

Breaking Through: Inclusive Business and the Business Call to Action Today

Mapping Challenges, Progress and the Way Ahead

Business Call to Action
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Acronyms:

BCtA:	Business Call to Action
B2B:	Business to Business
BoP:	Base of the Pyramid
CSR:	Corporate Social Responsibility
ICT:	Information and Communications Technology
LPG:	Liquefied Petroleum Gas
UNESCO:	United Nations Organization for Education, Science and Culture
UN Habitat:	United Nations Human Settlements Programme

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Benefits to millions of people at the Base of the Pyramid: how many, who and how?

Across the entire portfolio, we estimate that over 40 million households, or 200 million people, have benefited from BCtA initiatives to date (leaving aside an outlier of over 100 million who benefit from Olyset® bed nets). Most of these are reached by 18 initiatives that each reach a million or more consumers at the BoP. Data is rough but indicative of considerable scale.

But numbers alone are not a good indicator of how companies contribute to human development. Lives are being saved, whether through medical treatments, access to safer drugs, emergency ambulances, or reduced indoor pollution from cooking stoves. Households are enjoying light and power at home, improved housing, access to financial services and improved education. Around 200,000 households (or 1 million people) are benefiting from new earning opportunities as suppliers, entrepreneurs or employees, directly boosting their household incomes.

There are a number of initiatives that primarily benefit women, particularly amongst those that offer employment opportunities. Although it is rare to have household income data to indicate how poor beneficiaries are, some member companies do now have such data, illustrating a significant share live on under \$2.50 or \$4 per person per day.

The rise of smaller emerging and maturing companies as major players on the stage

BCtA's portfolio has evolved since its founding in 2008. BCtA members are now evenly split between what we define as 'large and established' companies, which are mainly long-established multinationals integrating an inclusive business initiative into their broader operations, and 'emerging and maturing' companies, which are mainly small to medium enterprises (SMEs) established in recent decades with the business model shaped around BoP opportunities from the start. We have also seen a growing number of members headquartered in the Global South, and there are more SMEs in the portfolio than when BCtA started.

Some of the 'emerging and maturing' companies are now reaching breakthrough stage, as they reach scale and become significant players in their sector. They are outperforming inclusive initiatives of the large and established companies in terms of revenue, and matching their performance if measured as numbers reached at the BoP, or self-assessment of their progress.

Trends and differences between sectors

The sectors vary in the progress and trends they demonstrate. Inclusive business in the finance sector is thriving and scaling. Strong growth is driven by use of ICT, strategic partnerships, and local distribution networks on the ground to reach underserved customers. We estimate BCtA initiatives in finance have reached over 20 million clients, thus counting as over 100 million beneficiaries (counting all household members) to date.

In health there appears to be huge potential to scale, leveraging ICT and sometimes government support. Versions of low-cost primary care models using para-skilled workers and ICT are spreading, along with a host of health-related products and services. Healthcare is a particularly complex market that involves many actors, so finding the right business partnership and working out who will pay for what, is key to success. Across the health initiatives, over 12 million patients or clients have accessed a service to date, thus counting as over 60 million beneficiaries.

In energy, there are failures and real breakthroughs. The sector is dominated by emerging and maturing companies. Prospects for rapid growth seem strong where products and business models have been proven, companies can access venture capital, consumers have financing/payment mechanisms, and business to business partnerships unlock markets. Initiatives in this sector have already provided power for around 40 million people.

Agriculture is a sector that is challenging - requiring companies to step into the unknown with long-term commitment - but it is showing results. Whether the company is buying produce from smallholders, or selling inputs to improve productivity, similar strategies emerge as essential: provision of training, credit, extension staff on the ground, and development of trust over time. Across the portfolio, around 3.4 million people in farming households have benefited to date.

A wide variety of initiatives create jobs and opportunities for entrepreneurship. There is no common model here but good performance is emerging. Initiatives create jobs, improve jobs, or boost employability. They have created or improved jobs for hundreds of thousands of people, benefiting perhaps a million household members directly - with further multiplier effects locally (excluding the smallholder farmers who are counted separately).

In education initiatives, there are two key enablers for inclusive innovation: ICT and government support. It is a small area so far within the portfolio, but some initiatives are moving quickly to scale. They have reached around 2 million users (mainly of ICT-based products).

There are relatively few initiatives that provide shelter and basic services, but they illustrate how determined BoP households can be to invest in improving their living conditions year by year, and how determined companies can be to make models work. Despite deep challenges around regulation, tenure and cost, the four housing initiatives have provided low cost housing for around two to three million people.

Five common strategies for scale

BCtA members use a range of strategies to achieve scale in their initiatives. Patience, commitment, and continued willingness to innovate are standard. There is no blueprint, because attention to local detail in adapting the business model is key. But looking across the sectors, we identified five strategies commonly being used to reach scale:

- i. **Securing carefully-chosen partnerships with aligned goals, walking away from the wrong partner and knowing what to take on in-house;**
- ii. **Creating greater willingness to pay, through consumer engagement, new financing mechanisms, or finding other players in the value chain (e.g. government, pharma companies) who will pay because they also get value from the consumers' use of the product;**
- iii. **Using ICT to unlock new opportunities, particularly in finance, health and education;**
- iv. **Turning regulation into a positive force that stimulates demand for BoP focused products;**
- v. **Securing external finance and internal company buy-in for greater investment in the model.**

A maturing sector, with plenty of scope for public support

As competition grows and the sector matures, companies are already learning from each others' models. For governments and development agencies, there is now evidence that inclusive business can deliver considerable social impact. Such 'positive externalities' underpin the case for public support. Support that enable businesses to maximise their social impact while maintaining their businesslike approach can include: creating a more favorable regulatory environment, providing financial or technical support, facilitating partnerships, and filling the gaps in existing markets by enhancing the skills of workers or consumers and developing infrastructure within markets used by people at the Base of the Pyramid.

In conclusion, there is no doubt that inclusive business is seen as a viable, commercial business by a growing set of companies, across a range of sectors. While it might be too early to herald a new dawn, the evidence in this report shows signs that a break through is happening. As the progress of the members of Business Call to Action illustrates, we are not only at a stage where we can see that the potential is huge; we can also see that the progress achieved has been remarkable. The work is hard but the future is bright.



Tasting nutritious KOKO Plus produced by Ajinomoto in Ghana

1

Introduction

1.1 The purpose and perspective of this report

Are inclusive businesses making progress? What challenges are they encountering and what are they achieving? What goals are they pursuing and reaching – are they really commercial and are they really delivering livelihood gains for millions of people at the Base of the Pyramid? Is inclusive business proving more feasible in some sectors than others? Or for some companies, not others? Fundamentally, beyond the hype, what is the reality?

These are big questions, highly relevant to current debates about how to tackle poverty at scale, and how to harness the respective strengths of the private and public sectors in that effort. While these questions cannot be answered in their entirety, the purpose of this report is to address them for the portfolio of 94 companies that are members of Business Call to Action.

Inclusive businesses face the challenges of any business, but with the additional challenges of engagement at the Base of the Pyramid, operating within markets that have severe infrastructural challenges, with workers and producers who lack experience and training, with consumers who will take quality and price more seriously than any other, and within communities that may be naturally suspicious of new entrants who they do not yet know or trust.

The promise of inclusive business to deliver sustainable gains in poverty reduction is one that governments and development agencies keenly advocate and allocate support for, understanding that scale in inclusive business will mean less competition for public resources. For corporations, inclusive business is a route to commercial sustainability in not only new markets, but existing markets that may be rapidly changing; not only for the short-term but more importantly for the long-term.

What is poverty? Absolute poverty is a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to social services^{iv}. Absolute poverty is a condition in which a significant proportion of the world's people live (at least 2.4 billion, as of 2010 lived on less than US\$2 a day). It is also a condition that places unique structural constraints on the markets in which they live and work.

The challenges and potential of inclusive business underpinned the launch of the Business Call to Action (BCtA) at the United Nations in 2008. BCtA aims to accelerate progress towards the Millennium Development Goals (MDGs) by challenging companies to develop inclusive business models that offer the potential for both commercial success and development impact.

Importantly, the Business Call to Action alliance was founded by five governments: the Australian Department of Foreign Affairs and Trade, the Dutch Ministry of Foreign Affairs, the Swedish International Development Cooperation Agency, the UK Department for International Development, and the US Agency for International Development who came together in this unique public-private partnership to promote pro-poor transformations by business. In this partnership, BCtA cultivates, challenges and selects highly-qualified corporate institutions (94 to date) with concrete inclusive business initiatives to be part of its member base. These businesses set profitability and development goals for their inclusive business initiatives, as part of their application. Simultaneously, BCtA is a platform through which development agencies, governments and other actors can collectively articulate and realise a vision built on the private sector working hand-in hand with the public sector to achieve universally relevant development goals - goals such as the Millennium Development Goals (and its successors the Sustainable Development Goals).

2 The Shape and Focus of The Portfolio of Inclusive Business Initiatives

2.1 BCtA initiatives and the Base of the Pyramid

- **BCtA's 94 initiatives represent a diversity** of sectors, geographies, company type and stages of initiative. What they have in common is a business approach that actively benefits those who live in poverty and seeks to combine social impact with commercial sustainability.
- **People at the Base of the Pyramid** benefit as consumers gaining access to essential products and services, or by accessing new or strengthened income-earning opportunities as suppliers, employees and entrepreneurs.
- **More than half** of the initiatives are focused on boosting access to health, employment and enterprise, or agricultural development.
- **Geographic coverage** is wide, with the majority of initiatives in either South Asia or Sub-Saharan Africa.

The 94 initiatives in the BCtA portfolio offer an exciting array of business approaches that create opportunities and solutions for people living at the Base of the Pyramid. Their diversity is striking, but the one thing that they share is a commitment to inclusive business – that is, business models that target low-income households and underserved households, and seek to create both social impact and commercial sustainability.

Taking a lens to 94 initiatives not only throws up their diversity, but also reveals some trends and contrasts. Clear comparisons can be made between types of companies or sectors of initiatives, although sample sizes can get small when we drill into specific sub-categories.

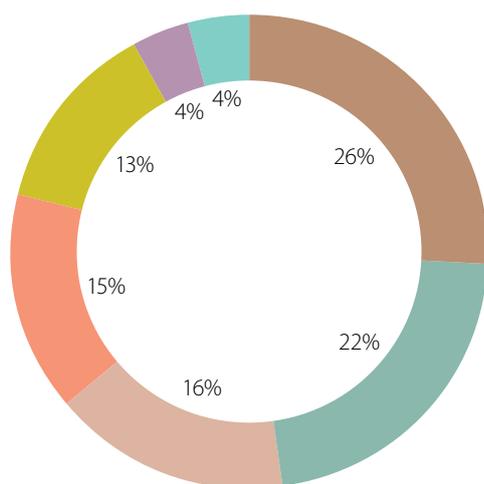
Companies joining BCtA made commitments with great ambition and aspiration. Roughly half joined before 2011 and half have joined since. Their inclusive business initiatives first started between two and ten years ago. While a few are still in pilot stage, most are now scaling up. So, now is a good chance to take a helicopter view of the portfolio, not only looking at its diversity but also its progress over time.

Through their initiatives, BCtA members demonstrate the many ways that business can benefit people in underserved markets. **This report groups initiatives by the main benefit they offer to low-income people.** These include: creating jobs and entrepreneurship opportunities; improving shelter and living conditions; boosting agricultural productivity and livelihoods; or expanding access to energy. We call this grouping the 'impact area' and it can be quite different to what would traditionally be called the industrial 'sector' of the company. As Section 5 will show, companies face distinctive challenges and trends within each impact area.

The 'impact area' relates to the type of benefit that is realised by low-income people. It is often different to the companies' own classification by industrial sector. For example, Ajinomoto, ClickMedix, Hapinoy and Sumitomo Chemical all operate in different industry sectors (food supply, IT systems, retail, and chemical sectors, respectively). But the result of their operations is to improve the health of low-income people. It is an important lesson that company innovation can cut across sectoral boundaries, and deliver impacts to people outside their conventional arena of operation.

As Figure 2.1 shows, **almost half of the portfolio is focused on two impact areas: boosting agricultural productivity and livelihoods, and improving healthcare and nutrition.** Creating access to jobs and entrepreneurship and providing inclusive financial services are also major areas of impact. **But several initiatives benefit low-income people in more than one impact area.** For example, clean cooking stoves improve the energy situation of a household, and count as falling in the 'energy impact area'. However, they also reduce indoor air pollution and, so, benefit health, particularly the health of women and children.

Figure 2.1 BCtA initiatives by impact area



N=94

- Agricultural development
- Healthcare and nutrition
- Enterprise and employment
- Financial inclusion
- Energy
- Shelter and living conditions
- Education

Another important distinction is how the poor benefit. **Three quarters (76%) of the 94 initiatives serve the BoP as consumers and users of essential products and services.** Some of these are basic services, such as health, energy, education, or housing, while others are products and services that increase people’s productivity or income, such as financial services, vocational training, or agricultural inputs. In all these cases, it is the consumers or clients of the product or service who are the ultimate beneficiaries. These consumer-targeted initiatives typically face challenges related to customer awareness, affordability and last mile distribution (reaching the most hard-to-reach customers). They also tend to reach the most people. All surveyed initiatives except one^v that reach more than 100,000 people are consumer-focused initiatives.

A quarter of BCtA initiatives benefit people at the BoP as producers [either as suppliers (18%), employees (4%) or entrepreneurs (2%)] as their primary beneficiary^{vi}.

This is typically part of the BCtA member’s own supply chain, and includes, for example, sourcing raw materials from smallholder farmers or involving BoP groups in manufacturing, sales and distribution. People living at the BoP benefit by earning an income or gaining access to a market where they can sell their produce. Initiatives that benefit the BoP in this way tend to face challenges around

skills, logistics, and quality of input. As can be seen in Section 5, these initiatives have a smaller reach than consumer-focused initiatives. But while these companies may seem to ‘impact’ on fewer people, their success in creating a sustainable livelihood, in capacity building and in increased income generation opportunities mean that their ‘impact’ can be qualitatively far higher than numbers might suggest.

Benefiting as consumers
In the Shree Kamdhenu Electronics initiative, dairy farmers are the clients, benefiting from their milk collection initiative.

Benefiting as employees
In the H&M initiative, the employability and wage earning capacity of garment workers is increased through a system of training and certification.

Some BCtA initiatives reach both low-income consumers and producers in different parts of their operations.

