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.

Breaking Through: Inclusive Business and the Business Call to Action Today
Mapping Challenges, Progress and the Way Ahead

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Foreword

Today, we are less than 500 days away from the end date of the Millennium Development Goals.¹

Their success in rallying coalitions of partners and mobilising resources to lift people out of extreme poverty, to broaden access to education and to improve healthcare has been remarkable. On the other hand, emerging challenges such as climate change, conflict and volatility of commodity prices threaten to erode decades of fragile gains in development. Inequalities are also on the rise. Seventy five percent of the people around the world live in societies in which income is less equally distributed than it was 20 years ago and over 2 billion people still live on less than US$ 2 per day.

A new development agenda beyond 2015 is on its way. It will build upon the lessons from the past and a commitment to poverty reduction, while aiming to shift the world to a path of sustainable development.

In contributing to the deliberations of UN Member States on the new framework, UNDP together with sister agencies in the UN Development Group is facilitating an unprecedented global conversation on the world people want. So far, over 5 million people have made their voices heard through face-to-face meetings, online media and the MY World survey.

A central message from the intergovernmental and the public discussions is that the post-2015 agenda will need to be delivered through collective action, involving multi-stakeholder partnerships between public authorities, businesses and civil society.

The many dimensions of poverty require diverse, context-specific solutions. Those who have at least a few assets or a small income to build on can benefit from better access to markets. However others, with virtually no assets, are ill-equipped for the marketplace. They need targeted support to help them to build sustainable livelihoods and to benefit from market interactions.

As Breaking Through shows, for those in poverty who are able to participate in markets, the core business of the private sector (and not just their philanthropic activities) can provide access to jobs, strengthen income, build skills and capacities of men and women, provide access to life-saving healthcare, innovate products that make positive contributions to climate change and, ultimately, strengthen economies in a way that allows for broad participation by all.

Ultimately, private sector contributions to poverty reduction and human development will need to be led by the private sector. As this report shows, small and medium enterprises from developing countries are truly breaking through to create positive impact on the ground, joined by other counterparts. As for the public sector, it can use innovative evidence-based approaches that advocate, encourage, guide and facilitate a truly inclusive transformation of the core business of the private sector.

The Business Call to Action (BCtA) at UNDP, together with its Alliance partners, 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, has just begun an exciting new phase of work for the 2014-2017 period. The Alliance will continue to ‘call’ for action by the private sector to undertake inclusive, pro-poor transformations. It will also start a new impact and results measurement service that will rigorously estimate the true development impact of inclusive business on customers, producers and suppliers who live in poverty. As more and more companies join BCtA with their inclusive business initiatives, their experiences and evidence will light the way for others stepping forward and creating new ground. We look forward to furthering our collaboration.

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REVIEW
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When BCtA was founded, there was great conviction about the potential of inclusive business, but little evidence.

The portfolio today, comprising 94 inclusive business initiatives, demonstrates considerable progress. Success is not guaranteed, and profitability comes slowly. But several businesses are operating at scale, reaching millions of people. Growth trajectories are steep, particularly for the smaller emerging and maturing companies. Equity investments of hundreds of millions have been secured.

For the multinationals, inclusive innovation is clearly linked to long term positioning of the business. Markets are maturing, leaders are influencing competitors, and competition amongst inclusive businesses is leading to further refinements to strengthen the value proposition for people at the Base of the Pyramid (BoP).

BCtA members represent a diverse array of sectors, geographies, types of company and stages of initiative. All of them, however, have one thing in common: they are inclusive business models that provide essential goods and services to the poor and/or include the poor in their supply chains as employees, suppliers and entrepreneurs. It is a business approach that actively benefits low-income populations, combining social impact and commercial sustainability. Looking across 94 initiatives enables us to draw out trends and contrasts from some of the most exciting business models that are being pursued today.

This report explores the nature of the portfolio today and progress achieved amongst the 94, focusing particularly on 49 that were involved in surveys and interviews in mid-2014.

Key findings emerge on 6 topics:
1. Progress achieved in terms of revenue, reach to the BoP, maturity of the business, and company perception of success;
2. Benefits to millions of people at the Base of the Pyramid: how many, who and how;
3. The rise of smaller emerging and maturing companies as major players on the stage;
4. Trends and differences between sectors;
5. Five common strategies for scale;
6. Trends in the maturing sector, and scope for public support.

Progress achieved to date
The inclusive business initiatives vary enormously in their scale of turnover, reach to the Base of the Pyramid, maturity and success rating. Within our sample of 49, turnover is most commonly between $1 and $10 million per annum, but some are piloting with minimal revenue, while some earn tens of millions. Around half have reached break-even and most of the others have a timeline to do so. Most now regard themselves as scaling up: they have often tweaked their business model, secured finance, diversified their products or target markets, and/or expanded into new countries as part of their approach to scale. Around a dozen are reaching a few hundred or a few thousand beneficiaries, about the same number are reaching several million, while the rest fall anywhere in between. Over half count their initiatives as ‘on track’ while one sixth report the initiative is ‘flourishing’ and the remainder as ‘progressing slowly’.

Progress comes in many forms and cannot be measured by one indicator alone. Initiatives that score high in one way, score low on another. Indeed, whether an initiative is regarded as making progress or flourishing has no correlation with whether it has reached break-even, has high revenue, or high reach to the BoP in comparative terms.
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 breakthrough 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.
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. 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).
Each of our 94 member companies, to date, responded with gusto to this Call to Action. They set ambitious, aspirational targets for their inclusive business initiatives; targeting development impacts on millions of poor and low income people. They measured their results as best as they could. From Mumbai, to Nairobi, to Istanbul, to Stockholm and to New York; these businesses tested their inclusive business models, failed sometimes, got up again with new ideas and innovations and then succeeded.

