they had anticipated. Thamel.com quickly became an important vehicle for diaspora members to communicate inexpensively with their family members in Nepal. From his own experience in Portland, Joshi appreciated the value of this communication link for diaspora communities. As an experiment, Joshi and his associates decided to post a few items for sale and explore whether or not diaspora members would want to purchase gifts for their families. They had already developed a network of more than 500 local businesses with the intention of attracting customers, so why not market their products on the Web?

Their biggest hurdle was trust. Thinking ahead to their own family plans, they stumbled on a new idea related to the upcoming Dashain Festival, the most important cultural and spiritual celebration in Nepal. An important component of the celebration is the sacrifice of a ceremonial goat to ensure prosperity in the year to come. Families sometimes secure loans to pay for the goat—the cost (\$80–\$100) can be as high as 40–50% of average yearly income. For members of the diaspora, the cost might not be as prohibitive. In order to confirm delivery and build trust, Joshi’s staff suggested taking a digital picture of the recipient and the gifted goat and e-mailing it to the customer. To be culturally relevant, the families would need to select their own goat; this is a very important ritual in the preparation for the festival. In fact, this became the easy solution to delivery. Thamel.com had only to inform the family of the gift, delivering a gift certificate that could be redeemed at a particular goat market. Following a slow start, Thamel.com was quickly overwhelmed. They caught the attention of the BBC which did a story on them, further expanding the demand.

With an estimated customer base of 18,000–

Home Market Services	Diaspora as customers, poor as employees and consumers
Business Development Services	Poor as business partners, diaspora and poor as customers
Remittance Services	Diaspora as customers, poor as consumers

Figure 1. *Diasporas and the Poor in Thamel's Three Service Areas.*

20,000, Thamel.com now offers a range of products for diaspora-gifting to their families (e.g., flowers, cakes, jewelry, musical CDs—even limousine service for weddings).² Thamel.com continues to focus on culturally relevant products and services using the digital photo as their signature touch, having evolved the motto: “We are the messenger of your sentiments” (Katauskas, 2004).

Gift and gift certificate delivery requires locally knowledgeable staff as many streets and numbers are not formally marked. Delivery staff carry cell phones to communicate delivery status to headquarters in Katmandu. Gift delivery has become an event with a ritual all its own. Family members assemble in formal clothes to enjoy the gift together. If it is a cake, the delivery person is invited to join the celebration. Despite initial concerns, when the deliverer is from a lower caste, no stigma nor difficulty have been encountered. According to Joshi, “the delivery person takes on the identity of the person sending the gift. . . . They actually become a surrogate” (Joshi, 2004).

Thamel.com continues to selectively promote exports. They decided to specialize by launching individual platforms for specific products (e.g., pashminas) in partnership with local (Nepali) producers (Joshi, 2005). The diaspora community is their greatest advertiser. For example, during the World Wars, Nepali warriors became famous for their Khukuri knives. Some diaspora members already possessed them, or, desiring a symbol of Nepal, acquired them through Thamel.com. Now, when their adopted/host country friends see these items and express interest, diaspora members point them to the Web page. Of Thamel.com’s export business, the diaspora is estimated to represent only 10%.

The Thamel.com Model

By 2003, Thamel.com employed 50 full-time staff employees in Nepal, maintained more than 500 business affiliates (ranging from the largest businesses in Nepal to street vendors with annual revenues under \$1,000), served 18,000–20,000 people in 25

countries, and contributed more than USD\$1 million each year in revenue to the local economy (Joshi & Granger, 2003). In 2003, it generated \$1.3 million revenue (Katauskas, 2004; Joshi, 2004). Everything except the payment process, which takes place in the United States, is created and implemented in Nepal. Thamel.com represents a multifaceted business model, encompassing three kinds of services: home market, remittance, and business development. The home market services are largely described above and involve the acquisition of goods and services from Nepal for either the local gift or export markets. Joshi and his associates also recognized a strategic business, as well as social interest in developing remittance and business development services. Figure 1 illustrates how each of these service areas draws on different actors for financing, employment, and consumption.