Sumitomo Chemical’s production of long-lasting insecticide treated Olyset® bed nets in Tanzania is a good example of an initiative with two sets of primary beneficiaries, and is probably the hardest one to classify within a single impact area. The durable, impregnated bed nets are sold at global market price, despite their high quality. With millions of bed nets produced per year for distribution via NGOs and United Nations (UN) agencies, the initiative is clearly improving health outcomes for poor people by reducing the incidence of malaria, a disease that kills more than a million people every year. But a distinctive feature of Sumitomo Chemical’s approach is the fact that it employs around 8,000 workers at its Tanzanian production facility. The factory is where the company truly engages with the BoP and from the company’s perspective, this is a primary focus. It makes their bed net production distinctive.



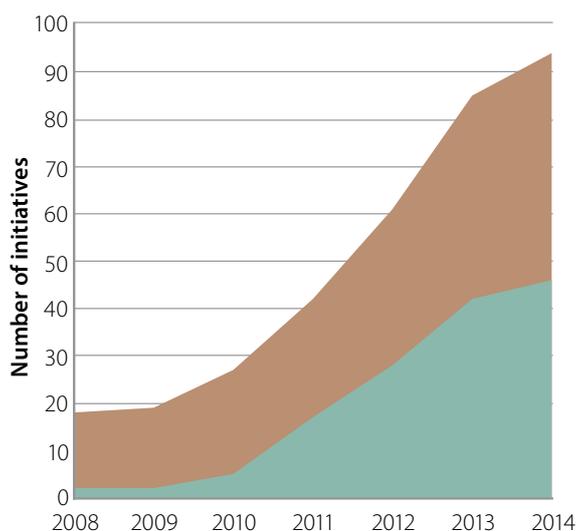
Making Olyset® nets at Sumitomo Chemical’s production facility

2.2 Type of member companies

- **The portfolio has evolved over time.** BCtA members are now evenly split between those that we define as ‘large and established’ companies, which are mainly long-established multinationals integrating an inclusive business initiative into their broader operations and ‘emerging and maturing’ companies, which are mainly small to medium enterprises (SMEs) established in recent decades, with the original business model shaped around BoP opportunities.
- **These two types of companies have a fundamentally different approach to doing business with the BoP.** It is part of long-term positioning or diversification for the large and well-established companies. The emerging and maturing companies, on the other hand, have premised their business model on buying from or selling to underserved markets.
- **There are now many more Southern-based members and SMEs** in the portfolio than when BCtA started.

The portfolio has evolved over time. Initially, the majority of BCtA members were what we call in this report, ‘large and established’ companies - established national or multinational companies that are introducing new business lines that buy from or sell to the BoP.

Figure 2.2 Composition of BCtA membership 2008-2014



N=94

- Large, well established companies
- Emerging and maturing companies

In recent years, more multinationals and particularly large national companies have joined. But the fastest growth in membership has been amongst another kind of company – what we call ‘emerging and maturing’ companies. These are small to medium enterprises (SMEs)^{vii} typically located in the Global South^{viii} whose original business idea focused on an opportunity at the BoP. That means that inclusive business *is* their business. Emerging and maturing companies now account for half of the BCtA portfolio.

The large and established companies tend to have several business lines that contribute to the bottom line. Their BCtA initiative is a new and innovative part of the business that is intended to differentiate them from competitors, bring access to new markets, and position them in the long term. Because buying from or selling to the BoP is a new aspect of their business, there can be internal challenges, such as making a compelling business case or getting support and buy-in from different parts of the organization.

Creating an inclusive business culture within the organization is one of the biggest challenges. In order to overcome this challenge, the marketing and product management teams should be convinced of the importance of the inclusive business model initially.

Survey response from a large company

The emerging and maturing companies, on the other hand, have premised their business model on buying from or selling to underserved markets. This means profitability is critical. Indeed, their business lives or dies on finding a commercially viable model at the BoP. Getting a first-mover advantage in BoP markets is also identified as a key commercial driver as, typically, these businesses were formed to address an identified need or gap in BoP markets. Emerging and maturing companies also face a different set of challenges to the large and established companies. While they do not have to get internal support for doing business at the BoP, they also do not have the resources and clout of a multinational firm and, therefore, need to work extra hard for their inclusive business to stay afloat. These issues are covered in more detail in Section 3.

Table 2.2 The 94 initiatives by impact area, type of company, product and main beneficiary

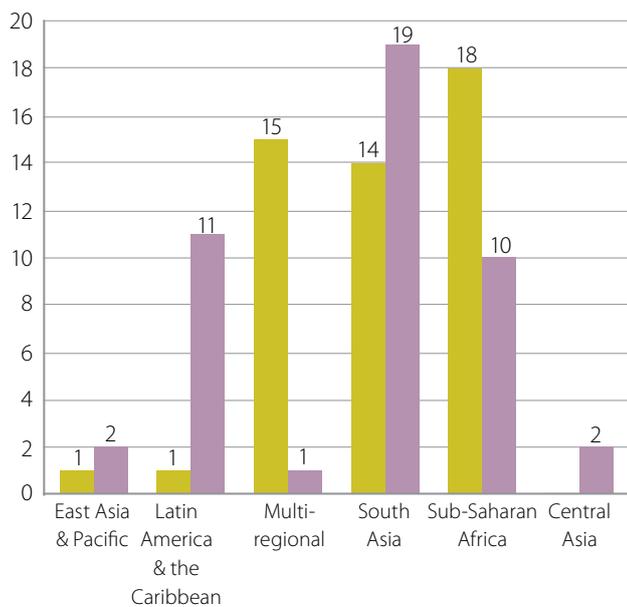
Impact area	BCtA initiatives of large and established companies	BCtA initiatives of emerging and maturing companies ^x
Agriculture	<p>BASF India (enhancing soybean production, India, Kenya)</p> <p>Cisco Systems (agricultural advisory service, India)</p> <p>Multi Commodity Exchange of India (MCX) (agricultural advisory and information service, India)</p> <p>Tata Consultancy Services (agricultural advisory and information service, India)</p> <p>Thomson Reuters (agricultural information service, India)</p> <p>Yara International (fertilizer, Sub-Saharan Africa)</p> <p>ASDA (sourcing local produce, Sub-Saharan Africa)</p> <p>Ballarpur Industries (BILT) (pulpwood production, India)</p> <p>Diageo (sorghum production, Cameroon)</p> <p>Grupo Orsa (nut production, Brazil)</p> <p>IKEA (sustainable cotton, India)</p> <p>ITOCHU Corporation and kurkku (organic cotton, India)</p> <p>Mondelez International (cocoa, Ghana)</p> <p>L'OCCITANE EN PROVENCE (shea butter, Burkina Faso)</p> <p>NOHA NYAMEDJO (cocoa, Cameroon)</p> <p>SABMiller (barley production, India)</p> <p>The Co-operative Group (tea, Kenya)</p>	<p>Global Easy Water Products (micro-irrigation, India)</p> <p>Juhudi Kilimo (financial and technical assistance for rural farms, Kenya)</p> <p>Shree Kamdhenu Electronics Pvt. Ltd. (milk collection, India)</p> <p>Sambazon (acai juice, Brazil)</p> <p>Taze Kuru (dried fruit, Turkey)</p> <p>Honey Care Africa (honey, Kenya)</p>
Education	<p>TTNET (internet services, Turkey)</p>	<p>Datawind (educational tablets, India)</p> <p>Hippocampus Learning Centres (early education programmes, India)</p> <p>PUPA Empreendimentos Educacionais (PUPA) (pre-school education training, Brazil)</p>
Energy	<p>Novozymes – CleanStar Mozambique (ethanol cooking fuel, Mozambique)</p> <p>Oando Marketing (clean cook-stoves, Nigeria)</p> <p>Panasonic (Solar lanterns, Sub-Saharan Africa and Asia)</p>	<p>Envirofit (clean cook-stoves, Kenya)</p> <p>Abellon Clean Energy Ltd (bio-fuel, Ghana)</p> <p>NOTS Impact Enterprises (renewable energy solutions, Sub-Saharan Africa)</p> <p>Nuru Energy (solar lighting, Sub-Saharan Africa)</p> <p>SolarNow (renewable energy solutions, Sub-Saharan Africa)</p> <p>Hybrid Social Solutions (solar products, Philippines)</p> <p>Barefoot Power (solar products, multi-regional)</p> <p>d.light design (solar products, multi-regional)</p> <p>ToughStuff International (solar products, multi-regional)</p>

Key: For initiatives in green, people at the BoP primarily benefit as consumers and users of their goods and services, although there may be other groups that also benefit through enterprise. For initiatives in blue, people at the BoP primarily benefit from income-earning opportunities as suppliers of raw materials, employees, or entrepreneurs in the value chain.

The number of Southern-based members is also on the rise. Almost half the portfolio (45 members) now comprises companies that are headquartered in middle or low-income countries of which the majority (over two thirds) are emerging and maturing companies. This can be contrasted with 49 Northern-based members (headquartered in high-income countries) of which the majority (two thirds) are large and established companies. Northern and Southern-based companies are spread relatively evenly across the impact areas, although Southern-based companies are more strongly represented in financial inclusion and housing initiatives and less frequently found in health.

There is a marked difference in the geographic focus between the two groups. Northern-based companies predominate in Sub-Saharan Africa and multi-regional initiatives, while Southern-based companies predominate in Asia and Latin America. This may reflect the fact that large, established Northern-based companies have more resources and can more easily reach multiple geographies, whereas emerging and maturing, Southern-based companies tend to be responding to opportunities in the markets they live in. It also suggests there might be less 'home-grown' inclusive business in Africa so far, compared to South Asia.

Figure 2.4 Regional focus of initiatives led by Southern-headquartered and Northern-headquartered companies



N=94

■ Headquartered in the North

■ Headquartered in the South

Does the shape of the BCtA portfolio reflect the changing shape of inclusive business more generally? Not necessarily - companies that have chosen to join the BCtA initiative may not be a representative sample of all inclusive businesses. Nevertheless, it reflects some wider trends in the inclusive business space. There is a wider spread of multinationals across sectors - well beyond those who started with supply chain initiatives. More multinationals are focusing on BoP markets as a way to gain a competitive advantage, access new customer groups, and build their reputation and brand value.

Southern companies, including conglomerates and multinationals, are significant players that rival their Northern counterparts. And the newer enterprises, founded with the purpose of tapping into opportunities in the BoP market, are emerging as serious players on the international stage. Along with the bigger companies they are playing a substantial and growing role in transforming the lives of poor people, through innovative business.



Hapinoy (retailing in the Philippines) and PagPop (enabling credit card payments in Brazil) are 'emerging and maturing' companies

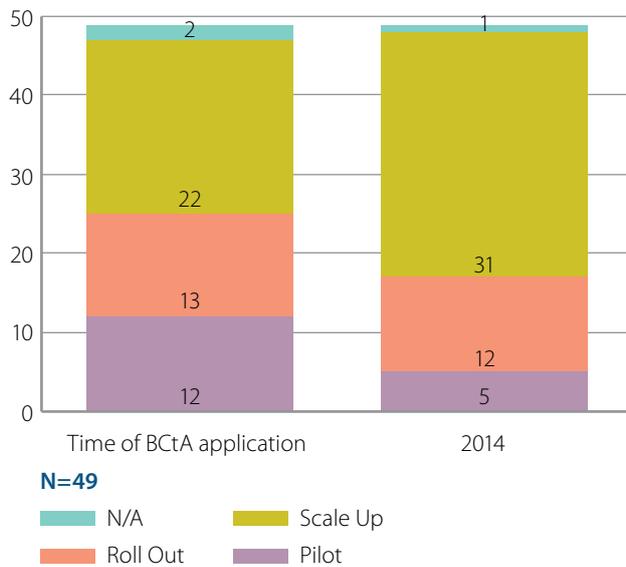
3 Commercial Progress and Drivers of the Initiatives

3.1 Commercial progress

- **Progress is diverse**, as would be expected. Of 49 survey respondents, half say they are ‘on track’. One sixth are ‘flourishing’ and almost a third are ‘progressing slowly’.
- **Around half have broken even so far**, and the majority have a timeline to achieve break-even.
- **Perceived progress** bears no relation to level of revenue or whether break-even is achieved. It is more based on pace of progress and achievement of expectations.

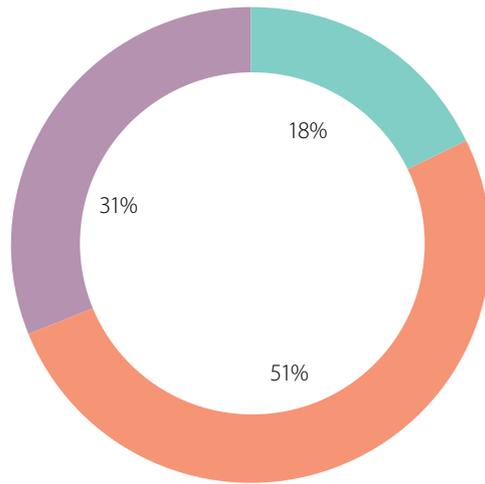
We assess progress for the 49 initiatives that were involved in the survey and interviews done in July 2014 for this report.^{xi} The average year of inception of the business initiative was 2008 and the average year of joining BCtA was 2011. This indicates roughly a 3-year lead-time between the time an inclusive business idea is hatched and the time it is ready for a public commitment. Most of them report they are in the ‘scaling-up stage’, and as Figure 3.1 shows, some have matured from the piloting or roll out stage that was reported at the time of application to BCtA.

Figure 3.1 Change in stage of initiative since application to BCtA



Note: For definition of terms, see Survey Question 6 (Annex 1).

Figure 3.2 Progress of member initiatives (self-reported)



N=49

- Flourishing
- On track
- Progressing slowly

As would be expected amongst a portfolio of ‘innovation’, progress ranges from clear success to an idea that didn’t work. Among the 49 initiatives that are covered by our more detailed survey and interview data, half see themselves as ‘on track’. Around a sixth (18%) are ‘flourishing’ and one third say they are ‘progressing slowly.’ One will not continue as planned. Beyond the 49 respondents, we also know of two energy ventures that closed^{xii}. Given the highly ambitious targets of most BCtA initiatives, this seems to represent good progress. These proportions are also broadly consistent with what has been seen in other programs that support inclusive business^{xiii}.

When things don't go to plan... change the plan.

BCtA companies are taking a clear risk by seeking to innovate at the BoP. If all succeeded exactly as planned then there would be little risk or innovation at play. A review of the companies shows that of those that have not gone to plan, several have simply adapted, in order to work better, some are progressing slowly, and a couple have closed.