Many lessons have been learnt, as this report will show. The unique nature of the portfolio of 94 BCtA companies which crisscross the globe and spans diverse industries has yielded a distinct set of data. This report on progress provides an unrivalled opportunity to look across sectors, across types of company, and across an array of initiatives that are not just starting up, but are mainly scaling up.

Patterns have emerged, along with plenty of differences. Success is not just defined by them as solely revenue or profit calculations but by a wider range of objectives - from capturing market share through being first-movers, to building market awareness and brand visibility to new populations, to discovering the next frontier of products and services. Some of them succeed on the basis of carefully chosen partnerships; others find partnerships to be fraught terrain.

On the basis of this report, and the second phase of BCtA, we are building a new impact and results measurement service demanded by our companies — one that will equip them to rigorously collect data on the economic and social impact of their operations. Some of our BCtA member companies have already begun using such a tool on their own initiative. Others will start in 2014, with roll out to more BCtA companies in 2015 and 2016. Our hope is that by shedding further and further light on how to be successful in the trenches of inclusive business, others will be able to use the evidence and those lessons to replicate these models.

We are at a distinct moment with regards to inclusive business today - one where we see real breakthroughs happening. Many BCtA companies are already impacting millions. Others are in Year 3 of what may be a 10 year start-up phase. All are committed. Together with them, the Business Call to Action hopes to further challenge, inspire, share and most importantly, continue advocating on the basis of hard results, evidence and lessons learned for a true partnership between the private and public sectors for development.

1.2 Report methodology

This research was strictly based on an evidence-based approach that uses data and research to identify repeating patterns that have been presented here. A careful approach was then followed to distil these patterns into the statements about challenges, solutions, progress and lessons that have been presented here.

This report is predominantly a review of the BCtA portfolio and is based on data provided to BCtA by members, from the point of application for membership, through to contributions to this specific report in 2014. From June to August 2014, the two main instruments used to gather core initiative data and conduct the analysis for this report were an online survey and phone interviews. The online survey tool was sent to 86 companies out of the 94 BCtA members, of which 48 companies (representing 49 initiatives) completed the survey (see Annex 1 for a list of the survey questions). Email requests for more in-depth interviews were sent to 34 companies (representing 35 initiatives). Long-form interviews were then verbally conducted with 23 companies (representing 24 initiatives).

Numbers provided in this report were self-reported by companies during this research process. Given the competitive nature of the markets in which these companies operate, sensitivity was adopted regarding the presentation of revenue, profitability and other commercial data.

For revenue and BoP reach, rather than requesting exact data we asked respondents to identify which category their initiative fits into. Using the data gathered as well as additional information from public material, these were converted into more uniform categories, as reported here. Confidential information has been aggregated without naming initiatives.

Data verification was conducted with respondents to ensure accurate analysis. To supplement the primary research conducted for this report, data was also gathered from the BCtA application forms, filled in by the companies at the time of applying for membership to the programme. We also used voluntary annual results reporting forms sent to BCtA. In addition, further triangulation research was conducted using public sources such as company websites and online case studies.
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.

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.
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.

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 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. 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
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.

---

**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.

---

**Figure 2.2 Composition of BCtA membership 2008-2014**

<table>
<thead>
<tr>
<th>Year</th>
<th>Large, well established companies</th>
<th>Emerging and maturing companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>0</td>
<td>40</td>
</tr>
<tr>
<td>2009</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td>2010</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>2011</td>
<td>30</td>
<td>10</td>
</tr>
<tr>
<td>2012</td>
<td>40</td>
<td>0</td>
</tr>
<tr>
<td>2013</td>
<td>50</td>
<td>0</td>
</tr>
<tr>
<td>2014</td>
<td>60</td>
<td>0</td>
</tr>
</tbody>
</table>

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) typically located in the Global South 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.
The vast majority of emerging and maturing companies in the BCtA portfolio target the BoP as consumers as Figure 2.3 shows. Many of them have spotted a market opportunity to provide goods or services to poor people and developed their business around it. Although they also target consumers, large and established companies focus to a comparatively higher degree on including the BoP into their supply chains as suppliers, employees or entrepreneurs. These companies may have entered BoP markets because they have supply chains that can benefit from strengthening capacity of smallholders or factory employees.