Formally recognized remittances to Nepal are approximately \$1 billion. Joshi estimated that another \$2 billion were being sent through the Hundi system.³ Alternatives, such as Western Union, can charge as much as 10% per transaction. Thamel.com offers these services for 2.4%–3%. Because the home market services were well established and trust in Thamel.com was strong, it was relatively easy for Joshi and his associates to launch remittance services. While this is a popular service, Joshi notes, “We do not want to be out of focus from our core strength: creating value for our business partners in Nepal and vendors in Nepal” (Joshi, 2004). Thamel.com leverages money transfer into products and services. Customers have the option of transferring money to invest in specified outcomes. These services are provided in partnership with producers and banks (with some profit sharing). The

2. Approximately 66% of sales originated in the United States, with another 15% from the UK, Canada, and Australia. Access to information technology has hampered marketing in some areas, such as the Middle East.

3. This is an informal system of money transfer through merchandise. It is often used as a means for money laundering and for the transfer of illegal drugs, arms, and munitions.

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services enable the remitters to control the use of their funds. As Joshi (2004) puts it, “We want to help you obtain loans. We also want to make sure that if your wife or your husband runs away with someone else, your money that you invested is yours.” For example, for those who can afford it, private schooling in Nepal is considered to be good quality, at a cost of \$200–\$300 per month. Thamel.com, with its banking partner, establishes a bank account for the sender that will automatically make the school payments on a schedule.

In terms of business development services, Thamel.com acts as an intermediary, connecting orders and also purchasing and reselling products (Granger, 2004). This opens a door with the local businesses to assist them in improving product quality, maintaining consistent quality, and providing timely production. Services include product design and consulting for quality control and e-commerce export. Thamel.com maintains various relationships with its affiliates. It has a wholesale relationship, offers options for nominal fee-based advertising on the Web site, and provides an annual membership opportunity. For example, the Khukuri affiliate—a cooperative—is an annual membership relationship in which Thamel.com provides all of the marketing, money transfer, and delivery services and retains 15% of the sales.

Moving Beyond a Goat in Nepal

Thamel.com represents a model and inspiration for other diaspora entrepreneurs, as well as more general lessons for overcoming BOP challenges. Its model represents responsive, inclusive, and locally-driven economic growth at the base of the pyramid. The development and poverty alleviation implications for developing countries are significant. While Thamel.com’s success so far is relatively moderate—\$1.3 million profit and growing at an estimated \$1 million in revenue to Nepal’s local economy—its potential is suggested by the roughly \$125 billion per year of global economic remittances. These numbers should appeal to development industry actors and MNCs alike.

Thamel.com’s home market services ensure that there are spillover benefits beyond the receiving families. Thamel.com employs high- and low-skilled staff (sometimes temporarily), and Thamel.com’s experience has fostered improvements in infrastruc-

ture. It is promoting more enabling policy frameworks, with respect to remittance transfers, business regulation, and information technology. Joshi now serves on an advisory board to His Majesty’s Government of Nepal for the design of appropriate IT policies. Business development services contribute to improvement in the quality and diversity of goods available locally. And economic remittances sent in the conventional transfer mechanism are now more likely to be transferred in their entirety, potentially expanding the local economy.

Are there specific implications for MNCs? Thamel.com implies a potential and previously unrecognized entry point into BOP market development: information technology with a diaspora transnational entrepreneur partner. The venture’s home in cyberspace presents relatively lower start-up costs than operational FDI, affording greater opportunities for low-stake risk taking. Further documenting the experiences of diaspora transnational entrepreneurs can inform selection criteria for MNCs to use for identifying potential BOP business partners and opportunities. For example, selection criteria related to entrepreneurial partners might include their social embeddedness, potential for infrastructure innovation, the potential for, or existence of, local business networks, and relations with the national government. The customer base would also require analysis. For example, does the diaspora have a sustained connection to the homeland? What is the volume of remittances that might be tapped? Are diaspora communities located in places where they have easy access to Internet technology?

Thamel.com and its founder are clearly mission-driven and part of that mission is local employment and business development, not just profit. So while its model may be borrowed and selectively replicated by other transnational entrepreneurs and possibly in partnership with MNCs, its contribution to broad improvements in quality of life through the local economy is contingent upon the will to cultivate these. As Thamel.com illustrates, these benefits are not necessarily contradictory to profit motives.

Thamel.com continues its own strategy of discovery, continuously evolving new marketing and distribution systems and products—for example, the introduction of Mercedes limousine service for weddings. Its signature receipt—the digital photograph—will likely remain a mainstay of its business. While it continues to explore and discover,

Joshi and two international business associates have founded Thamel International to assist clients in developing BOP markets using information technology. ■

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