WIZZIT and PUPA are both examples of emerging and maturing companies that have adapted their BCtA initiatives to better meet the realities of BoP markets. WIZZIT is a financial services company rolling out branchless banking services across South Africa. Their BCtA initiative focused on adding micro-credit to their offer. During their pilot, they found that, due to low financial literacy and awareness amongst consumers, the repayment rate on loans was quite low. As a result, their main investor pulled out and they made a decision to re-focus on their core business of branchless banking services focused on reaching BoP consumers.

PUPA is a Brazilian enterprise that trains caregivers to provide quality early childhood education. PUPA had originally planned to set up a network of female entrepreneurs who would train and support caregivers in return for a commission. As it turned out, women were very reluctant to take on the risk of being entrepreneurs. They preferred wage-based work that provided a reliable income. PUPA has decided not to use the entrepreneur model until it is more established in the market and can provide women with a more guaranteed income level.

A few patterns can be observed across the different impact areas. For example, the financial inclusion and housing-related impact areas report more initiatives as flourishing, while energy and health related impact areas show slower progress. However, because sample sizes are small, each respondent has a significant impact. Emerging and maturing companies are doing both better and worse, meaning they have more initiatives reported as either progressing slowly or flourishing, while the large companies report more as on track. Intuitively, this makes sense. Emerging and maturing companies face more challenges as they try to start entirely new businesses. Some may fail, but they may also show relatively fast progress.

Amongst those who were surveyed, around half of respondents have reached break-even (revenues are greater than costs).^{xiv}

The other half estimate on average that it will take around two years to break even. A minority did not or could not provide an answer.

Interestingly, whether an initiative has broken even makes no difference at all to the companies' perception of whether it is making progress or not. Amongst the nine that report reaching break-even, the patterns for flourishing, on track and slow progress were the same as for all respondents. Equally, there are a number of initiatives - mainly run by emerging and maturing companies - that have not yet broken even but are reported as flourishing. The same applies to reported turnover figures. Those with the highest annual revenue have varying reports on progress of initiative and some of the largest revenue earners describe themselves as progressing slowly.



Early education care-givers trained by PUPA

Table 3.1 Commercial drivers prioritised by initiatives, by company type

Drivers prioritised by emerging and maturing companies (N=32)	No. of responses
Profitability, productivity, cost reduction.	14
Competitive advantage and differentiation from competitors.	12
First mover advantage in low-income markets.	11
Access to new markets or customer groups.	10
Drivers prioritised by large and established companies (N=17)	No. of responses
Brand identity/value, customer appeal and/or company reputation.	9
Access to new markets or customer groups.	8
Competitive advantage and differentiation from competitors.	6
Security and sustainability of the supply chain.	5

Multiple answers allowed to survey question 8

Drivers identified by initiatives benefiting consumers tended to be quite different to the ones benefiting suppliers, employees or entrepreneurs. Consumer focused initiatives (which are also more often run by emerging and maturing companies) were more driven by competitive advantage and profitability, while the supplier focused ones mentioned the security of the supply chain the most. Given the diversity of initiatives and their varying maturity and performance, these results should be treated with caution.

How well are inclusive business initiatives delivering the desired commercial benefits? According to survey respondents, they are realising some gains already, scoring achievement so far at six to seven on a ten point scale. **Competitive differentiation and first-mover advantage are the common commercial drivers that score well.** Lower reputational risk, social licence to operate and innovation into new business lines scored highly in terms of how well they are being achieved but matter to a smaller share of companies. Commercial drivers related to brand value, profitability and supply chain sustainability scored slightly lower than average.

In addition to the commercial drivers companies intended to achieve, some companies also report unexpected benefits. This includes awards, external recognition, increased employee engagement, better understanding of BoP markets, which affect other areas of their business, and greater interest within the company to pursue BoP business.



WIZZIT has 'Wizzkids' working to engage and support new customers

Olyset® nets are an important part of the Sumitomo Chemical corporate brand. It gives us a point of connection to our employees. As a company, we have approximately 35,000 global employees and everyone can take pride in our work around the bed net manufacturing and the fight against malaria.

**Scott Mitchell, President & CEO,
Sumitomo Chemical America**

3.3 Revenues generated through BCtA initiatives

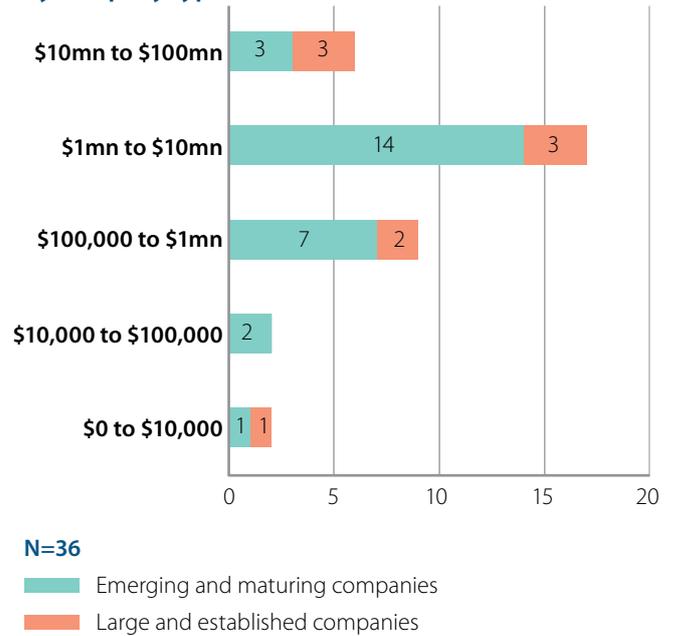
- **Revenue per initiative** varies from very little to tens of millions of dollars per year. Between \$1 million and \$10 million per annum is common.
- **Emerging and maturing** companies are doing disproportionately well when it comes to generating high revenues.

The revenue being earned through BCtA initiatives varies widely, from around zero to tens of millions of dollars per year. Amongst the 36 companies reporting their annual revenue by initiative, most initiatives are earning somewhere between \$1 million to \$10 million per year. **Perhaps the most striking thing to note from the revenue analysis is that emerging and maturing companies are strongly represented, when it comes to high revenue earnings.**

In the highest annual earnings category, emerging and maturing companies share top spot with their large and established counterparts, and then significantly outweigh them in the second and third highest revenue category. These results should be read with caution.^{xv} **They certainly challenge any assumption that large companies are the best route to scale at the BoP, though they are not robust enough to prove the opposite.**

High revenue does not necessarily mean high profit. Two of the emerging and maturing company initiatives in the highest revenue category report that they are not yet at break-even. As for the three top-earning large company initiatives, none are profit-maximisers. One is not intended to break-even (it has attracted strong sales at a discounted price, with a motivation for CSR and long-term growth of the market) and two have reached break-even but are not pursued for profit maximisation.

Figure 3.3 Annual revenue of BCTA initiatives, by company type



Vocational training for young women by Drishtee Skill Development Center; an emerging company

4 Benefits at the Base of the Pyramid

4.1 How many low-income people are benefiting from BCtA initiatives?

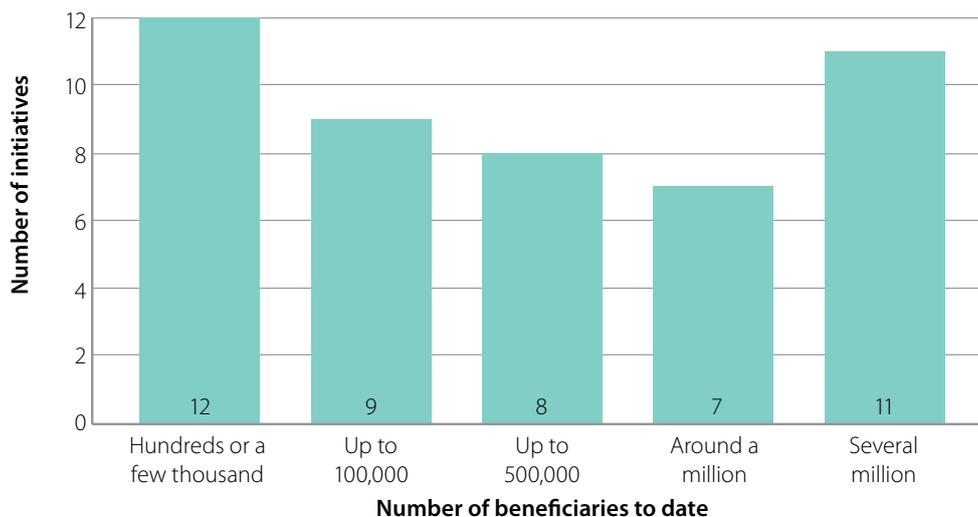
- **Over 200 million people in 40 million households** benefit from BCtA initiatives to date.
- **Per initiative**, the number of BoP beneficiaries varies from under 200, to several million people.
- **The nature of these benefits** depends on whether people are consumers, suppliers or employees of the company. Benefits cannot be easily quantified but should not be underestimated.
- **Initiatives that are improving health and nutrition or providing inclusive financial services** reach the most people overall.
- **Women** are the primary beneficiaries in a number of initiatives.

Total number of low-income people who benefit from BCtA initiatives

The BCtA initiatives are, together, helping many millions of people to have better access to essential goods and services, or to improve their livelihood opportunities. It is likely that at least 200 million people in around 40 million households are benefiting to date, mainly from the 18 initiatives with the largest reach (amongst the 49 contributing to this report). Over 100 million users of Sumitomo Chemical’s Olyset® nets are, in addition to this, a clear outlier. These are estimates, but they are based on conservative assumptions about the average number of people benefiting from each initiative. A substantial share of these are gaining access to healthcare or to financial services, as discussed further in Section 5.

For consistency, the figures reported in this section relate to total beneficiaries, including other household members, although we recognise that multiplying by household size can be more appropriate in some cases than others, as the box on page 23 explains.

Figure 4.1 Number of beneficiaries per initiative



The definition of beneficiaries includes all household members (assuming 5 people per household).

N = 49

The Challenge of Reporting Beneficiary Numbers

Companies know how many products they have sold, what services they have supplied, or how many metric tonnes of crop they have purchased. But it can be hard for a company to know how many specific individuals have benefited. As an illustration:

- If 1,000 treatments are provided, does this mean 1,000 patients, or did some patients have two treatments?
- If 1,000 tonnes are purchased from five cooperatives of 200 members each, does this mean 1,000 farmers benefit from the supply chain, or does the company need to find out how many farmers actively contributed produce?
- If power is provided to a school, do all students count as beneficiaries? What about all customers of a local maize mill, or trading store?

Some companies know exactly who their BoP clients or producers are from a point of sale transaction and client usage data, but others, working through intermediaries do not, so have to make estimates or use other data gathering techniques. Companies also collect data in a myriad of different ways which affects how indicators and metrics are then constructed. The same indicator can also have multiple ways of being measured, leading to difficulty in comparing and aggregating numbers.

A particularly thorny question is whether to multiply the number of direct participants by household size.

- If a household enjoys improved housing or light from a solar energy system, and average household size is five, then surely each sale counts as five beneficiaries?
- If one employee earns a decent wage, all the family benefits, so each job can be multiplied by household size for the number of beneficiaries?
- If one person gets a training session, a medical screen, a safe drug, access to money transfer, or a nutritional product, should these be multiplied by household size too? The argument becomes more complicated and case-by-case reasoning leads to variable results.

Companies make estimates, based on a variety of data and a variety of assumptions. So pulling together data from across an entire portfolio is even more difficult. The data on which this report is based has been provided by companies in different ways. Fifteen respondents to interviews and surveys had already multiplied beneficiary numbers by household size, Twenty nine had not, and five were not able to specify. In an attempt to produce some level of aggregation, we have sought to standardise, and look at total beneficiaries including all household members across the portfolio. Results, therefore, need to be interpreted with this in mind.

The approach of BCtA is not to add burdens to members by requiring additional data gathering, but rather to ask for existing data and increasingly to offer support in gathering additional useful beneficiary data. For example, BCtA will roll out its new service aimed at providing mobile-enabled survey tools for a select number of BCtA members, to facilitate collection of key operational and social performance indicators from different stakeholders. As part of this new service, BCtA will also support the members in the process of identifying the areas for measurement and designing surveys to ensure the collected data will be useful for the companies to improve their business operations.

Beneficiaries per initiative

Some BCtA initiatives just benefit a small number of people, whereas others benefit several million as shown in Figure 4.1 on page 22.

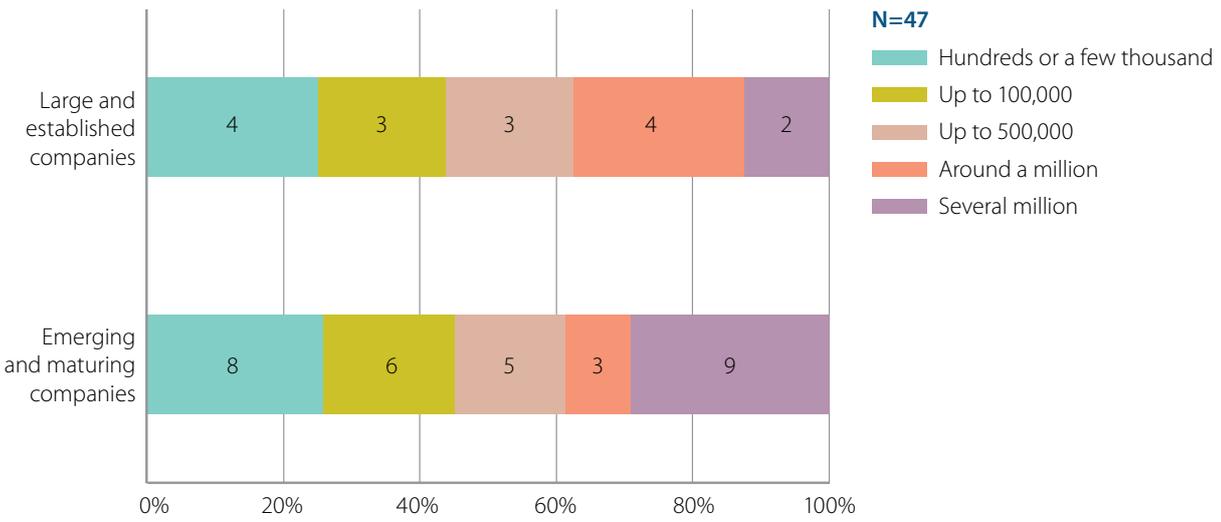
As with revenue generation, emerging and maturing companies are doing just as well as their large and established counterparts when it comes to reaching low-income segments.