Table 2.1 Two distinct types of companies in the BCtA portfolio

<table>
<thead>
<tr>
<th>Size</th>
<th>Large and established companies: have introduced BoP business into their wider business.</th>
<th>Emerging and maturing companies: BoP business is the original premise of the company.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Majority have revenue in the billions of dollars per year, though some are in the millions. Number of employees ranges from 250 to 300,000.</td>
<td>Annual revenue often around $1 million, but may be up to $50 million. Employees usually number below 250.</td>
</tr>
<tr>
<td>Age</td>
<td>Average year of establishment is 1943. Several were established in the 19th century or earlier.</td>
<td>Average year of company establishment is 2003. Nearly all were established in the 21st century.</td>
</tr>
<tr>
<td>Where they are based</td>
<td>Almost two thirds are headquartered in high-income countries. Majority are multinationals (operating in several countries). A few are large domestic companies.</td>
<td>Almost two thirds are headquartered in the Global South - evenly split between those operating in one country and those operating in several countries.</td>
</tr>
<tr>
<td>Legal form and main source of capital</td>
<td>Majority are public companies trading on the stock exchange, some private. Approximately 20 are Fortune Global 500 companies.</td>
<td>All are private companies or a blend of commercial and non-profit. Many call themselves ‘social enterprise’. Most seek or use private equity investment, including impact investment.</td>
</tr>
<tr>
<td>Relation to BoP markets</td>
<td>They may have had strong ethical approaches before, but initiatives targeting BoP markets are an adaptation or innovation within their established business.</td>
<td>The original business model was designed around an opportunity in BoP markets. Some are now diversifying into other markets.</td>
</tr>
<tr>
<td>How they benefit the BoP</td>
<td>Around half target the BoP as consumers; a third as suppliers and the rest as employees or entrepreneurs.</td>
<td>The vast majority target the BoP as consumers. Only a handful focuses on them as suppliers, employees or entrepreneurs.</td>
</tr>
<tr>
<td>Where they focus</td>
<td>Global and sectoral spread of inclusive business initiatives, but strong focus in Sub-Saharan Africa and agricultural development.</td>
<td>Global and sectoral spread of inclusive business initiatives, but strong focus on South Asia, healthcare, and financial inclusion.</td>
</tr>
</tbody>
</table>

Figure 2.3 Primary beneficiary groups of BCtA initiatives, by company type

- Suppliers
  - Emerging and maturing companies: 11
  - Large and established companies: 5
- Entrepreneurs: 12
- Employees: 14
- Consumers: 30 (Emerging and maturing companies), 40 (Large and established companies)

N=94

Emerging and maturing companies
Large and established companies
Table 2.2 The 94 initiatives by impact area, type of company, product and main beneficiary

<table>
<thead>
<tr>
<th>Impact area</th>
<th>BcTa initiatives of large and established companies</th>
<th>BcTa initiatives of emerging and maturing companies*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>BASF India (enhancing soybean production, India, Kenya)</td>
<td>Global Easy Water Products (micro-irrigation, India)</td>
</tr>
<tr>
<td></td>
<td>Cisco Systems (agricultural advisory service, India)</td>
<td>Juhudi Kilimo (financial and technical assistance for rural farms, Kenya)</td>
</tr>
<tr>
<td></td>
<td>Multi Commodity Exchange of India (MCX) (agricultural advisory and information service, India)</td>
<td>Shree Kamdhenu Electronics Pvt. Ltd. (milk collection, India)</td>
</tr>
<tr>
<td></td>
<td>Tata Consultancy Services (agricultural advisory and information service, India)</td>
<td>Sambazon (acai juice, Brazil)</td>
</tr>
<tr>
<td></td>
<td>Thomson Reuters (agricultural information service, India)</td>
<td>Taze Kuru (dried fruit, Turkey)</td>
</tr>
<tr>
<td></td>
<td>Yara International (fertilizer, Sub-Saharan Africa)</td>
<td>Honey Care Africa (honey, Kenya)</td>
</tr>
<tr>
<td></td>
<td>ASDA (sourcing local produce, Sub-Saharan Africa)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ballarpur Industries (BILT) (pulpwood production, India)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Diageo (sorghum production, Cameroon)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Grupo Orsa (nut production, Brazil)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>IKEA (sustainable cotton, India)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ITOCHU Corporation and kurkku (organic cotton, India)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mondelez International (cocoa, Ghana)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>L’OCCITANE EN PROVENCE (shea butter, Burkina Faso)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>NOHA NYAMEDJO (cocoa, Cameroon)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SABMiller (barley production, India)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Co-operative Group (tea, Kenya)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Global Easy Water Products (micro-irrigation, India)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Juhudi Kilimo (financial and technical assistance for rural farms, Kenya)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shree Kamdhenu Electronics Pvt. Ltd. (milk collection, India)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sambazon (acai juice, Brazil)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Taze Kuru (dried fruit, Turkey)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Honey Care Africa (honey, Kenya)</td>
<td></td>
</tr>
</tbody>
</table>

| Education   | TTNET (internet services, Turkey)                                                                                      | Datawind (educational tablets, India)                                                                                    |
|             |Hippocampus Learning Centres (early education programmes, India)                                                      |                                                                                                                                 |
|             |PUPA Empreendimentos Educacionais (PUPA) (pre-school education training, Brazil)                                       |                                                                                                                                 |

| Energy      | Novozymes – CleanStar Mozambique (ethanol cooking fuel, Mozambique)                                                  | Envirofit (clean cook-stoves, Kenya)                                                                                    |
|             |Oando Marketing (clean cook-stoves, Nigeria)                                                                       | Abellon Clean Energy Ltd (bio-fuel, Ghana)                                                                            |
|             |Panasonic (Solar lanterns, Sub-Saharan Africa and Asia)                                                           | NOTS Impact Enterprises (renewable energy solutions, Sub-Saharan Africa)                                                 |
|             |Nuru Energy (solar lighting, Sub-Saharan Africa)                                                                     | Hybrid Social Solutions (solar products, Philippines)                                                                  |
|             |SolarNow (renewable energy solutions, Sub-Saharan Africa)                                                          | Barefoot Power (solar products, multi-regional)                                                                     |
|             |d.light design (solar products, multi-regional)                                                                    | ToughStuff International (solar products, multi-regional)                                                            |

