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IMPACT HUB YEREVAN FOUNDATION – Sustainable financing to build sustainable impact

*“The time is right in Yerevan...
It is a city of 1 million in a country of 3 million in a world of 10 million Armenians.
The narrative of the country is itching to shift from “It cannot be done” to “Yes, it can be done!!!”*

- Ms. Sara Anjargolian, Co-Founder and CEO of Impact Hub Yerevan, talking about the motivation to create Impact Hub in Yerevan

One and a half years ago, it was a sunny day, when Sara Anjargolian (Co-founder of Impact Hub Yerevan) was having a casual Facebook conversation with Audrey Selian (Co-founder of Impact Hub Yerevan). Being a part of Impact Hub Global, Audrey had come up with the idea to create Impact Hub in Yerevan. At first there was a skepticism that this concept will not work in Armenia, but they continued to develop the idea anyway. And two months ago Impact Hub Yerevan opened its doors to companies, individuals and enterprises from different areas. The aim was to create a community where its members are offered a unique ecosystem of resources, inspiration, and collaboration to grow the positive impact through their work.

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Now, while analyzing the work already done, Sara is thinking about the upcoming challenges that the company can face up to. She understands the importance of independent from grants for sustainable financing. The biggest challenge for now is to find alternatives for funding and not depend on grants. Moreover, it is expected that the rent paid by Impact Hub will increase, due to inflation.

For now, after successful two months of operations, it is crucial to clearly conceptualize the further development of Impact Hub Yerevan.

Company Background

Impact Hub Yerevan Social Innovation Development Foundation (Impact Hub Yerevan) was established in February 1, 2016 by five co-founders: Sara Anjargolian, Audrey Selian, Vahe Keushguerian, Raffi Kassarian, and Narineh Mirzaeian. The first step, right after the idea was born, was getting a license from Impact Hub Global to operate in Yerevan. After getting the license co-founders started to look for the place and community members. Numerous locations have been considered before finally getting a place right in the heart of Yerevan. In order to find members, co-founders came up with a list of organizations and individuals that have a positive impact in Armenia. After having met with each of them, Impact Hub already started to create its community.

Impact Hub Yerevan is a professional membership organization dedicated to individuals, enterprises, start-ups, and organizations making a positive impact in Armenia. The purpose of the Company is to create an inspiring space, entrepreneurial support and a collaborative community by providing spaces to the organizations.

Like a greenhouse for great ideas, Impact Hub Yerevan is where entrepreneurs and innovators lead their businesses from concept to implementation. Within their shared workspace, they offer thought-provoking programming and educational events; inspire a community of entrepreneurs, thinkers, creative people, community builders, investors, policymakers, developers, artists and many others - all collaborating toward a more successful Armenia and a better world.

Challenges

The main challenge of Impact Hub Yerevan is connected with the sources of funding. The nature of the problem is that the company doesn't manage to cover all the costs with revenue generated from the membership fees. Though revenue from the office spaces covered the cost of the whole space rent, there was still major percentage in the cost structure that had to be covered.

Fortunately, the foundation received three grants that successfully covered all the expenses of the first months. However Sara realized that grants are not sustainable sources and she started thinking on finding more sustainable sources of funding than the grants. These alternative sources had to be found inside the Hub. The reasonable way was increasing the prices of the membership packages. But it was also evident that this price increase would cause many difficulties and undesirable consequences, like the departure of community members.

So another challenge is to ascertain how exactly this price growth must be realized and what other activities can be carried out to stay sustainable on its own.

Competitive Advantage

Impact Hub Yerevan is not just a workplace, where one can spend time, but it's a wonderful community with great atmosphere and friendly people.

One of the advantages of Impact Hub is the opportunity to become a part of strong, comprehensive international network both for individuals and organizations. It creates an ideal environment for working with people from different backgrounds. The members of the community have wall to wall windows that allow sunlight and oxygen to penetrate into the office. They have meeting rooms available where they can bring in partners to discuss potential projects.

One of the most important factors to influence the flexibility in the company is the accessibility to the space for 24/7, thus, people, who are more productive at night, have the option to go to work during that time.

Another necessary aspect of working in Impact Hub Yerevan is the culture of sharing. In the company businesses, nonprofit organizations, community organizations and individuals who are focused on affecting positive social change, are working together to share a workplace. They also have the opportunity to share experiences, resources and ideas. Intensive communication of the members during the coffee and tea breaks is always encouraged by the unique culture of Impact Hub just after joining the community (see **Exhibit 1**).