Figure 4.2, which separates the large and established companies from emerging and maturing companies, shows that similar proportions in each category are reaching half a million people or more, while a higher share of emerging and maturing companies are reaching several million people.



A Kenyan smallholder benefiting from technical services of Juhudi Kilimo

Figure 4.2 Number of beneficiaries reached per initiative, by company type



Women farmers benefit from ITOCHU and kurkku's organic cotton initiative in India

4.2 How do people benefit from the initiatives?

The benefits that people gain from each kind of BCtA initiative are very different and do not yield meaningful comparisons. For households living in poverty, defined in terms of human development, the benefits of clean energy, access to affordable healthcare, access to savings and credit, owning their own home or landing a job have direct impacts on their level of human development and indirect impacts on their ability to earn an income or to feed themselves. The benefits may even go beyond what is immediately obvious.

Waste Capital Partners is transforming the lives of 'waste pickers' who collect and sort waste in a number of Indian towns, through its non-profit social enterprise, Waste Ventures India. Waste picking is a hazardous and lowly occupation that is typically done by women. Waste Ventures India is professionalising the waste picking business, so that waste pickers have higher and more consistent incomes, use equipment that safeguards their health and prevents injury, and enjoy a higher status and dignity in the way that they earn a living. The aim is that they will eventually have a chance to become shareholders in the waste management businesses set up by Waste Ventures India, and thus increasingly be empowered to shape their economic circumstances.

Improving agricultural production is a sure way to increase farmers' incomes and give them the means to improve their families' health, education and quality of life. Many dairy farmers in India have benefited from Shree Kamdhenu Electronics Pvt. Ltd's initiative to scale up their automatic milk collection system. Called "Akashganga", this technology creates a more efficient process for farmers in remote areas to deliver milk to the local cooperative. It has reduced waste and given many dairy farmers the confidence to invest in more animals, resulting in increased production volumes, better quality and higher incomes.

Owning your own home is a real step out of poverty that provides both financial security and quality of life. But for poor people, borrowing money to build a house is very challenging and the only option is usually to build a dwelling in small stages as money becomes available. Mahindra Rural Housing Finance Limited is addressing this challenge by providing affordable home loans to rural people in India. With a ten-year repayment term and flexible repayment schedules, Mahindra's customers get to enjoy a completed house while paying back the loan over successive harvests.

Many people are benefiting from better energy solutions through BCtA initiatives. Envirofit, for example, develops, manufactures, and distributes bio-mass fuelled clean-energy cook-stoves for low income populations in Kenya. By providing efficient, high-quality, yet affordable cook-stoves to the BoP, Envirofit are ensuring that people are less reliant on the more traditional cook-stoves that are estimated to kill almost 15,000 people each year in Kenya and 4 million people globally due to indoor air pollution.^{xvi} Envirofit's rigorously tested clean cook-stoves are environmentally friendly, reduce harmful emissions and are specifically designed for the rural consumer, reducing fuel use and costs.

The early years of a child's life are the most important years for a child's cognitive and biological development. In Brazil, around 14 million children aged under six do not have access to formal day-care centers or pre-schools.^{xvii} PUPA provides training and low cost 'kits' to caregivers (typically women family members) that enable them to provide high quality early childhood education and child-friendly learning materials to the children under their care.



Cooking on an Envirofit stove

Zoona allows low-income people in emerging markets, including Zambia, and Malawi, to access a wide range of financial services, even when they don't have a bank account - a situation that more than eight out of ten Zambians are in. Instead of undertaking every transaction with cash, those with access to Zoona's mobile phone-based service can now send money to their relatives and friends in other parts of the country cheaply, pay for goods and services, and receive their wages or welfare assistance. Not only is this far more safe and convenient for people. It also opens up a range of economic opportunities for entrepreneurs.

BCtA initiatives aren't just improving quality of life. They are also saving lives. Accessing affordable, reliable healthcare and getting nutritious meals on a regular basis is often a constant struggle for people living at the BoP. Novartis, a global pharmaceutical company, developed and launched its Arogya Parivar programme in 2007. This expands access to affordable medicine and improves health infrastructure and community education for low-income populations in rural India. Through Arogya Parivar, the company has improved access to healthcare and health education for millions of people. DSM, a global science-based company, has been partnering with the international non-profit organization, Mercy Corps since 2012 to scale up the KeBAL programme in Indonesia, which aims to provide nutritious food to children. The company has served thousands of children through a business model based on centralized cooking centres and micro-distribution.



Accessing financial services with Zoona

The ready-made garment industry is one such industry, which is why H&M's initiative to develop a skills development centre of excellence in Bangladesh for RMG will mostly benefit women. More than 80% of the beneficiaries of Anglo American's enterprise development scheme in Chile are women. This has a knock-on effect in family wellbeing as women usually prioritize spending in priority areas such as health, education and nutrition.

There are also initiatives where the consumers are mainly women. LifeSpring Hospitals, for example, specialises in delivering high-quality maternal health care to low-income women in India. In the energy sector, initiatives that provide safe and efficient cooking technology - such as Oando Marketing's portable liquid petroleum gas stoves in Nigeria, and Envirofit's initiative in Kenya - often mainly benefit women in cultures where women do most of the cooking and firewood collection.



H&M's initiative improves the employability and wage-earning capacity of garment workers

How do we know whether beneficiaries are poor?

SolarNow and Ziqitza Health Care Limited (ZHL) both collect data through a rigorous process that offers lessons for other companies seeking to sharpen their understanding of their own BoP impact.

SolarNow assess their clients for credit, as most of their solar systems are sold on an 18-month repayment basis. In this process they collect detailed income and poverty-related data on each client. Using this data, they estimate that around one third of their residential customers are living on a daily household income of under \$10, equivalent to \$2 per person per day^{xviii}. Another 40% or so are living on between \$2 and \$4 per person per day. This means 70% of their clients are living on less than \$4 a day per person - an impressive BoP reach and impact.

ZHL provides ambulance services to patients who call their emergency call centre. To understand how effectively they are servicing the low-income populations, ZHL, in partnership with Acumen and Grameen Foundation India, conducted a study in India to measure the proportion of their customers who fall under national and international poverty lines. ZHL's study was designed and implemented using the *Progress out of Poverty Index (PPI)* - an easy-to-use poverty measurement tool developed by the Grameen Foundation, which is composed of 10 questions on a household's characteristics and asset ownership to compute its likelihood of living below the poverty line. Unlike traditional PPI studies where enumerators collect responses to the 10 PPI questions at customers' homes, ZHL's study used a customized approach, where they interviewed 1,000 callers to their call centre, from the states of Punjab and Orissa. The PPI questions were strategically added to the company's client satisfaction surveys that ZHL conducted as part of its regular operation to ensure easy administration. The methodology of this study allowed the results to be statistically relevant with a marginal error rate of only 2-3%.

Through their study, the company found that in Punjab, an estimated 77% of ZHL's customers fall under the \$2.50 (2005 Purchasing Power Parity (PPP^{xix})) a day poverty line set by the World Bank, while in Orissa, 78% of their customers are considered poor.^{xx} The study further allowed ZHL to understand their BoP reach, disaggregated by rural and urban areas in these two states. In urban Punjab and urban Orissa, ZHL's operation reached more low-income populations than the geographic averages by 5-14%. ZHL also found, for example, that their rural operations in Orissa were not reaching as many BoP clients as in the urban parts of Orissa or Punjab. This has prompted a re-thinking within the company of how to further refine their operations.

The ability to benchmark their success, identify opportunities to refine their business model, and not least of all, to provide verified data on their BoP reach are unique examples of the benefits of investing in such data collection/impact measurement processes. For further details on the methodology of the study and its results by ZHL, please visit 'Poverty Profile of Ziqitza's Clients' April 24th 2014, a study by Grameen Foundation and Acumen.^{xxi}

Reaching low-income people?

Most companies target underserved people at the Base of the Pyramid. They know that many of their beneficiaries are poor or low-income, and the vast majority are underserved by traditional markets. But they usually do not have rigorous data to assess how poor their clients or suppliers are, and how deeply their business can reach into the Base of the Pyramid. A few companies do have income data as part of their normal business operation (for example, if they are providing credit or provide the main household pay cheque) while others have to take additional surveys to find out such information. This enables them not only to report their reach to low-income households, but also to track how their reach to the poor varies over location, product or time, and how it can be influenced, as the box on page 28 shows.

Market segmentation at the base of the pyramid needs to be strongly considered in the development and implementation of any project. The needs of those earning \$1 to \$2 per day are different than the needs of those earning \$3 to \$5 a day.

Sameer Hajee, CEO, Nuru Energy



ZHL's leadership found useful insights from the PPI study

5 Impact Areas: Seven Key Areas Where Business is Benefiting the Poor

5.1 Boosting Agricultural Productivity and Livelihoods

Development challenge and business opportunity

Around 50% of the world's population depends on agriculture for a living^{xxii}, and an estimated 2 billion people live and work on small farms in developing countries.^{xxiii} There is a huge deficit in basic skills and access to agricultural inputs, meaning that yields and incomes are far below what they could be.

Small-scale agriculture involves fragmented supply chains with high wastage, due to poor transport and storage infrastructure. Farming is also not a popular

livelihood for young people, who aspire to a modern, urban lifestyle.^{xxiv}

This sets a challenging context for the BCtA initiatives that are engaging farmers. Many companies face uncertainty in the supply of raw materials such as cotton and cocoa, where supply is declining despite high demand. Companies can increase farmer capabilities in order to meet requirements for quality, consistency and dependability in supply. From a consumer perspective, companies also increasingly need to know where a product has come from (traceability) and how it was produced (certification). Neither of these is easy to achieve in smallholder production systems.



//////
BILT has built trust with farmers in India

But companies also face considerable opportunities. Smallholder production is far below its potential yield, demand for food and commodities is increasing, consumer interest in organic and fair-trade produce is going up, and there is an unmet demand for agricultural inputs.

Business approaches to boosting agricultural productivity and livelihoods

Altogether 21 initiatives in the BCtA portfolio aim to improve agricultural productivity and agriculture-related livelihoods. These are a mix of producer-focused initiatives where farmers are suppliers of raw materials to the company's supply chain, and consumer-focused initiatives, where farmers are consumers of agricultural inputs, information or finance.

Table 5.1 indicates the various business approaches taken by BCtA members in this impact area. As in further tables in this section, names in *italics* indicate that the member completed the survey for this report, those in bold were interviewed, and those in ***bold italics*** participated in both.

Some of the initiatives that invest in smallholder supply chains directly buy the produce, while others are strengthening supply chains more generally without immediate benefit to their own operations. Sambazon, for example, is helping Brazilian acai producers to increase their yield and improve their production processes, but does not itself trade in acai. IKEA is supporting the cotton sector through the Better Cotton Initiative and is content that an overall increase in quality and standards will be of indirect benefit to it as a large buyer in the market. Mondelez International established its Cocoa Life initiative to address long term supply challenges for the chocolate market as a whole, but has determined that supporting the supply chain more generally was a missed opportunity for the company to benefit from its investment. It is re-designing its initiative, so that it is more integrated into its own cocoa supply chain and benefits the company more directly.

Progress in creating social and commercial value

From the numbers of beneficiaries reported in survey responses, it is estimated that agricultural initiatives have impacted on at least 3.4 million people, with Shree Kamdhenu Electronics Pvt. Ltd's initiative contributing 2 million. The producer-focused initiatives, on the other hand, benefit around 200,000 people, but these benefits are in the form of new livelihood opportunities and raised income, so the impact is potentially more life changing for those people.

When asked to classify their initiative's progress, half of the ten respondents say they are on track, three are progressing slowly and two are flourishing. Most of the agricultural initiatives are more recent BCtA commitments, but of the older ones (pre-2010), BILT and Mondelez International have both met (or are close to meeting) their commitments, and the other companies interviewed all show very positive signs of meeting their commitments within the target dates.



Dried fruit produced by smallholder farmers in Turkey, for Taze Kuru

Table 5.1 Agriculture initiatives in the BCtA portfolio

Business approach	BCtA initiatives
Providing a service or product to farmers (farmers as consumers) (9 initiatives)	The following are primarily providing: Agricultural inputs: Yara International, BASF India . Information services: Thomson Reuters; Tata Consultancy; Multi Commodity Exchange of India (MCX); Cisco Systems. Other products: Shree Kamdhenu Electronics Pvt. Ltd. ; Global Easy Water Products; <i>Juhudi Kilimo</i> .
Procuring raw materials that farmers produce and helping farmers to produce something better (farmers as suppliers) (12 initiatives)	The following are procuring product direct from small farmers: Diageo; <i>ITOCHU Corporation</i> ; <i>NOHA NYAMEDJO</i> ; Grupo Orsa; Honey Care Africa; The Co-operative Group; SABMiller; L'OCCITANE EN PROVENCE ; Taze Kuru ; Ballarpur Industries Limited (BILT) . The following are providing more general support to the supply chain: Mondelez International ; <i>Sambazon</i> ; IKEA.

Fewer supplier-focused initiatives report reaching break-even. But sometimes that is the wrong question. From a commercial perspective, consumer projects need to break even more quickly to make commercial sense to the company. Intuitively, if a company is selling something it will want to see a margin on those sales, whereas on the procurement side it may be happy to make a 'loss' because it is recouping this when it sells the value-added product.