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.
<table>
<thead>
<tr>
<th>Impact area</th>
<th>BCTA initiatives of large and established companies</th>
<th>BCTA initiatives of emerging and maturing companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>Ajinomoto (nutritional products, Ghana)</td>
<td>Phillips Healthcare Services Limited (micro-nutrients for children, Kenya)</td>
</tr>
<tr>
<td></td>
<td>Luxottica (eye care, The Gambia)</td>
<td>Aravind Eye Care System (training eye-care professionals, India)</td>
</tr>
<tr>
<td></td>
<td>Pfizer (mobile health application, The Gambia)</td>
<td>Ziqitza Health Care Limited (ZHL) (ambulance services, India)</td>
</tr>
<tr>
<td></td>
<td>Ericsson (mobile health applications, Sub-Saharan Africa)</td>
<td>Dimagi (mobile health application, India)</td>
</tr>
<tr>
<td></td>
<td>DSM (nutritious meals, Indonesia)</td>
<td>LifeSpring Hospitals (low-cost hospitals, India)</td>
</tr>
<tr>
<td></td>
<td>Novartis (rural healthcare, India)</td>
<td>Pharma Secure (mobile health applications, India)</td>
</tr>
<tr>
<td></td>
<td>Unicharm Corporation (feminine hygiene products, Middle East and Asia)</td>
<td>Naya Jeevan (health insurance, Pakistan)</td>
</tr>
<tr>
<td></td>
<td>PepsiCo (nutritional products, multi-regional)</td>
<td>Hapinoy (healthcare products, Philippines)</td>
</tr>
<tr>
<td></td>
<td>Sumitomo Chemical (mosquito nets, Sub-Saharan Africa)</td>
<td>Por ti, Familia (health centres, Peru)</td>
</tr>
<tr>
<td></td>
<td>Phillips Healthcare Services Limited (micro-nutrients for children, Kenya)</td>
<td>Sorridents Franchising (dental clinics, Brazil)</td>
</tr>
<tr>
<td></td>
<td>Aravind Eye Care System (training eye-care professionals, India)</td>
<td>Sproxil (mobile drug verification application, multi-regional)</td>
</tr>
<tr>
<td></td>
<td>Ziqitza Health Care Limited (ZHL) (ambulance services, India)</td>
<td>ClickMedix (mobile health applications, multi-regional)</td>
</tr>
<tr>
<td></td>
<td>Dimagi (mobile health application, India)</td>
<td>FinO PayTech (financial services, India)</td>
</tr>
<tr>
<td></td>
<td>LifeSpring Hospitals (low-cost hospitals, India)</td>
<td>MAP International (mobile banking, Uganda)</td>
</tr>
<tr>
<td></td>
<td>Pharma Secure (mobile health applications, India)</td>
<td>MicroEnsure (micro-insurance, South Asia)</td>
</tr>
<tr>
<td></td>
<td>Naya Jeevan (health insurance, Pakistan)</td>
<td>Movirut (mobile cloud technology, multi-regional)</td>
</tr>
<tr>
<td></td>
<td>Hapinoy (healthcare products, Philippines)</td>
<td>PagPop (mobile credit card payments, Brazil)</td>
</tr>
<tr>
<td></td>
<td>Por ti, Familia (health centres, Peru)</td>
<td>Vortex Engineering (rural solar powered ATMs, India)</td>
</tr>
<tr>
<td></td>
<td>Sorridents Franchising (dental clinics, Brazil)</td>
<td>WIZZIT (micro-finance, South Africa)</td>
</tr>
<tr>
<td></td>
<td>Sproxil (mobile drug verification application, multi-regional)</td>
<td>Zoona (mobile banking, Zambia, Malawi)</td>
</tr>
<tr>
<td></td>
<td>ClickMedix (mobile health applications, multi-regional)</td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td>Standard Chartered (MSME banking services, multi-regional)</td>
<td>FIINO PayTech (financial services, India)</td>
</tr>
<tr>
<td></td>
<td>Barclays (financial services, Sub-Saharan Africa)</td>
<td>MAP International (mobile banking, Uganda)</td>
</tr>
<tr>
<td></td>
<td>Citigroup (remittance service, multi-regional)</td>
<td>MicroEnsure (micro-insurance, South Asia)</td>
</tr>
<tr>
<td></td>
<td>FirstRand Bank (branchless banking, India)</td>
<td>Movirut (mobile cloud technology, multi-regional)</td>
</tr>
<tr>
<td></td>
<td>Itau Unibanco (micro-finance, Brazil)</td>
<td>PagPop (mobile credit card payments, Brazil)</td>
</tr>
<tr>
<td></td>
<td>Santander Brasil (financial services, Brazil)</td>
<td>Vortex Engineering (rural solar powered ATMs, India)</td>
</tr>
<tr>
<td></td>
<td>Vodafone (mobile payments, Kenya)</td>
<td>WIZZIT (micro-finance, South Africa)</td>
</tr>
<tr>
<td></td>
<td>Finance Standard Chartered (MSME banking services, multi-regional)</td>
<td>Zoona (mobile banking, Zambia, Malawi)</td>
</tr>
<tr>
<td></td>
<td>Barclays (financial services, Sub-Saharan Africa)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Citigroup (remittance service, multi-regional)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FirstRand Bank (branchless banking, India)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Itau Unibanco (micro-finance, Brazil)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Santander Brasil (financial services, Brazil)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vodafone (mobile payments, Kenya)</td>
<td></td>
</tr>
<tr>
<td>Employment and</td>
<td>H&amp;M (career training, Bangladesh)</td>
<td>Jaipur Rugs Company (hand knotted carpets, India)</td>
</tr>
<tr>
<td>Enterprise</td>
<td>Metalsa (career training, Latin America)</td>
<td>Waste Capital Partners (waste picking and recycling, India)</td>
</tr>
<tr>
<td></td>
<td>Microsoft (innovation training, Sub-Saharan Africa)</td>
<td>Babajob.com (online job portal, India)</td>
</tr>
<tr>
<td></td>
<td>Monster.com (internet job portal, India)</td>
<td>Drishtee Skill Development Center (Drishtee) (enterprise development, India)</td>
</tr>
<tr>
<td></td>
<td>Natura Cosméticos e Servicios (Natura) (career training, Mexico)</td>
<td>Empower Pragati (skills training, India)</td>
</tr>
<tr>
<td></td>
<td>Nokia (mobile business education, Nigeria)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ryohin Keikaku (MUJI) (handicraft production, Asia, Sub-Saharan Africa)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Coca-Cola Company (employment opportunities, Sub-Saharan Africa)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Anglo American (enterprise development, South Africa, Chile, Brazil, Peru and Botswana)</td>
<td></td>
</tr>
<tr>
<td>Shelter and living</td>
<td>CEMEX Patrimonio Hoy (housing solutions, Mexico)</td>
<td>Ecoblock International (Échale a tu Casa) (affordable housing, Mexico)</td>
</tr>
<tr>
<td>conditions</td>
<td>CEMEX Programa Integral de Autoconstrucción Asistida (PIAC) (housing solutions, Mexico)</td>
<td>Mahindra Rural Housing Finance (rural housing finance, India)</td>
</tr>
<tr>
<td></td>
<td>Shelter and living conditions CEMEX Patrimonio Hoy (housing solutions, Mexico)</td>
<td>WaterHealth International (water purification, Bangladesh)</td>
</tr>
<tr>
<td></td>
<td>CEMEX Programa Integral de Autoconstrucción Asistida (PIAC) (housing solutions, Mexico)</td>
<td></td>
</tr>
</tbody>
</table>
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.