Industry

The main feature that differentiates Impact Hub from its indirect competitors and keeps its substitutes far away from competing with the company is the global network of more than 80 other Impact Hubs all over the world. It connects more than 13000 members and the quiet powerful community of the local Impact Hub Yerevan (see **Exhibit 2**). This community is composed of outstanding Armenian companies that were founded either in Armenia or abroad. The concept of creating such a community, which will be internationally connected Hub and will have impact locally, makes Impact Hub Yerevan unique in Armenian market and in the industry in general.

Substitutes

Substitutes for Impact Hub are organizations that offer space for working, but fail to provide access to international community, which Impact Hub has. The substitutes for Impact Hub are co-working spaces, anti-cafes, business centers, libraries and other rental outlets.

Co-working spaces: Co-working spaces allow individuals to operate in the same space. One famous co-working space in Yerevan is Utopianlab. It offers fixed and flexible desks with full-time, part-time or basic membership fees (see **Exhibit 3**). The main target of this co-working space is the independent professionals, freelancers, but not companies or organizations. However, now the company has some problems with the space, and is temporary closed.

Anti-Cafes: Anti-cafes provide space for trainings, meetings, corporate events, film screenings and other leisure activities, but can also be used by freelancing individuals as work space. They offer 24/7 availability, unlimited access to the internet, coffee, tea and other snacks for free and provide with opportunity to bring food or prepare it in the kitchen.

There are two major players in the market: Aeon and Loft. Both are located in the center of Yerevan and in both places the fee is paid for hours spent in. Aeon, being positioned as an anti-cafe, offers variable flexible packages for individuals: “Short-term”, “Student”, “Tourist”, “Working”, “Immigrant”, “Resident” and “Unlimited” (see **Exhibit 4**). They provide packages with discount depending on hours or concerning big events.

Loft was positioned as anti-cafe operating in Yerevan, but recently came up with an initiative, which targeted a new segment of customers. It started to offer co-working areas. There are numerous desks that can be occupied by individuals in one area and two other rooms which can be provided to individuals or groups to organize classes, courses or trainings there.

Business Centers: Business Centers provide organizations with office space and administrative services (like security, cleaning). They are usually located in the center of the city or places with developed infrastructure and transport connections. Famous Business Centers in Armenia are Elite Plaza, Yerevan Plaza, Imperium Plaza, Yeraz, Erebuni Plaza, Citadel, Azimuth Business Center and Forum Business Centers. The target of these business centers are the companies and organizations but not individuals or freelancers. Their main activity is leasing office space to the client companies, not creating community as Impact Hub does.

Libraries: There are few libraries in Yerevan which have all the supplies and conditions to serve as a working space for individuals. AUA’s AGBU Papazian library and Mirzoyan library can become good examples of not only places to study but also to work.

Other: Apart from the abovementioned, there are cafes which have intermediately become places for working. The ones that are known among individual professionals and freelancers are Green Bean, Crumbs and Achajur.

Besides, the abovementioned, organizations or individuals who would rent office spaces can be considered as substitutes as well.

Members

The clients of Impact Hub are the individuals and the companies that prefer to become members of the international community and have their office or desks in the co-working space offered by the foundation.

Besides the fact that the facilities the foundation offers are unique and the substitutes don’t stand even close, the main advantage that the members gain is the community they are becoming part of.

Just after two months the community started to collaborate with such well-known enterprises and companies as Idea Foundation, Homeland Development Initiative Foundation, Smithsonian Institution, Repat Armenia, USAID, The Izmirlian Foundation, DEEM Communications, COAF, Semina Consulting, One Armenia, Paros Foundation and many other successful organizations (see **Exhibit 5**).

Considering the opportunity to work in one place with these many companies and opportunities of being involved in projects with them, attracts start-ups and individuals having their desk in this co-working area. Individuals and start-ups become members to be a part of bigger projects. This gives them a chance to create a fairly powerful network for their future activities. Besides, if the space is a real matter for the individuals and small teams for having working place, for the big organizations the space has more of symbolic character. There are even some companies that rent permanent desk instead of offices to become part of the community and international network.