Investing in strengthened supply is a cost of improving the overall business and is not necessarily calculated as its own profit-centre. For example, BILT earns money selling paper and can afford to adopt a long term view on the costs of setting up a new source of supply because, overall, the company is still making money on its paper sales.



~~~~~  
 Sambazon helps Acai berry producers increase their yield in Brazil



Another feature of the agricultural initiatives is that they have to find a way to manage the costs and complexity of engaging with many small farmers dispersed across a wide geographic area where infrastructure is likely to be poor. This is the well known ‘last mile’ distribution challenge for a consumer-facing business model providing agricultural inputs to small farmers. Initiatives procuring from small farmers face a similar ‘first mile’ aggregation challenge.

Creating trust between small farmers and companies emerged strongly as an important factor in a number of initiatives. This can be done through working with partners who are already trusted by farmers, but BASF India have done it by developing their own cadre of advisors who train farmers, respond to questions, and demonstrate the benefits of modern farming techniques and inputs. These services are central to BASF India’s initiative, which is introducing more sustainable agricultural practices in rural India. For BILT’s initiative in India, partnerships have been critical to building trust with small-scale farmers.

#### Contrasting approaches to partnership for farmer engagement

Ballarpur Industries Limited (BILT) has developed a model for supporting the small-scale production of wood as a new source of raw materials for the paper industry. Smallholder farmers use previously unproductive land to grow wood and generate additional income, while also building a new supply source in a sector where demand is always growing. BILT relies on partners for many operating issues, as they have assets and resources that are beyond BILT. Recognising that this would lead to mutual and sustainable benefits for all concerned, they have supported at least one of their partners, a farmer-owned agricultural co-operative, to get FSC certification for the wood that they produce<sup>xxv</sup>, and this has helped them to become profitable. BILT notes that this long-term partnership approach has helped to build a high level of trust between farmers and the company and between the company and the other organizations in the partnership. This trust has been a critical element of their success.

BASF India decided not to partner with other organizations in its agricultural initiative, SAMRUDDHI, because they wanted to ensure that the company could control the quality and consistency of what it could offer farmers. BASF India opted instead to train its own large sales force to interact directly with farmers.

**The success of a resource-intensive programme like SAMRUDDHI requires a long-term commitment from the top management. The BASF Management understands this and fully supports the programme. The second important factor is to establish trust between farmers and the company which takes time, investment and commitment to create mutual gains.**

**Nitin Sharma, Senior Project Manager – BoP South Asia, BASF India**

#### Key takeaways

- **Inclusive business strategies in agriculture are showing results.** But these derive from long-term engagement, require commitment and risk-taking in their early stages, and take time to deliver.
- **Whether the company is buying product from smallholders, or selling inputs to improve productivity, similar strategies emerge as essential.** These include the provision of training and credit, extension staff on the ground, and the development of trust over time.
- **Some companies are willing to invest in strengthening the sector’s supply chain as a whole.** Others focus more on their own supply chain. Both approaches can deliver value.
- **Given the scale of smallholder agriculture, and its importance to so many of the rural poor, it is good to see tangible progress and a diversity of initiatives.** Support to scale and replicate these approaches is clearly important.



The girls’ tablet runs on solar energy provided by SolarNow systems



This impact area is one where we can clearly see some 'breakthrough' SMEs coming through - emerging and maturing companies that are responding to a gap in the market and gaining a firm foothold ahead of their competitors. Large and established companies have barely entered the market, except perhaps in bio-fuel which is still an early stage market. Given the scale of unmet demand for household power that still exists and the emergence of successful business models, this is expected to be a dynamic sector over coming years. As one energy entrepreneur noted, the large companies simply don't seem to be tapping into solar potential in Africa yet.

**Solar in Africa – how obvious does that sound? But you go to villages and you don't see it anywhere. Bigger companies, the MNCs should look into it. They are still ignoring the market, except in their CSR. There is space for us all to compete – I would welcome it.**

**Willem Nolens, Managing Director, SolarNow**

## Challenges and strategies

**Table 5.4 Challenges faced and strategies adopted in the energy sector**

|                                                             | Supply Chain                                      | Strategic Planning & Finance                                                                                        | Product & Service Development                                                                                                                   | Distribution, marketing & sales at the BoP                                                                                                                                                                                                                                                  | Structure of the market                                                        |
|-------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| <b>Challenges faced by companies</b>                        | High VAT and customs duties increase supply cost. | Developing a business model that is commercially viable.<br><br>Lack of finance for investment and working capital. | Developing a product that is both high-quality and affordable to low-income customers.                                                          | Consumers are not aware of energy products and their value, beyond 'early adopters'.<br><br>No ready supply of the consumer finance that is essential for BoP sales.<br><br>Lack of consumer differentiation based on product quality.<br><br>Cost and difficulty of reaching remote areas. | Presence of low cost, low quality competitors that damage consumer confidence. |
| <b>Strategies adopted by companies to tackle challenges</b> | Scope potential for domestic production.          | Allow enough time to build the market.                                                                              | Be rigorous in product design and don't compromise on quality.                                                                                  | Provide consumer credit for purchase on instalments or partner with institutions that provide micro credit.                                                                                                                                                                                 | Maintain and emphasize quality.                                                |
|                                                             |                                                   | Find the right partner or leave the wrong partner.                                                                  | Achieve economies of scale to reduce cost.                                                                                                      | Adapt 'high-touch' marketing strategies to build confidence and demand.                                                                                                                                                                                                                     |                                                                                |
|                                                             |                                                   | Pursue external financing for company growth.                                                                       | Have a diversified range of products for each market segment, and a modular design that allows customers to add new items to existing products. | Concentrate sales in focused areas to harness word of mouth and diffusion of trust in the product.                                                                                                                                                                                          |                                                                                |

**Key strategies for scale: investment capital; consumer finance; building long term trust in products.**

**Companies usually create demand by demonstrating the quality of the product, but as low-quality competition enters the market, companies now need to also build consumer awareness of the high quality associated with the brand.**



**Table 5.5 Health initiatives in the BCtA portfolio**

| Business approach                                                                             | BCtA initiatives                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Affordable healthcare services, e.g. clinics, eye care, ambulance, dentistry (9 initiatives). | <b>ClickMedix</b> , Dimagi, <i>Novartis</i> and <i>Por ti, Familia</i> are all initiatives that roll out low-cost primary care via clinics, or community health workers. They up-skill primary care providers and/or draw in ICT-enabled expertise. Luxottica and Aravind Eye Care System specifically offer eye care services. Sorridents provides dentistry. <i>LifeSpring</i> is hospital-based maternity care, while <b>Ziqitza Health Care Limited (ZHL)</b> provides ambulance services. |
| Expanding access to reliable quality drugs (4 initiatives).                                   | PharmaSecure and <b>Sproxil</b> both use SMS and apps for verification of medicines and Pfizer uses SMS for improved stock management to boost access. <i>Hapinoy</i> extends the distribution network for over the counter medicines via its SariSari stores.                                                                                                                                                                                                                                 |
| Developing nutritional products for BoP markets (4 initiatives).                              | <b>Ajinomoto</b> and <i>Phillips Healthcare Services Limited</i> <sup>xxx</sup> are developing micro-nutrient products for babies and young children. DSM is adding nutrition to children's food sold from food carts, and PepsiCo is developing a local nutritious product.                                                                                                                                                                                                                   |
| Development and/or sale of specific products or services (4 initiatives).                     | This category covers four distinct products: <i>Naya Jeevan</i> offers micro health insurance. <b>Sumitomo Chemical</b> makes anti-malarial bed nets. Unicharm makes feminine hygiene products. <i>Ericsson</i> enables the development of health innovations via its African innovation centres.                                                                                                                                                                                              |

**Note:** the categories may overlap. For example, Novartis provides rural health camps so is in the first category but also improves distribution channels which enhance access to medicines, overlapping with the second category.

## Business approaches to improving health and nutrition

In total, 21 BCtA initiatives are focused on improving health and nutrition. They are largely split between large established companies, whose core business is often not in health, and emerging and maturing companies whose core business is some aspect of health at the BoP.

Emerging and maturing companies are leading the way in the provision of low-cost health services, whereas large established companies dominate in the development of nutritional products.

These all serve BoP consumers as patients or clients. For some of them, health improvements are just one part of their social impact on consumers. For example, at Hapinoy retail stores in the Philippines and in Ericsson's ICT initiative, health-related services are just one element of their offer.

## Progress in delivering social and commercial value

Of 13 health-focused companies answering the survey or interview, almost half view themselves as progressing slowly, and most of the others are on track. One is reported to be flourishing. Most initiatives for which there is survey

data tend to fall mainly into the middle revenue category (\$100,000 to \$1 million per year), though there are some in the higher categories and a couple at pilot stage. The initiatives are fairly evenly split between those that have broken even and those that have not.

**There appears to be huge potential to scale health-related solutions, given that many initiatives are still at early stage, and a few are expanding fast or already reaching millions.** Four of the initiatives have already reached several million people at the BoP.<sup>xxx</sup> Sumitomo Chemical produces around 30 million bed nets per year in Africa, so in terms of cumulative reach to users, it may be the highest in the entire BCtA portfolio. Millions of drugs have been verified using Sproxil's drug verification system.

ZHL's ambulance services in India have been used by almost 3 million clients<sup>xxxi</sup>. Close to 1 million people have received diagnosis and treatment through Novartis' Arogya Parivar initiative in India. From these initiatives alone, we could expect that around 12 million patients (or 60 million people, counting family members) have benefited from a diagnosis, ambulance service or authenticity of a drug<sup>xxxii</sup>. In addition, 100 million or so people have benefited as Olyset® bed net users.



**Interviews with BCtA members emphasized that healthcare is an immensely complex sector.** Getting the business model right, in terms of pricing, working through providers, referrers, insurers, retailers, clinicians and regulators and mobile phone operators, is not easy and takes time. Low return on investment, low consumer awareness about products and services, and lack of local skills and knowledge are additional challenges.

**It took five years to understand the money flow of the health system. Patients don't pay for health. It's the government, charity, or private company that pays from its pocket. Marketing messages say one thing but you have to understand what is behind them. There are multiple players involved in the complex health sector.**

**Ting Shih, CEO & Founder, ClickMedix**

**In the context of this complex market, finding appropriate partners is a common strategy for companies to establish and scale in the market.** For emerging company ClickMedix, partnerships are unlocking new growth. Their partnership with Medtronic, a major medical device company, is leading to a rapid scaling up of ear-screening services at two sites in India. In a very different setting, a large and established company, Ajinomoto is finding itself collaborating with government and non-government organizations that it has never worked with before, in order to pilot its nutritional supplement in Ghana.

**Affordability is an issue but initiatives are developing a range of solutions to balance costs and revenues and build demand.** This includes adopting a cross-subsidisation model where revenues from higher-income customers effectively subsidize the cost of low-income customers, and strengthening the value proposition through product developments or bundled services. Instead of consumers paying for goods and services themselves, there may be others in the system willing to pay. Pharmaceutical companies, for example, pay for Sproxil's SMS-based drug verification system because it guarantees the authenticity of their drugs, while ensuring regulatory compliance.

**You have to follow the money for each stakeholder. Work out who cares, who currently pays, why would they pay for our service – how would it affect their bottom line by lowering their costs or increasing their revenue.**

**Ting Shih, CEO & Founder, ClickMedix**

### **Key takeaways**

- **Healthcare is a complex market that involves many actors.** Developing a commercially viable business model takes time and has to work for all those involved.
- **Initiatives that offer a specific single product - an ambulance service, a bed net, drug verification – are already reaching millions.** Those offering a wider range of diagnostic and treatment services are operating at somewhat smaller scales, but with numbers running into hundreds of thousands so far. Nutrition-focused initiatives are generally still at early stages.
- **Business to business (B2B) partnerships are one strategy for scale,** and ICT can enable solutions that reach millions of people.
- **The product or service has to appeal to the consumer, and it is often not the consumer who actually pays.** Companies providing diagnostics, treatments, or drugs may often pay for the service that benefits their patient, because this also contributes to their own market position.

## **5.4 Improving financial inclusion**

### **Development challenge and business opportunity**

According to the World Bank,<sup>xxxx</sup> more than 2.5 billion people have little or no access to formal financial services. They are unable to put their often meagre and unpredictable incomes into bank accounts and are therefore unable to save or take loans. The lack of credit keeps them from purchasing essential goods and services as outlined in other impact areas. When something unexpected happens – a family member becomes sick for example – they have to sell household possessions or resort to borrowing through loans at extortionate rates. This locks them into a cycle of poverty.

The explosion of the mobile phone market in developing countries is creating an opportunity for low-income customers to access financial services for the first time.