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.

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

Hapinoy (retailing in the Philippines) and PagPop (enabling credit card payments in Brazil) are ‘emerging and maturing’ companies.
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. 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**

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. 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.
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). 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.
3.2 Commercial Drivers of the Initiatives

- **Commercial drivers** differ markedly by type of company and where the BCtA initiative fits within it. While the majority expect their inclusive business initiative to generate a profit in the long-term, they prioritise a range of other strategic commercial objectives, such as accessing new markets, and securing competitive advantage.

- **By necessity, emerging and maturing companies have to ensure their BoP business is profitable.** They seek to gain a foothold and competitive advantage in their market. Large and established companies prioritise access to new markets and, where suppliers are involved, focus on building the sustainability of their supply chain.

- **Companies perceive** their commercial goals are already being partly delivered through their inclusive business initiative.

It is often asked whether inclusive business really is about business. Or is it ‘just corporate social responsibility’ (CSR) which may not be sustained? The portfolio offers some clear answers to this question, but the answers vary for different types of company.

**Answer 1:** For the emerging and maturing companies, the initiatives are fundamental to their business growth. The top commercial drivers behind their inclusive approach are about competitive advantage and profit (See Table 3.1).

**Answer 2:** For most of the large and established businesses, the BCtA initiatives are core to business and are intended to generate a profit in the long-term, but the main drivers are strategic objectives, such as access to new markets and brand value, rather than growth in the bottom line. They relate to the long-term positioning of the company.

**Answer 3:** For a few of the large and well-established companies, the initiative is not intended to be a profit-making cost centre ultimately, but it serves other corporate objectives. Businesses focused on low-income suppliers and workers most commonly prioritise sustainability in the supply chain as their top commercial driver, while others focus on brand value.

**Inclusive business can meet commercial drivers other than profit.**

Businesses focused on low-income suppliers and workers most commonly prioritise sustainability in the supply chain as their top commercial driver. The reason they are engaging with producers of cocoa, shea, or cotton, is to strengthen their overall supply chain for the long-term, to secure their business, rather than to maximise profits in the short term. Mondelez International’s Cocoa Life Partnership initiative for example was established as a way for the company to address the declining supply of cocoa in its chocolate supply chain, while IKEA’s initiative, for example, was improving the cotton supply chain.

Sumitomo Chemical’s anti-malarial bed net production is an example of an initiative that is highly strategic for the company - but not exclusively as a money-maker. The Olyset® bed nets are sold at the global market price, which means only just above cost price. However, the company believes that the bed nets have a higher brand penetration than other product lines. The bed net initiative therefore provides a unique opportunity to create market awareness of the company brand. It also communicates and reinforces the core values of the company, including to the employee workforce (Northern and Southern) and in discussions with governments. Eventually, the lack of financial return may constrain the company and reduce innovation in next generation bed-nets development, but at present the benefits of added brand value are a sufficient return.

Other large and established companies, such as TTNET (rolling out affordable internet access in Turkey) and CEMEX (providing low cost housing solutions in Mexico), expressed similar views about the value of their initiative being mostly about creating market awareness, not the bottom line. Improved brand identity feeds into wider company competitiveness. Anglo American sees that its support for enterprise development and job creation supports development in the communities where it has a presence and improves the overall context where their operations and projects are based. For a mining company this is an important risk-mitigation and most importantly competitive positioning strategy.