To become a member of Impact Hub community and rent space in the co-working area both the organizations and individuals have to fill their applications and then pass the interview with the co-founders or the administrative staff of the foundation. The main criteria the potential members should meet and the main principle by which the members are chosen is to be either a social business, or a company that makes social impact in Armenia. Potential members that will have no difficulties to be accepted as a member are the organizations or individuals whose activities somehow boost the cultural or any other aspects of national identity; initiatives and projects that promote the economy of Armenia in any direct or indirect way. The companies that distinctly have no chance to become a part of the community are the ones that operate in such spheres like gambling or mining which leave obvious negative ecological, economic or social footprint on the vital activities of the society.

Suppliers

The Impact Hub Yerevan subleases the space that serves as a co-working area. The rented space occupies 5th floor of the building that belongs to Armenian General Benevolent Union (AGBU), largest Armenian non-profit organization. It is located in the center of Yerevan, close to the Republic Square of the city. In this building all the companies, organizations and foundations, including, Impact Hub Yerevan, have resembling mission and core values considering making change in Armenia.

The other suppliers are the companies which provide legal and accounting services to Impact Hub foundation.

Potential entrants

There is a recent tendency of growing amounts of individual professionals who are freelancing and need a work place in Yerevan. Besides there is growing interest to the anti-cafes and co-working spaces. So the demand of such kind of places can boost appearance of new anti-cafes which will include working areas.

Moreover, it can be found numerous abandoned buildings in the industrial parts of the city, which can serve as large co-working spaces. The low prices to rent or even buy these abandoned buildings will become major advantage as it will significantly cut the costs of the business. Furthermore, these spaces can be easily transformed to modern and attractive place by investing minimum resources to design it with loft interior style that is popular nowadays.

Product/Service

Impact Hub Yerevan position itself as a business incubator and social community center, where people can find local and global network of like-minded people, opportunities for education, development, and collaboration.

Three product categories are offered at Impact Hub: office spaces, fixed desks, and hot desks (the places are not fixed). Currently, there are 11 offices, 14 permanent desks and approximately 25-30 hot desks in the company.

While offices represent separate spaces, desks are located in the general area. Impact Hub gives opportunity to both companies and individuals to join their community by offering different products. Nevertheless, there are also companies, who prefer to use the packages of fixed desks. Their main aim is to become a member of inspiring community and keep the connection with the help of one employee.

Place

Due to its central location Impact Hub Yerevan attracts even more members, as it is very convenient for them to hold events and meetings there. In comparison with Loft and Utopianlab, Impact Hub has an advantage regarding its location. It is ideally located at 2/2 Melik Adamyanyan Street, which is very close to metro and bus stations. The space of the company is 500m².

Price

Prices of the company vary according to its products (see **Exhibit 6**). Members also have a possibility to use the meeting rooms, which are free for the community members.

Loft offers 30,000 AMD for a month, for its co-working space. They also have a package of 9 hours for 3000 AMD; else they charge 900 AMD for an hour.

Utopianlab has the following pricing strategy: it suggests full time membership for 25,000 AMD, part time membership for 15, 000 AMD and basic membership for 10,000 AMD (see **Exhibit 3**).

Promotion

Despite the short period of operating in Yerevan, Impact Hub has already succeeded in creating loyal and tight network. The latter is quite big, and continues to enlarge day by day. Impact Hub doesn't need more visibility, as people who could be interested, already know about it due to the network. There is a good point, that there is no need for special promotional campaigns in order to get attention, so Impact Hub can avoid costs regarding advertisements and marketing campaigns. The promotion is mainly done through WOM (word-of-mouth) and through special events that take place at Impact Hub Yerevan often enough.

Cost and Revenue Structures

The cost components of Impact Hub are rent, salaries, legal and accounting outsourced services, internet payments, providence of free coffee and tea to community members and other minor costs. The major cost drivers are the renting of the space and salaries, which compose 42% and 39% respectively (see **Exhibit 7**).

Revenue of the company is generated mainly from the rent received from offices which are occupied by companies. At the same time Impact Hub is highly dependent on the grants received (see **Exhibit 8**).

From the revenue and costs analysis, the company has gross margins for each product:

Product Category	Gross Margin
Offices	-4.954%
Desks (Fixed + Hot)	-202.530%

Future Plans of Impact Hub Yerevan

Despite the fact that Impact Hub Yerevan is operating for just two months, it has managed to successfully position itself in the local market and create a demand. However, as for every organization, there are some challenges that should be overcome in the future.