The top challenge identified by four out of five of the interview and survey respondents is, unsurprisingly, the lack of financial literacy and consumer awareness. People at the BoP who have only had access to informal financial mechanisms don't understand - and therefore don't necessarily want to use - formal financial services, such as savings accounts and insurance. Initiatives have used a number of strategies to overcome this challenge and build demand for their products. Engaging local entrepreneurs to market and sell their services has proved successful for a number of initiatives. Zoono, a mobile payment services provider in Sub-Saharan Africa, uses a network of micro and small entrepreneur agents to provide its service. These people are selected from the very groups that the company wants to reach and they are trained to market and sell Zoono's mobile money service. Using credible people from the target demographic helps enormously to pull in new customers. PagPop in Brazil also identified the importance of understanding their customers and have

invested heavily in market research, as well as providing training to customers in how to use their technology.

**We have made sure we get to know who our customers are and what they are selling and we believe that is why we have been successful.**

**Marcio Campos, CEO, PagPop**

**Technical innovation is a competitive strategy commonly used by emerging and maturing companies in this impact area.** Vortex Engineering, for example, have used their technical expertise to develop energy-efficient, easy-to-use ATMs that are not only cheaper for the banks, but also meet the needs of the end user in rural areas. Their ATMs have built-in biometric authentication for users who aren't tech savvy, as well as a system called Linguaprint which prints receipts in the local languages.

## Challenges and strategies

**Table 5.8 Challenges faced and strategies adopted in the finance sector**

|                                                             | Supply Chain | Strategic Planning & Finance                                                                 | Product & Service Development                                                                                                                                           | Distribution, marketing & sales at the BoP                                                                                                                                                                     | Structure of the market |
|-------------------------------------------------------------|--------------|----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| <b>Challenges faced by companies</b>                        |              | Developing a business model that is commercially viable.<br><br>Lack of external investment. | ICT is core to the product but finance companies lack this expertise.<br><br>Maximizing the value of the product or service to the end user, while minimizing the cost. | Consumers lack financial literacy and awareness of financial products and services, which makes it challenging to reach underserved people.<br><br>Customers are not willing to pay for products and services. |                         |
| <b>Strategies adopted by companies to tackle challenges</b> |              | Expand into new geographies.                                                                 | Build partnerships, particularly with mobile operators.                                                                                                                 | Engage local entrepreneurs for high-touch marketing.                                                                                                                                                           |                         |
|                                                             |              | Seek funding from commercial and development finance institutions.                           | Use technical innovation to meet needs of low-income consumers.                                                                                                         | Build partnerships with local businesses to access consumers.                                                                                                                                                  |                         |

**Key strategies for scale: B2B partnerships in the value chain; use of ICT to reduce cost and reach underserved population; geographical expansion.**

**While mobile and other technological innovations allow businesses to reach many people, initiatives must also focus on marketing and distribution if they want to be competitive.**

**While partnering with mobile operators has been central to the success of mobile money initiatives, other B2B partnerships have also been a way for businesses to build their customer base.** For example, PagPop have been able to expand the reach of their credit card services by teaming up with large companies that use entrepreneurs to distribute their products or services, such as the cosmetics company Mary Kay or the taxi service, Safer Taxi.

**Many initiatives see expanding geographically as a strategy to reach scale.** While Vortex Engineering initially designed their rural ATMs for the Indian market, their CFO, Indira Bongarala, says they're now looking to focus on exporting their product to Bangladesh, Sri Lanka and the African market. Micro insurance firm, MicroEnsure, meanwhile, were forced to change their area of operation after their initial partnership with a mobile network operator broke down in the pilot phase. Shifting regions and partners has turned out to be a success. They are now partnering with Grameenphone in Bangladesh and Telenor in Pakistan, reaching 3.5 million people in both countries.

**Key takeaways**

- **This is a thriving sector with potential for enormous growth.** While established actors can build on their existing networks and expertise, emerging and maturing businesses have demonstrated that innovation, use of ICT, and deep knowledge of local needs are essential in this market.
- **Developing local distribution networks on the ground helps to build demand and maximize reach** to less aware, underserved customers.
- **For emerging and maturing players in this sector, developing the right partnerships is critical to success.**

**5.5 Creating access to jobs and entrepreneurship**

**The development challenge and business opportunity**

For most people living at the base of the economic pyramid, a job or entrepreneurship opportunity is one of the surest ways out of poverty. Jobs are key to social and economic development. They provide a steady income and benefits, increase economic growth and improve societal cohesion. However, according to the *2013 World Development Report*,<sup>xxxvii</sup> around 200 million people around the world are unemployed. Around 75 million of these

are young people under 25 and it is estimated that an additional 600 million new jobs will be needed over the coming 15 years to provide jobs for the next generation of workers, particularly in Asia and Sub-Saharan Africa. The private sector is key to creating these jobs. Already 9 out of 10 jobs in developing countries come from the private sector<sup>xxxviii</sup>.

Although the private sector may be the main source of jobs, appropriate regulation and governmental support is an important enabling factor. This can be seen in India, where members such as Empower Pragati and Drishtee Skill Development Center are benefiting from government support for skills development. Both members collaborate with the National Skills Development Corporation, an Indian public-private partnership established by the government with a view to creating 500 million new jobs by 2020, by fostering private sector initiatives in skills development.<sup>xxxix</sup>

**Business approach to creating access to jobs and entrepreneurship**

Fifteen BCtA commitments focus primarily on helping poor people to access jobs or other entrepreneurship opportunities (excluding commitments which are categorized as agricultural and may also create jobs in supply chains). Some are employing low-income people directly in their business, or upgrading their employment, while others are providing services to clients that increase their employability.



Empower Pragati's young beneficiaries receive vocational training to improve their job opportunities in India

**Table 5.9 Employment and enterprise initiatives in the BCtA portfolio**

| Business approach                                                                             | BCtA initiatives                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Directly create jobs or entrepreneurship opportunities for low-income people (3 initiatives). | <i>Waste Capital Partners</i> is employing low-skilled BoP workers in its waste-picking business; <i>Anglo American</i> is providing support to potential entrepreneurs via a bundle comprising access to finance, access to markets, advisory and mentoring support. and <i>The Coca-Cola Company</i> is creating jobs by scaling up its micro-distribution network.                                                                                                                            |
| Build skills and knowledge linked to the business (6 initiatives).                            | Jaipur Rugs and <b>MUJI</b> are training local producers as part of their supply chains; <i>Metalsa</i> is increasing their talent pool by training young engineers. <i>Natura</i> is building the entrepreneurial capacities of its sales representatives, while <i>Microsoft</i> and <i>Standard Chartered</i> are providing training and business advice that will ultimately expand their customer base.                                                                                     |
| Enable access to employment and enterprise more generally (6 initiatives).                    | <i>Drishtee Skill Development Center</i> and <b>Empower Pragati</b> develop skills and help disadvantaged people to find jobs and entrepreneurship opportunities; <i>Monster.com</i> and <i>Babajob.com</i> use IT platforms to link BoP jobseekers and employers; <i>Nokia</i> provides business advice to female entrepreneurs, through mobile services; and <i>H&amp;M</i> is establishing a system for training and certification that will improve employability and wage earning capacity. |

### Progress in creating social and commercial value

Companies that responded to the survey indicate good performance, with 6 of the 7 reporting that they are on track. *Anglo American* – one of the earliest BCtA members, which is now at the scaling up stage – classifies itself as flourishing and indeed has significantly exceeded its original targets. Compared to its original target of creating 25,000 new jobs and 1,500 new businesses between 2008 and 2015, *Anglo American* had already created more than 76,000 jobs by 2013 (around 15,000 in 2012 alone) and more than 45,000 small and 80 medium businesses.

It is somewhat difficult to compare results across initiatives, given that they are at varying stages. For those who responded to the survey, two are still piloting their approaches, three are rolling out a proven model across their intended markets, and two are scaling up into new markets. Two of the seven respondents report that they have already reached break-even and the other initiatives expect to reach break-even within the coming three to four years.

Most of the employment initiatives are likely to reach thousands of people, with a potentially transformational impact on people’s lives. As seen in other impact areas, consumer-focused initiatives reach much higher numbers of low-income people. ICT-based initiatives which offer support to workers rather than direct employment, such as those of *Nokia*, *Monster.com* and *Babajob.com* are expected to reach from a hundred thousand to many millions of people.

**Not surprisingly, one of the main challenges that members face in this impact area is a lack of skills, capacity and knowledge in their supply chain.** As mentioned, a number of members address this challenge directly by building skills and knowledge linked to their core business. Part of *MUJI*’s (*Ryohin Keikaku*)<sup>41</sup> initiative, for example, is to improve the quality and production processes of local artisans in Kyrgyzstan and Kenya. As an established consumer brand, *MUJI* is able to build the capacity of local artisans to produce handicrafts that meet international standards and customer demand. This includes training and technical support to improve production, design and packaging and promote eco-friendly practices. *MUJI* also provides producers with market information such as sales results and customer preferences on quality, style and form - something that the local artisans typically lack since they are not connected to the end consumer. By linking them to global markets in this way, *MUJI* has increased the income of these producers and filled a gap in terms of skills, knowledge and capacity in its supply chain. The resulting products have proven popular with *MUJI*’s customers and sales of the products cover the cost of the investment. The initiative supports *MUJI*’s brand philosophy of quality, simplicity and craftsmanship.

**Another common challenge reported by members is market knowledge and having the right contacts and networks.** This is a particular challenge in this impact sector, as creating jobs and entrepreneurship opportunities means directly connecting with the individuals who are intended to access the employment or entrepreneurship opportunities.



Expecting that most of those would welcome the opportunity to access work, Empower Pragati found that social views on what are acceptable forms of education and employment often outweigh the economic need to get a job and earn income. This is even more pronounced when it comes to engaging women in the workforce.

**When we started we expected that there would be huge demand for our services, given the number of people that are unemployed and living on very low incomes. But in rural India, not all forms of waged employment are seen as desirable. And just because someone is poor doesn't mean that they will compromise on their sense of pride.**

**Rajiv Sharma, Founder & Managing Director, Empower Pragati**

Empower Pragati takes a multi-pronged approach to overcoming this challenge and increasing consumer demand. At a national level, the Indian Government is trying to change social attitudes towards skills development through advocacy and communication campaigns. There are also television programmes that are trying to make vocational skilling aspirational. Empower Pragati is able to draw on these efforts in its work and, in the long run, this should increase demand and desirability for their services. At an enterprise level, Empower Pragati uses case studies and role models to communicate the benefits of vocational skilling and jobs to students and their families.

### Key takeaways

- **By providing training, skills development and practical support, companies can increase access to jobs and entrepreneurship, at the same time improving their supply chain and market share.**

- **Government support can significantly enable initiatives that are trying to get low-skilled or disadvantaged people into the workforce.**
- **Companies need to develop creative solutions that make the workplace more attractive for BoP employees**

## 5.6 Increasing access to education

### Context

Education is a cornerstone of poverty reduction. The United Nations Educational, Scientific and Cultural Organization (UNESCO) reports that one year of schooling can increase a person's earnings by 10 percent and each additional year of schooling can lift average annual GDP by 0.37 percent.<sup>xli</sup> Education also leads to many other development benefits, including improving maternal and child health, preventing disease, empowering women, and improving political stability and democracy. Education has traditionally been a responsibility of the public sector, but it is also an area where private sector led approaches can make a difference. Business can, for example, develop products, services and business models that create incomes and revenues, at the same time as providing access to education.

**Two enablers of business opportunities in the sector are government support and ICT.** Whether through financial support, market development or a favorable policy framework, government support can help initiatives to significantly increase their reach to poor people. ICT can roll out educational initiatives, whether to homes or schools, at scale.

### Business approach to improving access to education

Four BCtA members explicitly focus on increasing access to education through their initiatives.<sup>xlii</sup> Three of these are emerging and maturing companies responding to a gap in the market and one is a large and established company providing existing services to disadvantaged customers.

**Table 5.11 Education initiatives in the BCtA portfolio**

| Business approach                               | BCtA initiatives                                                                                                                                                                                                                                                           |
|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Access to education through IT (2 initiatives). | <i>DataWind</i> produces low-cost mobile data tablets, known as Aakash tablets. These improve the quality and reach of education. <i>TTNET</i> includes an educational package free of charge with their low-cost internet service, as well as internet literacy training. |
| Early childhood education (2 initiatives).      | <i>PUPA</i> and Hippocampus Learning Centres train women to provide pre- and primary school education.                                                                                                                                                                     |



**As mentioned, government is a key enabler of education-related business opportunities.** DataWind's initiative, for example, has benefited from the Indian Government's policies to increase the quality and access to education through internet-based technologies. PUPA, on the other hand, is having to champion the benefits of a quality, early childhood education in order to attract Brazilian government support, as government tends to focus on primary education. PUPA is taking an evidence-based approach by analysing how caregivers respond to training and working with a reputable research institution to study the effects of its early childhood education programme. With these results, PUPA hopes to advocate the benefits of government investment in pre-school education.

### Key takeaways

- **The value proposition and willingness to pay needs careful attention,** based on whether the customer, government, or other client is paying.
- **Companies can create a compelling offer by cutting back costs, demonstrating clear benefits, or increasing the value to customers,** such as by bundling with other services.
- **ICT-based education services show rapid current and potential growth.**
- **Government support** can significantly enable initiatives that are focused on improving education. Companies can use evidence-based information to advocate for government support.