**Our project strategy includes indicators to measure comprehensive performance. So, the Return on Investment not only comes from profits, but from other indicators such as better relationships with stakeholders, indirect revenues to our outlets, and brand identity and loyalty which, in turn, makes us more competitive.**

Mario Gonzalez, Inclusive Business Advisor, CEMEX PiAC
Table 3.1 Commercial drivers prioritised by initiatives, by company type

<table>
<thead>
<tr>
<th>Drivers prioritised by emerging and maturing companies (N=32)</th>
<th>No. of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability, productivity, cost reduction.</td>
<td>14</td>
</tr>
<tr>
<td>Competitive advantage and differentiation from competitors.</td>
<td>12</td>
</tr>
<tr>
<td>First mover advantage in low-income markets.</td>
<td>11</td>
</tr>
<tr>
<td>Access to new markets or customer groups.</td>
<td>10</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Drivers prioritised by large and established companies (N=17)</th>
<th>No. of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand identity/value, customer appeal and/or company reputation.</td>
<td>9</td>
</tr>
<tr>
<td>Access to new markets or customer groups.</td>
<td>8</td>
</tr>
<tr>
<td>Competitive advantage and differentiation from competitors.</td>
<td>6</td>
</tr>
<tr>
<td>Security and sustainability of the supply chain.</td>
<td>5</td>
</tr>
</tbody>
</table>

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.

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

WIZZIT has ‘Wizzkidds’ working to engage and support new customers
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. 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.
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.

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**Figure 4.1 Number of beneficiaries per initiative**

<table>
<thead>
<tr>
<th>Number of beneficiaries to date</th>
<th>Number of initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hundreds or a few thousand</td>
<td>12</td>
</tr>
<tr>
<td>Up to 100,000</td>
<td>9</td>
</tr>
<tr>
<td>Up to 500,000</td>
<td>8</td>
</tr>
<tr>
<td>Around a million</td>
<td>7</td>
</tr>
<tr>
<td>Several million</td>
<td>11</td>
</tr>
</tbody>
</table>

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

**N = 49**
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

<table>
<thead>
<tr>
<th></th>
<th>Hundreds or a few thousand</th>
<th>Up to 100,000</th>
<th>Up to 500,000</th>
<th>Around a million</th>
<th>Several million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large and established</td>
<td>N=47</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>companies</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Emerging and maturing</td>
<td>8</td>
<td>6</td>
<td>5</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>companies</td>
<td>0%</td>
<td>20%</td>
<td>40%</td>
<td>60%</td>
<td>80%</td>
</tr>
</tbody>
</table>

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 benefitting 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.

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. 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.

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Cooking on an Envirofit stove
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.

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.

Accessing financial services with Zoona
MUJI’s initiative to source products from local communities in Kenya and Kyrgyzstan also benefits women. In Kyrgyzstan, the Japanese lifestyle brand buys felt products that are made mainly by women, because the technique is traditionally transferred from mothers to daughters. In Kenya, MUJI helps communities to produce animal figures made from soapstone. Men undertake the mining of the stone and make the basic shapes, but women do most of the washing and polishing.

The Coca-Cola Company’s BCtA initiative expands its network of locally owned micro distribution outlets across Africa. By engaging low-income people to distribute Coke to hard-to-reach areas, the initiative creates economic opportunities for women as distributors as well as retailers, recyclers and artisans.

Employment-focused initiatives can disproportionally benefit women when they are in industries that are female-dominated.

L’OCCITANE EN PROVENCE is a global, natural-based cosmetics company that has been working to improve the shea butter supply chain in Burkina Faso since the company’s early days in the 1980s. Women traditionally harvest the shea nut and undertake primary processing into shea butter, which is the product that L’OCCITANE purchases. Through training and support, L’OCCITANE has helped the women produce a good quality product, and the company pays more than the prevailing price for this quality and consistency. Around 15,000 women have already benefited directly as collectors and processors in the company’s supply chain. This, in turn, impacts on the lives of around 200,000 people in terms of benefits to other household members and jobs created elsewhere in the supply chain.

4.3 Who benefits from the initiatives?

Reaching women as beneficiaries

Of the 24 companies that responded to this aspect of the survey, 19 say that at least half the beneficiaries of their initiatives are women. In fact, ten respondents say that women comprise the majority, or nearly all the people benefited by their inclusive business. However, this question was left unanswered by the other half of survey respondents, who perhaps don’t have the data.

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Breadth and depth of impact: The challenge of comparison

Inclusive business success is not only about maximising the number of BoP people reached. The depth and quality of impact – its contribution to life-changing human development – is critical, although this cannot be easily compared in the way that breadth (numbers reached) can. Depth and quality is about how significant the benefit is, and also how durable.

Vortex Engineering estimated that 15 million people have used their solar powered ATMs in India. For those living in a remote area, being able to access cash without travelling to town is far from insignificant. Ballarpur Industries Limited (BILT) estimate that some hundreds of pulp suppliers and thousands of associated workers are earning a living from their pulpwood initiative in India. These results are clearly very different. The former reaches up to 10,000 times as many people, but the latter is more likely to bring a family out of poverty.

Jobs, energy supplies and housing are durable benefits. Once a family has them, they benefit for months and years. Many other consumer products, such as health treatments, are high value but consumed once-off. This makes comparisons harder again. In the case of Sproxil, a once-off drug verification relates to one treatment. But it can avert a death from counterfeit medication. In such a case, who is to say it lacks depth?

Different ‘vectors’ of human development are valued differently by individuals, based on their circumstances. Whether someone is poor, or sick, or a parent, will lead them to place different values on opportunities.

Adding further to the complexity, benefits to individuals are just one part of the picture. Some initiatives have wider ripple effects in the community, on human rights, and on women’s equality.