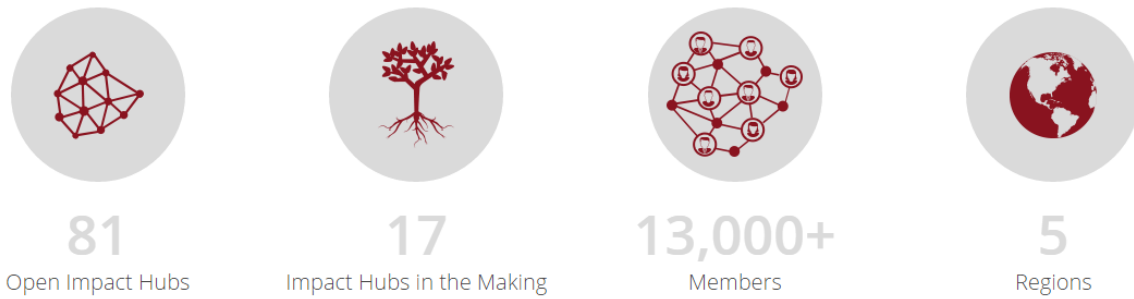
Taking into account the inflation and probable increase in rent, Sara thinks about whether she should increase the prices of office spaces and desks or not. However, if she leaves the prices the same, there is a danger of continuing to be dependent on grants, which aren't always stable source of financing.

What can be the right step for assuring a growing and bright future for Impact Hub? Which is the right policy to choose in order to have a sustainable financing and loyal customers?

Exhibit 1 Reasons to choose Impact Hub Yerevan



Exhibit 2 Impact Hub International Website



Source: Impact Hub Global Community Website www.impacthub.net

Exhibit 3 Utopianlab Website

Membership package	Time period	Desk type	Fee
Full time	Unlimited	Fixed	25,000 AMD
Part time	10 days	Flexible	15,000 AMD
Basic	5 days	Flexible	10,000 AMD

Source: Utopianlab Website www.utopianlab.am

Exhibit 4 (a) Price offered by Aeon

Long-term use		Short-term use	
1 person	50,000 AMD	6 hours	3,000 AMD
2 people	45,000 AMD (per person)	12 hours	5,000 AMD
3 people	40,000 AMD (per person)	1 week	18,000 AMD

Exhibit 4 (b) Packages offered by Aeon

Package	Morning	Evening	Discount for events	Training room access	Promotion	Printing, copying, scanning	Tea, coffee, sweets	Fee
Student visa	480 AMD/hour	800 AMD/hour	20%		No	first 5 pages for free, then 10 AMD/page	unlimited	10,000 AMD
Tourist visa	450 AMD/hour	750 AMD/hour	25%		No	first 5 pages for free, then 10 AMD/page	unlimited	25,000 AMD
Working visa	420 AMD/hour	700 AMD/hour	30%		No	first 5 pages for free, then 10 AMD/page	unlimited	30,000 AMD

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Immigrant visa	390 AMD/hour	650 AMD/hour	35%	once in 2 months	Yes	first 5 pages for free, then 10 AMD/page	unlimited	40,000 AMD
Resident visa	360 AMD/hour	600 AMD/hour	40%	once in 2 months	Yes	first 5 pages for free, then 10 AMD/page	unlimited	50,000 AMD
Unlimited			50%	once a month	Yes	first 5 pages for free, then 10 AMD/page	unlimited	60,000 AMD

Կարճաժամկետ փաթեթեր
Short-term packages

Half a day - 3,000 AMD (two or more people - 2,000AMD)
All day - 5,000 AMD
All the week - 15,000 AMD

Ուսանողական 10.000 դրամ
Student Visa

Տուրիստ 25.000 դրամ
Tourist Visa

Աշխատանքային 30.000 դրամ
Working Visa

Իմիգրանտ 40.000 դրամ
Immigrant Visa

Ռեզիդենտ 50.000 դրամ
Resident Visa

Անսահմանափակ փաթեթ
Unlimited package

1 (ամս) 60.000 դրամ
2 (ամս) 100.000 դրամ
3 (ամս) 120.000 դրամ

Source: Aeon Website <http://aeonyerevan.com/en/platform/page/33.html>

Exhibit 5 Enterprises in Impact Hub Yerevan



Exhibit 6 Price packages offered by Impact Hub Yerevan

Plan	Hub Connect	Hub 40	Hub 80	Unlimited	Fixed Desk	Office
Space Usage (hours/month)	Not Applicable	40 hrs Monday to Friday only	80 hrs Monday to Friday only	24/7	24/7	24/7
Events	✓	✓	✓	✓	✓	✓
HubNet	✓	✓	✓	✓	✓	✓
Meeting Room*	X	✓	✓	✓	✓	✓
Registered Address	X	X	X	✓**	✓	✓
Private Storage	X	X	X	X	✓	✓
Price	10,000 AMD	24,000 AMD	38,000 AMD	58,000 AMD	86,000 AMD	Varies