## 5.7 Improving shelter and living conditions

### Development challenge and business opportunity

The United Nations Human Settlements Programme (UN-Habitat) estimates that more than 1 billion people worldwide don't have access to adequate shelter and that by 2030, about 3 billion people, or about 40 per cent of the world's population, will need proper housing and access to basic infrastructure and services such as water and sanitation systems.<sup>xliii</sup> As the population in developing countries continues to soar and urbanization occurs at a rapid rate, governments are increasingly unable to cope with the rising demand for safe and affordable basic housing. As a result, millions of poor people across the world are forced to live in slums where overcrowding, lack of water and sanitation, and the likelihood of violence only serve to exacerbate the cycle of poverty.

The inability of governments to fully combat this development challenge presents an inclusive business opportunity for the private sector. The high cost of housing means home ownership is out of reach for low-income people, which is why some inclusive businesses focus on providing access to affordable home finance options at the BoP. In Mexico, the government is actively working with businesses in the private sector to solve its acute urban housing problem, which may explain why three of the four housing initiatives in the BCtA portfolio are based in Mexico. Partnerships with the government and local stakeholders have proved to be key enablers in this impact arena.

### Business approach to increasing access to improved shelter and living conditions

There are five BCtA member initiatives working in this impact sector – four increasing access to affordable housing and one providing clean drinking water.

### Progress in creating social and commercial value

Despite the small number of BCtA initiatives working in this space, those that have ventured into it are progressing well. Of the four survey and interview respondents, two report that they are flourishing while two are on track to meet their targets. They all report that they are at the scale-up stage and have reached break-even.

Two initiatives – CEMEX's Patrimonio Hoy and Mahindra Rural Housing Finance – are two of the highest revenue-earning initiatives in the BCtA portfolio. Échale a tu Casa has substantial turnover, while the CEMEX PiAC initiative is much smaller so far.

The BoP results look promising. Of those that reported results, two are reaching around a million people and two are reaching between 100,000 and 500,000 people. CEMEX's Patrimonio Hoy is a standout initiative here. At the time of their application to BCtA in 2013, they committed to provide at least 125,000 additional low-income families with affordable housing by 2016. They have exceeded that target, helping 400,000 families already in 2014.

**Three of the four pointed to the difficulty of developing a commercially viable business model and the low return on investment in the sector.** The high cost of land and housing material poses a dilemma for companies looking to provide secure housing that low-income consumers can afford.



**Developing collaborative networks and partnerships with local stakeholders has enabled all three housing initiatives in Mexico to maximise their reach and ensure that others in the community benefit from their business.** CEMEX's other initiative, PiAC, is a public-private partnership in which the government provides land for PiAC's Centre of Self Employment where low-income people are employed to produce bricks for houses. Half of the bricks produced are sold by PiAC at competitive rates to their government partner, while the other half is used by the employees to build their own homes. Patrimonio Hoy, PiAC and Échale a tu Casa all partner with local construction workers and entrepreneurs to assist their customers in building their houses, thereby providing economic opportunities to others in the community as well.

**A key success factor for us has been working as a team and listening carefully to experiences in the field, so we can make sure we are creating an initiative from the bottom up - one that really solves the problem and does not try to impose a model that was created without the community input.**

Francesco Piazzesi, Founder, Échale a tu Casa

The one theme that featured strongly amongst the initiatives in this sector was passion and commitment. As one company write in their survey,

**The business cannot succeed without PASSION at all levels!**

**Mahindra Rural Housing Finance**

### Key takeaways

- **BCtA initiatives reflect the critical role of consumer finance** in promoting home ownership at the BoP and are developing innovative ways to deliver this.
- **This is a difficult sector, due to land issues, regulation etc.** Successful companies have found it essential to embed themselves locally, by working alongside clients - in making bricks, for example - or engaging with local partners. Partnerships with local stakeholders have helped initiatives reach more beneficiaries.
- **The need for a long term vision, passion and patience** has been identified as a key success factor in this sector.



////////////////////////////////////

Building blocks towards sustainable social housing in Mexico - CEMEX's PiAC initiative



# 6

## Strategies for Scale across the Portfolio

BCtA members use a range of strategies to achieve scale in their initiatives including carefully-chosen partnerships, creating greater willingness to pay, using ICT to unlock new opportunities, turning regulation into a positive force, and securing appropriate finance and internal buy-in.

How initiatives reach scale is not a straightforward, one-size-fits-all approach, but there seem to be a range of common strategies across the portfolio.

### 6.1 Carefully-chosen partnerships

Partnerships between companies or between companies and non-traditional partners such as NGOs or government agencies, have been a feature of inclusive business for some time. Partnership plays a key role for many initiatives to overcome challenges that arise when engaging with low income people for the first time - whether this is as a supplier or a consumer. Partnerships, particularly business to business partnerships, are also now being used to shift a proven model to scale. What is clear from the BCtA portfolio though is the extent to which companies are becoming much more adept at using such partnership strategically, choosing partners carefully or, in a few cases, deciding to find alternatives to partnership. The *right* partnership is essential to BCtA initiatives. Otherwise, it's better to not partner at all.

The experience of BCtA companies with partnerships highlights a number of important lessons in choosing the right partners. Given the importance of maintaining product quality, partners need to have the same understanding of quality and ability to provide quality assurance. Trust needs to be developed, as does a good balance in sharing risks and potential rewards between partners. As companies seek to scale initiatives, partnerships *with other companies* (B2B partnerships) may become more important relative to partnerships with grant/resource providing development agencies or government agencies. In a B2B partnership, it is essential that there are sound commercial reasons for both parties to scale up together.

**In several examples, carefully chosen partnerships have been the key to success.** MUJI have forged an unusual partnership with the Japan International Cooperation Agency (JICA). JICA has helped the company to identify suitable product development opportunities, connect with local communities and carry out training and product development activities. Envirofit's partnership with Kaluworks, the major East Africa brand in kitchenware, should enable rapid expansion for their institutional and household clean stoves. ClickMedix's partnership with Medtronic, a large medical device company, has enabled them to reach over 30,000 people in one year and to be on a rapid growth path.

**Envirofit's partnership with Kaluworks will allow a new level of growth into retail that has not been achieved in the cook-stove market.**

**Jessica Alderman, Director of Communications & Public Relations, Envirofit**

**Other companies have struggled to find the right partners.** L'OCCITANE EN PROVENCE have not yet found suitable financial or technical partners to set up missing links of the supply chain in Africa. Sumitomo Chemical could not find the right partner in West Africa, so decided to focus on expanding factory production in East Africa instead.



Suppliers to L'OCCITANE EN PROVENCE

## 6.2 Building demand, desirability and willingness to pay

Will low-income consumers be willing to pay enough for the product? This is a key question that depends on product price, demand, financing and distribution mechanisms, and much more. Initiatives are developing a range of innovative strategies to increase demand, desirability and therefore customers' willingness to pay.

Table 6.1 shows a range of strategies, which, in different ways, are building the value proposition of the product to the consumer.

**Another strategy is to look for other actors who might be willing to pay instead of customers themselves.** There are several models where another value chain actor pays, particularly where the initiative is in the health and employment related impact areas.

**Table 6.1 Strategies for building demand, desirability and willingness to pay**

| BCTa initiative | Product/Service                                         | Strategies adopted                                                                                                                                      |
|-----------------|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| BASF India      | Crop protection products and other agricultural inputs. | Training and high-touch engagement by dedicated team.                                                                                                   |
| WIZZIT, Zoono   | Financial services to the unbanked.                     | Distributors on the ground for high-touch engagement e.g. Wizzkids.                                                                                     |
| Ajinomoto       | Nutritional supplement for infants.                     | Partner with an NGO in rural pilot and a commercial marketing agency in urban pilot.                                                                    |
| Envirofit       | Efficient stoves.                                       | Partner with high profile kitchen brand name to penetrate the market.                                                                                   |
| SolarNow        | Solar lighting and power.                               | Emphasise quality of product. Allow time for first movers to build trust among neighbours. Provide product on instalment basis to reduce upfront costs. |
| DataWind        | Access to education via data tablets.                   | Add value for the customer by bundling with other services (internet access, content and apps).                                                         |



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 A MicroEnsure client in Bangladesh: his mobile phone operator pays for his life insurance

**Table 6.2 Examples where the consumer does not pay**

| BCtA initiative            | Product/Service                                                                    | Who pays instead of the consumer?                 | Why they pay                                                                                                                                                                                                                           |
|----------------------------|------------------------------------------------------------------------------------|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sproxil                    | Verification of medicines through a verifiable code that is printed on the packet. | Pharmaceutical company                            | Provides quality assurance and regulatory compliance for their drugs. Supports sales.                                                                                                                                                  |
| ClickMedix                 | Health check, e.g. ear screening.                                                  | Health service provider                           | Increases flow of patients by identifying those that need treatment.                                                                                                                                                                   |
| MicroEnsure                | Micro insurance bundled with mobile airtime.                                       | Mobile phone operator                             | Boosts customer loyalty and increases sales of airtime.                                                                                                                                                                                |
| Empower Pragati            | Skills development and job placement.                                              | Government, Corporate, and Retail Client sponsors | Employers access employees with appropriate skills. Government has a target to develop skills and boost employment. Corporate sponsors want to improve skills in areas of interest to their business and/or as part of CSR programmes. |
| PUPA                       | Training in early childhood education.                                             | CSR budgets of corporate sponsors                 | Corporate sponsors want to support early childhood education as part of their CSR programmes.                                                                                                                                          |
| Various energy initiatives | Energy products using cleaner and renewable energy.                                | Carbon credits                                    | A switch from kerosene or three stone fire reduces global CO2 emissions.                                                                                                                                                               |

**Freemium models at the Base of the Pyramid**

MicroEnsure’s ‘freemium’ product provides life insurance to the customers of their mobile phone partners, based on the number of airtime minutes they spend in the month before. The mobile network partner pays the premium on behalf of the customer and the level of insurance relates to the number of airtime minutes used. For MicroEnsure, this tackles the issue of people not being willing to pay for insurance as they are effectively being provided insurance for the cost of airtime that they would have bought anyway. For the mobile company, this builds brand loyalty in a very competitive market. BoP customers tend to only use pre-paid sim cards and often have sim cards from different networks to take advantage of promotions. By linking insurance services to their sim card usage, mobile companies motivate customers to buy all their monthly minutes on that network.

**No one wakes up in the morning wanting to buy insurance - particularly when you are at the BoP wondering where your family’s next meal will come from. But you are always worried about risk. We found a way for people to get the benefits of insurance, without them having to pay extra for it.**

**Richard Leftley, CEO, MicroEnsure**

**6.3 Using ICT to unlock opportunities at the Base of the Pyramid**

**ICT seems to lend itself to business at the Base of the Pyramid.** It unlocks opportunities in hard to reach markets, reduces transaction costs and allows reach on a scale that used to be unthinkable. The International Telecommunications Union estimated that the number of mobile subscriptions in the world hit the 7 billion mark in early 2014, with mobile penetration in the developing world reaching 89% by the end of 2013<sup>xliv</sup>. Studies have found that people at the BoP are willing to make real sacrifices in order to buy mobile credit<sup>xlv</sup>. Being accessible via mobile does not only mean the ability to make calls. It also gives access to innovative ‘apps’, whether they are mobile money transfer, health diagnostics, GPS location-based services such as those the UN Global Pulse uses in the case of an emergency, or trade in agricultural inputs and produce.

**Inclusive businesses have been built upon this opportunity and are now increasingly using mobile and other information technology to create models or distribution/accessibility options that simply didn’t exist before.** It is no wonder then that around a quarter of the initiatives in the BCtA portfolio are using ICT in different ways in their inclusive business models.



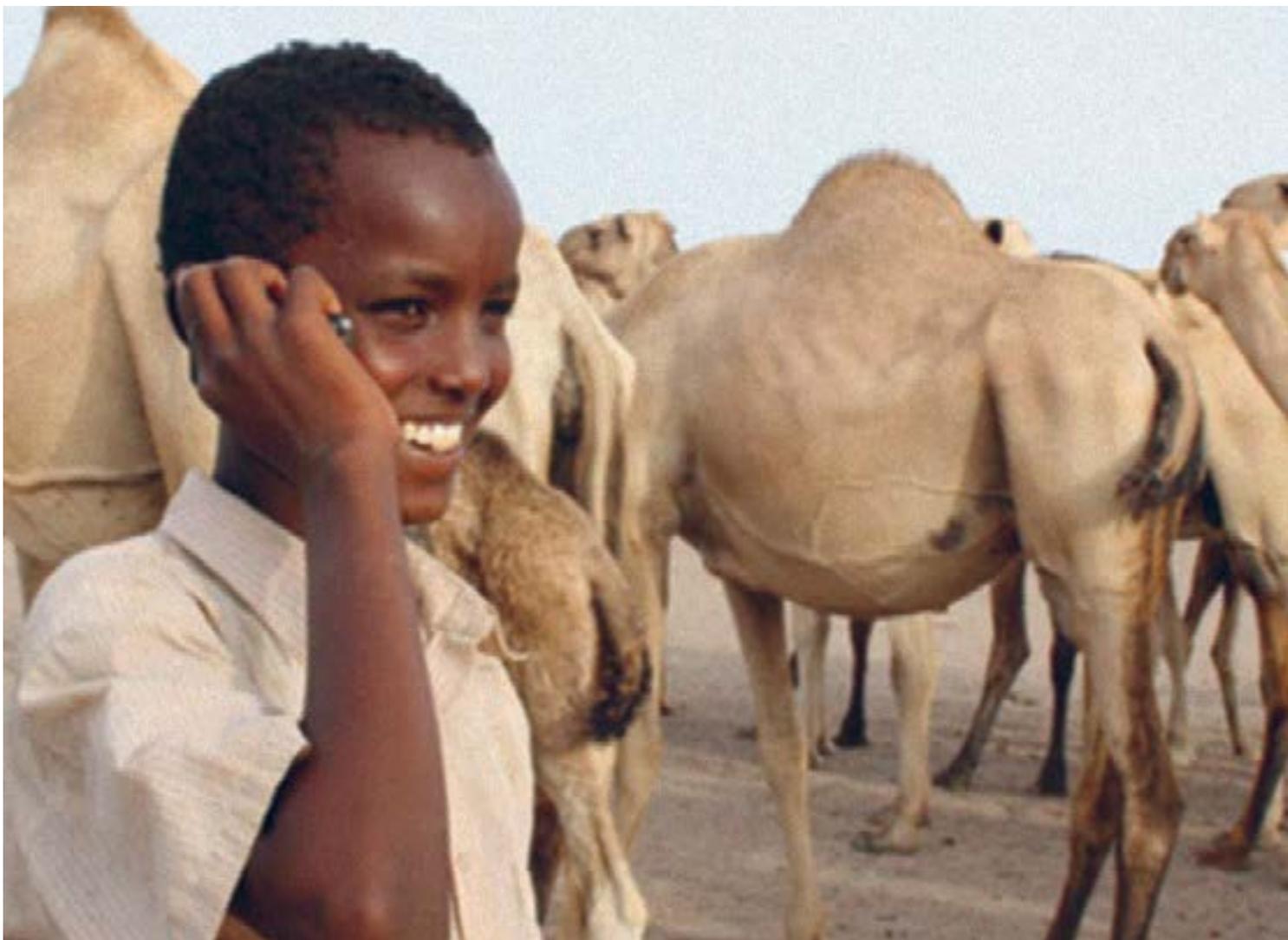
**In contrast, positive examples are now also emerging where new regulation or government partnerships are providing an opportunity for business growth.**

This is through public sector tendering and procurement, subsidised provision of goods and services, waivers of taxes, and regulations requiring improvements in standards that increase demand for inclusive business services.

- **In Nigeria, Sproxil's SMS verification service received a boost when government regulation required such verification for all antibiotics.** Sproxil was the first company to be an approved provider (there are now four others also) and was influential in creating the case for regulatory change.
- **DataWind's initiative to provide low-cost data tablets in India has been boosted by the government's subsidisation of mobile tablets in**

**an effort to improve the quality of and access to education.** The government makes up around 20% of DataWind's sales and has been an important catalyst in building the consumer market. For supply to students, the government not only waives duties and taxes, but also subsidizes the cost by 50% for the Aakash 1 edition.

- **Part of ZHL's ambulance business in India is run as a public private partnership with government, won through a tender by ZHL and paid for by government.** This was the first such tender, and the demonstration effect of ZHL's business helped make the case for such an approach.
- **Taze Kuru is marketing locally-produced dried fruit as a health snack.** It sees emerging regulation in export markets – such as increased regulation against unhealthy snacks in schools - as a positive trend that will boost sales.



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Inclusive businesses such as Ericsson are reaching remote areas



# 7

## Looking Back and Looking Forward

### 7.1 Progress in many different ways for member companies

One thing is very clear from the BCtA portfolio. There is no single recipe for progress in inclusive business, and no unique measure of progress. It cannot be judged simply by revenue, profit, growth rate, numbers reached, or achievements compared to original plans.