So we cannot rank initiatives by depth of impact, but only note that some of those that reach fewer numbers, can be highly significant in changing lives, and solving problems that cannot be otherwise easily addressed.
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.

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\textsuperscript{\textit{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\textsuperscript{\textit{xix}})) a day poverty line set by the World Bank, while in Orissa, 78% of their customers are considered poor.\textsuperscript{\textit{xix}} 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.\textsuperscript{\textit{xii}}
**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

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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, and an estimated 2 billion people live and work on small farms in developing countries. 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.

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.
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
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.

### Table 5.1 Agriculture initiatives in the BCtA portfolio

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

Sambazon helps Acai berry producers increase their yield in Brazil.
### Challenges and strategies

**Table 5.2 Challenges faced and strategies adopted in the agriculture sector**

<table>
<thead>
<tr>
<th>Challenges faced by companies</th>
<th>Supply Chain</th>
<th>Strategic Planning &amp; Finance</th>
<th>Product &amp; Service Development</th>
<th>Distribution, marketing &amp; sales at the BoP</th>
<th>Structure of the market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small-scale farmers lack skills knowledge, and information.</td>
<td>Small-scale farmers lack skills knowledge, and information.</td>
<td>Developing a business model that is commercially viable.</td>
<td>Company doesn’t have a direct relationship with farmers.</td>
<td>Small-scale farmers are not aware of product or service and their benefits.</td>
<td>Fragmented value chains.</td>
</tr>
<tr>
<td>Commodities that are produced by small-scale farmers are at risk of being under-supplied.</td>
<td>Risks and uncertainties involved in working directly with small farmers.</td>
<td>End-consumers need to trust product safety and to know that no producer has been exploited.</td>
<td>Farmers lack the skills to use products and/or services effectively.</td>
<td>High costs of aggregation of raw materials and transportation.</td>
<td>High level of wastage in the value chain.</td>
</tr>
<tr>
<td>Small-scale farmers cannot access appropriate finance.</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategies adopted by companies to tackle challenges</th>
<th>Supply Chain</th>
<th>Strategic Planning &amp; Finance</th>
<th>Product &amp; Service Development</th>
<th>Distribution, marketing &amp; sales at the BoP</th>
<th>Structure of the market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide training, advice and information services.</td>
<td>Make sure that the company benefits directly from the inclusive business initiative.</td>
<td>Partner with NGOs or build ground-level capability to work directly with farmers.</td>
<td>Provide training and advice.</td>
<td>Use technical innovation to find a way to aggregate raw materials efficiently.</td>
<td></td>
</tr>
<tr>
<td>Work with farmers and their communities to make agriculture an attractive occupation.</td>
<td></td>
<td>Buy directly from farmers.</td>
<td>Work with lead farmers and consider using demonstration plots to communicate value.</td>
<td>Invest in logistics and storage.</td>
<td></td>
</tr>
<tr>
<td>Enable farmers to add value through primary processing.</td>
<td></td>
<td>Support farmers to obtain certification and introduce transparency to the supply chain.</td>
<td></td>
<td>Shorten supply chains and establish trust between market players.</td>
<td></td>
</tr>
<tr>
<td>Provide supplier finance or attract financial institutions by demonstrating that lending to farmers can be profitable.</td>
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<td></td>
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</tbody>
</table>

**Key strategies for scale: building trust in the value chain; attention to detail.**

The most common challenges cited in this impact area are: lack of skills, capacity and knowledge; poor infrastructure; and reaching low-income customers in rural locations. These are not surprising in light of the issues around smallholder production and supply chains, as noted above. For companies, making the decision to develop a business model that addresses these issues was in itself a major challenge, as they face many risks and uncertainties which lie beyond the knowledge and experience that their core business demands. They had to step into the unknown.
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, 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.
5.2 Expanding access to energy

Table 5.3 Energy initiatives in the BCtA portfolio

<table>
<thead>
<tr>
<th>Business approach</th>
<th>BCtA initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of solar-powered energy products and systems for households (8 initiatives)</td>
<td>SolarNow, d.light, Barefoot Power, Hybrid Social Solutions, Nuru Energy, Panasonic and ToughStuff International all involve distribution of solar-powered systems and products. While initially some were more focused on lanterns and others on household power systems, there is less distinction between systems and appliances as they diversify. NOTS Impact Enterprises sells both solar lamps and biomass (blue charcoal) but is included here.</td>
</tr>
<tr>
<td>Improved cook-stoves (2 initiatives)</td>
<td>Envirofit sells improved biomass stoves in East Africa, while Oando Marketing is rolling out low-cost transportable LPG (liquefied petroleum gas) stoves in Nigeria.</td>
</tr>
<tr>
<td>Production and sale of bio-energy (2 initiatives)</td>
<td>Abellon Clean Energy is setting up bio-fuel pellet production in Ghana, and the Novozymes venture in Mozambique focused on ethanol-based cooking fuel.</td>
</tr>
</tbody>
</table>

Development challenge and business opportunity

Energy can have a transformative effect on poor people’s lives. It can provide lighting after dark, clean cooking and heating in the home, charging for mobile communications, power for health clinics and machines, faster processing of food and textiles, and more income-generating opportunities.

Around 1.4 billion people have no access to electricity and an estimated 3 billion people – 40% of the world’s population – rely on solid fuels such as biomass and coal to meet their basic needs. Access to modern energy services is, therefore, a vast area of unmet need that underpins many development challenges.