Source: Impact Hub Website <http://yerevan.impacthub.net/>

Exhibit 7 Cost structure of Impact Hub Yerevan

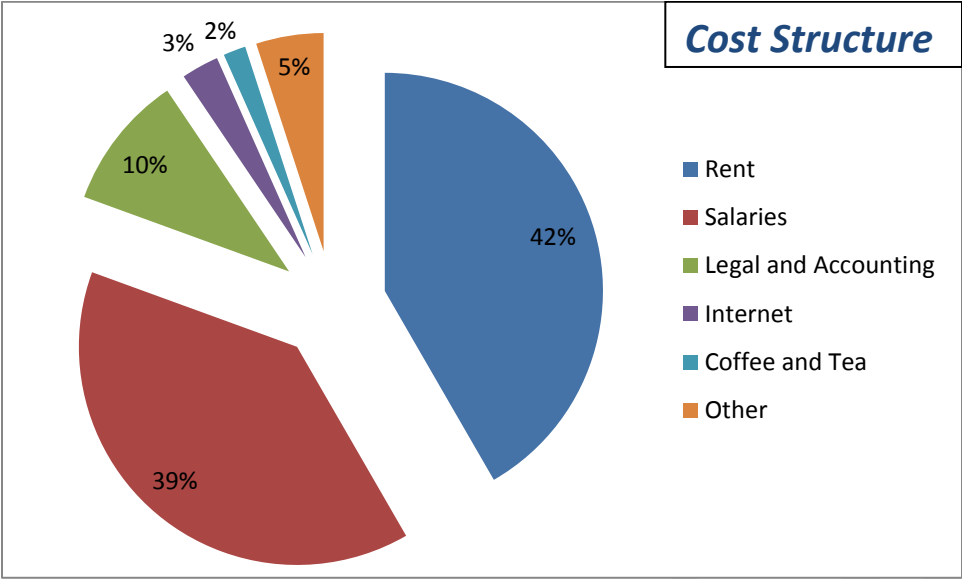
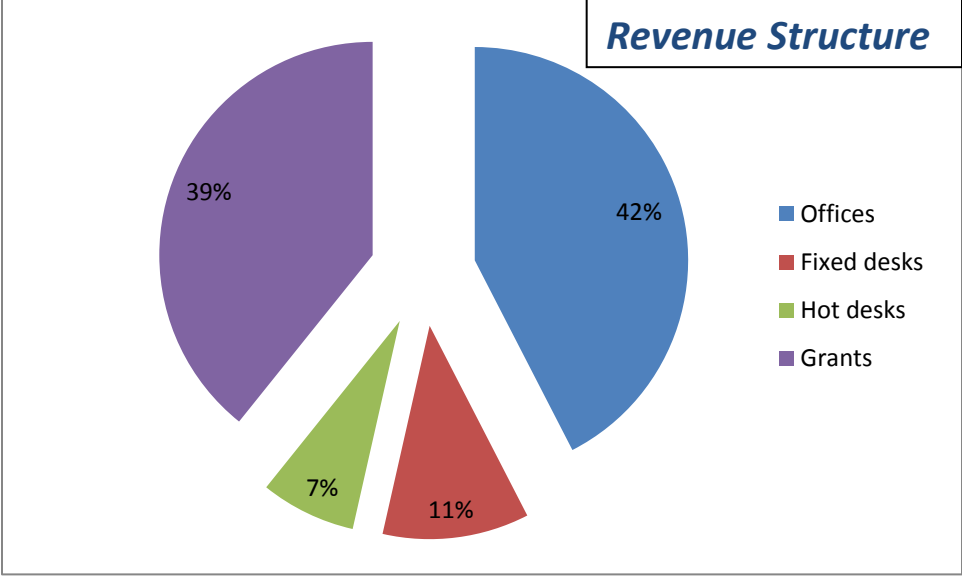


Exhibit 8 Revenue structure of Impact Hub Yerevan



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