Across the portfolio, there are a number of positive developments that are a cause for celebration:

- **Initiatives are starting to mature from pilot stage to roll-out** and in many cases even scaling into new markets. Given that it can take many years to pilot a BoP business idea and get the model right, this is substantial progress.

Sambazon, Taze Kuru and Oando Marketing joined BCtA at time when they were piloting their initiatives to source acai, produce dried fruit and sell affordable stoves. Now they are reported at roll-out stage.

- **BCtA members are already reaping commercial gains from their inclusive business** – an essential ingredient for future sustainability and scale. Although few are highly profitable so far, members say they are benefiting in other ways, such as improving market share, gaining a first-mover advantage in BoP markets, accessing new customer segments, differentiating themselves from competitors and improving their brand image and company reputation.
- **Eighteen initiatives have benefited around a million or several million people already.** They are demonstrating the promise of inclusive business to reach the BoP at scale.
- **Emerging and maturing companies, set up around a BoP focused model,** are securing substantial investment as they mature and demonstrating sharp growth.

- **BCtA initiatives are creating breakthrough models that set an innovative example for other Companies to follow.** It is no coincidence, for example, that prices for maternity care have gone down in clinics operating in areas where LifeSpring Hospital operates. The spread of similar business models is most visible in health, energy and finance, but disruptive models are starting to emerge in other impact areas as well, such as health and nutrition.

#### Breakthrough SMEs

A growing number of emerging and maturing companies in the BCtA portfolio are establishing themselves as influential market actors and attracting sizeable investor finance.

Key characteristics are:

- Many are reaching stage of accelerated growth.
- Series A, B, or C venture capital investment is being put in place.
- They are close to or have achieved break-even.
- They are influencing competitors.
- Some are establishing partnerships with large corporate players.
- Some are expanding geographically to new countries.

The breakthrough SMES include:

- In finance: Wizzit, PagPop, Vortex Engineering and MicroEnsure.
- In energy: SolarNow, d.light and Envirofit.
- In health: Sproxil, ZHL, LifeSpring Hospitals and ClickMedix
- In enterprise and employment: Empower Pragati.

BCtA initiatives show that fundamental problems of poverty can be effectively tackled through a business approach. Around a million low-income people are boosting their livelihoods and income-earning opportunities. Many more are improving their health and nutrition, accessing energy, education and inclusive financial services and improving their shelter and living conditions, all through commercially sustainable approaches.



## 7.4 Implications for companies, governments and development actors

**For companies,** the clearest lessons to emerge from the experience of BCtA members are already well known. Long-term commitment, strong leadership, and innovation in the business model that allows for adaptation to the local context, are critical. In addition, key tips to emerge include:

- **Knowing that partnerships are essential is not enough.** Choosing the right partner, and walking away from the wrong partner matters too. Different partners may be needed for scaling up. Identifying key business relationships is critical. Knowing your partner and knowing yourself is essential, as in any marriage.
- **Securing equity finance is described as a longer, harder slog** even than entrepreneurs expect, but it ultimately unlocks growth at a new scale.
- **Watch out for competitors.** Take action if low-quality competition damages the market, and innovate to keep up or stay ahead of the quality competition.
- **Don't only focus on price points.** Tackle the wider issues of who pays, their willingness to pay, financing mechanisms, and customer value that locks in a loyal client.
- **Build the evidence base for changes in government regulation,** public sector procurement, and priorities for local investment by demonstrating the problems that can be tackled and social impact that can be achieved. Show that it can actually work for others.

**For governments and development agencies,** the progress of the BCtA members provides considerable food for thought. The evidence is that inclusive business is working, but is tough. If a private company wanted a quick profit, this would not be its first port of call. But profit-led models can work, scale, and deliver considerable social impact. They clearly can create considerable positive externalities (benefits that do not accrue to the company, but to society). This provides the case for public support.

The mechanisms of public support need to be smart. At early stages, grants and awards, often from development agencies, can be critical for testing out ideas, getting a business going, or letting it fail fast. So long as they avoid creating distortions by privileging one company over another, they can provide support for the early stage that is simply not available elsewhere. But grants or subsidies are not at the crux of the matter as businesses grow.

- **Changes in regulations can create new opportunities for businesses across a sector.** A commitment to quality standards in energy, information technology in schools, pharmaceutical standards in healthcare, or training opportunities in industry, can provide just the catalyst needed for a first mover to create a new business, or others to follow.
- **Public procurement can play a critical role.** It is not necessarily a choice between public provision and private provision. Publicly provided schools or health services can create markets and incentives for inclusive businesses that serve them.
- **Inclusive businesses operate on thin margins in their early years.** Customs duties and delays at the port can be the break factor that stops a good idea.
- **The investment climate for inclusive business,** including the availability of impact investment for growth, and conventional bank finance for working capital can determine the speed of growth. As a financier, guarantor, standard-setter or as a regulator of finance, governments and development agencies can influence the expansion of financing for inclusive business.
- **Support to inclusive business does not have to mean direct support.** The businesses face challenges at either end of their supply chain: lack of skills amongst producers and consumers, lack of infrastructure for covering the first or last mile, and lack of awareness of how to engage effectively with business. If governments and agencies invest in tackling these gaps within the BoP, the inclusive businesses operating in BoP markets will step in and step up.

In conclusion, there is no doubt that inclusive business is seen as a viable, commercial business by a growing set of companies, across a range of sectors. While it might be too early to herald a new dawn, the evidence in this report shows signs that a breakthrough is happening. There are breakthrough business models that reconcile the specific constraints of markets at the Base of the Pyramid with demands of a growing business. There are breakthrough companies, securing investment and taking off. Over 200 million people have benefited already from a fraction of the BCtA portfolio, with plenty of the other initiatives scaling further. Regulatory contexts now exist that positively enable growth of these businesses that deliver social impact. As the progress of the members of Business Call to Action illustrates, we are not only at a stage where we can see that the potential is huge; we can also see that the progress achieved has been remarkable. The work is hard but the future is bright.



- xviii These figures are in market prices.
- xix Purchasing Power Parity (PPP) is the rate of currency conversion that equalizes the purchasing power of different currencies by eliminating the differences in price levels between countries. <http://www.oecd.org/std/prices-ppp/purchasingpowerparities-frequentlyaskedquestionsfaqs.htm#FAQ1>
- xx As these figures are in dollars at 2005 Purchasing Power Parity, and for India the PPP/market rate conversion factor is around 0.3, the \$2.50 poverty line is equivalent to around \$8 per person per day at 2012 market prices.
- xxi The Progress out of Poverty Index can be found at <http://www.progressoutofpoverty.org> and its use for inclusive business is explained by Grameen Foundation here: [http://businessinnovationfacility.org/profiles/blogs/measure-poverty-do-better-how-objective-household-poverty-data?xg\\_source=activity](http://businessinnovationfacility.org/profiles/blogs/measure-poverty-do-better-how-objective-household-poverty-data?xg_source=activity)
- xxii <http://wiego.org/informal-economy/occupational-groups/smallholder-farmers>
- xxiii <http://www.ifad.org/operations/food/farmer.htm>
- xxiv <http://www.modernghana.com/news/398735/1/nurturing-a-youthful-generation-of-cocoa-farmers.html>
- xxv FSC Certification is a certification accredited by Forest Stewardship Council, which assesses forest management and chain of custody operations against the FSC standards. See <https://ic.fsc.org/preview.india.a-2197.pdf>
- xxvi [http://www.undp.org/content/undp/en/home/ourwork/environmentandenergy/focus\\_areas/sustainable-energy/universal-access.html](http://www.undp.org/content/undp/en/home/ourwork/environmentandenergy/focus_areas/sustainable-energy/universal-access.html)
- xxvii d.light's Impact Dashboard (<http://www.dlightdesign.com/impact-dashboard/>) reports that the company has already reached over 30 million people. "Lives empowered" is calculated using off unit sales to the developing world, multiplied by average household size.
- xxviii <http://www.dlightdesign.com/wp-content/uploads/2014/04/2-25-14-d.light-Annouces-11-Million-Series-C-Financing.pdf>
- xxix For the avoidance of confusion, this is Phillips Healthcare Services Limited, based in Kenya and registered in the UK. It is not the much larger Philips Healthcare, a subsidiary of Philips Plc also registered in the UK.
- xxx For consistency across the portfolio, patient numbers have been multiplied by household size to estimate beneficiary numbers. Arguably this is less appropriate in health than in other sectors, where it is often the patient not the entire family, which receives a treatment or uses a product. This would need to be considered on a case by case basis for more robust reporting.
- xxxi This figure has not been multiplied by 5, so counts as over 10 million beneficiaries in the norms of this report. It is reported as per company reporting here for clarity. Not all of these are low-income (see box on page 28) but that is true for other companies as well.
- xxxii These estimates do not include those that have engaged in health-related education or information, which amounts to around 14 million people in the Novartis initiative.
- xxxiii <http://www.who.int/mediacentre/factsheets/fs348/en/>
- xxxiv <http://www.mediaglobal.org/article/2010-08-06/counterfeit-drugs-kill-patients-desperate-for-treatment> and <http://www.policynetwork.net/health/media/fake-drugs-kill-over-700000-people-every-year-new-report>
- xxxv <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTPROGRAMS/EXTFINRES/EXTGLOBALFIN/0,,contentMDK:23147627~pagePK:64168176~piPK:64168140~theSitePK:8519639,00.html>
- xxxvi Although WIZZIT has in fact cancelled the original micro-credit initiative of the BCtA commitment, the assessment is based on its core banking business that provides a full suite of financial services to consumers, instead of focusing on credit.
- xxxvii World Bank. 2012. World Development Report 2013: Jobs. Washington, DC: World Bank. DOI: 10.1596/978-0-8213-9575-2. License: Creative Commons Attribution CC BY 3.0. [http://siteresources.worldbank.org/EXTNWDR2013/Resources/8258024-1320950747192/8260293-1322665883147/WDR\\_2013\\_Report.pdf](http://siteresources.worldbank.org/EXTNWDR2013/Resources/8258024-1320950747192/8260293-1322665883147/WDR_2013_Report.pdf)
- xxxviii [http://www.ifc.org/wps/wcm/connect/0fe6e2804e2c0a8f8d3bad7a9dd66321/IFC\\_FULL+JOB+STUDY+REPORT\\_JAN2013\\_FINAL.pdf?MOD=AJPERES](http://www.ifc.org/wps/wcm/connect/0fe6e2804e2c0a8f8d3bad7a9dd66321/IFC_FULL+JOB+STUDY+REPORT_JAN2013_FINAL.pdf?MOD=AJPERES)
- xxxix <http://www.nsdcindia.org/about-us/organization-profile.aspx>
- xl Ryohin Keikaku is a Japanese retail company known internationally as MUJI.
- xli <http://www.unesco.org/new/en/education/themes/leading-the-international-agenda/education-for-all/education-and-the-mdgs/goal-1/>
- xlii Education here refers to young people in pre-school, primary or secondary education. Education and training initiatives that are intended to lead to employment opportunities are reflected in the section on Creating Access to Jobs and Entrepreneurship Opportunities.
- xliii <http://unhabitat.org/urban-themes/housing-slum-upgrading/>
- xliv <http://www.itu.int/en/ITU-D/Statistics/Documents/facts/ICTFactsFigures2014-e.pdf>
- xlv [http://www.infodev.org/infodev-files/final\\_kenya\\_bop\\_study\\_web\\_jan\\_02\\_2013\\_0.pdf](http://www.infodev.org/infodev-files/final_kenya_bop_study_web_jan_02_2013_0.pdf)
- xlvi All estimates are approximate, based on diverse data, which may be incomplete, and thus should be treated as indicative only.



**How many low-income women and men have benefited from the initiative?**

39) Select the relevant statement

- There is **one beneficiary group**: Most low-income beneficiaries benefit in a similar way, have a similar link to the initiative and can be grouped all together for initiative reporting
- There are **two beneficiary groups**: Low-income beneficiaries benefit in two different ways, and fit into two separate groups for initiative reporting (e.g. they can be grouped separately as producers selling to the company, consumers purchasing from the company, or employees of the company etc).

40) Who are the low-income beneficiaries?

**Please describe the main beneficiaries (eg smallholder crop suppliers, trainee participants, clients of your programme)**

41) Estimated number of low-income beneficiaries to date

- 0 to 200
- 200 to 1,000
- 1,000 to 10,000
- 10,000 to 100,000
- 100,000 to 500,000
- 500,000 to 1 million
- More than 1 million

42) Have the estimates provided here already been multiplied by household size to calculate total beneficiaries?

- Yes
- No
- Don't know

43) Approximately what percentage of beneficiaries are women or girls?

- Few (0-30%)
- Some (30-50%)
- Half (50%)
- Majority (50-70%)
- Nearly all (70-100%)

44) Who are the low-income beneficiaries?

**Please describe the main beneficiaries (eg smallholder crop suppliers, trainee participants, clients of your programme)**

Group 1:

Group 2:

45) Estimated number of low-income beneficiaries to date

|         | 0 to 200 | 200 to 1,000 | 1,000 to 10,000 | 10,000 to 100,000 | 100,000 to 500,000 | 500,000 to 1 million | Over 1 million |
|---------|----------|--------------|-----------------|-------------------|--------------------|----------------------|----------------|
| Group 1 | ( )      | ( )          | ( )             | ( )               | ( )                | ( )                  | ( )            |
| Group 2 | ( )      | ( )          | ( )             | ( )               | ( )                | ( )                  | ( )            |

46) Have the estimates provided here already been multiplied by household size to calculate total beneficiaries?

|         | Yes | No  | Don't Know |
|---------|-----|-----|------------|
| Group 1 | ( ) | ( ) | ( )        |
| Group 2 | ( ) | ( ) | ( )        |

47) Approximately what percentage of beneficiaries are women or girls?

|         | Few (0-30%) | Some (30-50%) | Half (50%) | Majority (50-70%) | Nearly all (70-100%) |
|---------|-------------|---------------|------------|-------------------|----------------------|
| Group 1 | ( )         | ( )           | ( )        | ( )               | ( )                  |
| Group 2 | ( )         | ( )           | ( )        | ( )               | ( )                  |

48) Source of information

49) If you have any other evidence of women, men or wider communities having benefited in other ways please add details here

**External challenges**

50) Please indicate the main external challenges that your company has faced when implementing the initiative

(up to three):

- Weak supply chains
- Unsatisfactory regulatory environment
- Lack of local skills, capacity and knowledge
- Lack of market information or intelligence, including the right networks and contacts
- Poor infrastructure (roads, transportation, communications, etc)
- Challenges reaching low-income customers in rural, remote locations
- Lack of financial literacy
- Low consumer awareness of products or product types
- Lack of consumer/producer finance
- High costs of doing business
- Social unrest /insecurity
- Unethical practices, e.g. fraud, corruption, poor labour standards
- Other, please specify:

**Internal challenges**

51) Please indicate the main internal challenges that your company has faced when implementing the initiative

(up to three):

- Product or service is not appropriate to low-income consumers
- Reaching a low enough cost point for products or services
- Developing a business model that is commercially viable
- Insufficient internal company support or consensus
- Insufficient internal resources and finance
- Low return on investment
- Risks are too high
- Lack of market information
- Difficulty finding, managing or retaining key partners
- Partnerships have not delivered the additional capacities needed
- Lack of knowledge and skills within company
- Other, please specify:

52) Finally, we are very interested to hear about your insights as to what works well for a company that is implementing an initiative such as yours.

E.g. reflections on leadership, organization, business models etc.



Launched at the United Nations in 2008, the Business Call to Action (BCtA) aims to accelerate progress towards the Millennium Development Goals (MDGs) by challenging companies to develop inclusive business models that offer the potential for both commercial success and development impact.

The BCtA global leadership platform is supported by the Dutch Ministry of Foreign Affairs, the Swedish International Development Cooperation Agency, the UK Department for International Development, the US Agency for International Development and the United Nations Global Compact. The BCtA is hosted by the United Nations Development Programme Headquarters in New York.

Worldwide, 94 companies have responded to the BCtA by making commitments to improve the lives and livelihoods of millions through commercially viable business ventures that engage low-income people as consumers, producers, suppliers and distributors of goods and services.



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