With demand far outstripping supply, there is a huge market opportunity for businesses that can provide energy to underserved markets. Key enablers are: growing demand among households that are “off grid” (not connected to a national electricity grid) particularly for lighting and mobile phone communications; lack of supply by mainstream players such as national electricity or energy bodies; and improved technologies, payment systems and distribution channels, combined with lower prices for photovoltaic components.

Business approaches to expanding energy access

The twelve BCtA initiatives in this impact area provide access to clean energy (solar power, cook-stoves and bio-fuel) for households that otherwise rely on biomass or kerosene. This impact area is dominated by emerging and maturing companies, all founded within the last decade.

While most initiatives primarily target the BoP as consumers of energy-related products and services, some initiatives target low-income people as entrepreneurs (usually distributors of energy products), and, in the case of bio-energy initiatives, as farmers and producers.

Progress in creating social and commercial value

This is an impact area with ambitious targets. At the time of making BCtA commitments, with a time horizon of several years, ToughStuff International planned to reach 33 million people, d.light 30 million people, Oando Marketing 5 million people, Nuru Energy 1.7 million people and SolarNow 1.1 million people. The companies have not yet reached the end of their commitment phase and the actual results vary enormously. The only one known to be reporting that their targets are already achieved is d.light. Five of the seven surveyed categorize themselves as progressing slowly. In addition two others have gone into liquidation/administration/take-over.

Nonetheless, several are beginning to make breakthroughs with prospects for rapid growth. For example, Envirofit is poised for rapid growth of its improved stoves in East Africa, based on a new partnership with Kaluworks, a major kitchen appliance manufacturer. It expects to produce its millionth stove this year. SolarNow is poised for rapid growth following its first round (Series A) of venture capital investment, which will enable expansion of the distribution network and economies of scale in the supply chain, while d.light has closed its Series C investment round, enabling further expansion.

A number of the enterprises report revenue of some millions of dollars per annum and at least one has revenue in the $10-100 million category.
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.

**Challenges and strategies**

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

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

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

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

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.
There are many common challenges reported in this impact area. These include: low consumer awareness, finding the right price point, reaching consumers in remote areas, and a lack of consumer finance. Companies are often starting from scratch to build a market for their product. Five strategies members adopt to build the market for energy-related products are to: provide consumer finance either directly or through partners such as micro-finance institutions; boost demand by focusing on product quality and word-of-mouth marketing; diversify the product range to grow sales; find the right partner - and leave the wrong partner; and seek external finance to expand operations.

Most energy systems targeted at low-income households involve a modular approach: basic components can be bought at first, with upgraded systems and a wider range of devices added on over time. Companies are increasing their product range on offer, finding demand emerging for irons, fridges and computers that run on DC power. This is good for the company as it keeps customers and expands revenue streams, while enabling households to stagger their energy investment in line with their income and their ongoing savings from reduced kerosene or fuelwood costs.

**Key takeaways**

- **Expanding access to energy involves multiple challenges** in product design and innovation, in creating access to finance options, and in marketing and last mile distribution.
- **Because a solar system or a cook-stove may entail a high lump sum price, consumers have to trust that the product is of high quality and will deliver over time.** Trust is built through word of mouth, witnessing positive experiences of neighbours and first-movers. **Confidence in the quality, combined with a financing mechanism, mean the price challenge can be overcome.** Customers are demonstrating considerable willingness to pay and pent-up demand, not only for a basic system or lighting device, but for upgraded systems and a range of products.
- **Low-cost competitors are entering the market,** meaning that quality and branding are becoming key differentiating factors in maintaining competitiveness.

5.3 Improving health and nutrition

**Development challenge and business opportunity**

While mortality rates are decreasing in the developing world, deaths from preventable diseases remain unacceptably high, average life expectancy and access to healthcare are unacceptably low, and malnutrition is rife. For many poor people, particularly in rural areas, modern health care services are simply too far away or unaffordable. Poor households spend considerable amounts on healthcare, but reliance on a patchwork of pharmacies, served by inadequate supply chains, traditional healers of variable authenticity, or understocked and understaffed clinics, means that the care they get is low in both quality and quantity.

This underserved market is also a business opportunity. The proliferation of mobile phones and connectivity is a key driver of new opportunities in this sector. It enables remote patients to tap into expertise or information that would otherwise be simply unavailable.

**Consumer finance is critical to household energy sales.**

Energy solutions can cost tens or hundreds of dollars, well beyond the normal spending power of low-income consumers. So micro-credit is essential. Rather than partner with micro-credit institutions, as others do, SolarNow has instead incorporated consumer credit into its own business model. Consumers are assessed for credit-worthiness and, if approved, they make a down payment after which the solar system is installed and repayments are made over 18 months. Default rates are extremely low. Once a household has light, people will do their best to keep it.
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.

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

<table>
<thead>
<tr>
<th>Business approach</th>
<th>BCtA initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable healthcare services, e.g. clinics, eye care, ambulance, dentistry (9 initiatives).</td>
<td><strong>ClickMedix</strong>, Dimagi, <strong>Novartis</strong> and <strong>Porti, Familia</strong> 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. <strong>LifeSpring</strong> is hospital-based maternity care, while <strong>Ziqitza Health Care Limited (ZHL)</strong> provides ambulance services.</td>
</tr>
<tr>
<td>Expanding access to reliable quality drugs (4 initiatives).</td>
<td>PharmaSecure and <strong>Sproxil</strong> both use SMS and apps for verification of medicines and <strong>Pfizer</strong> uses SMS for improved stock management to boost access. <strong>Hapinoy</strong> extends the distribution network for over the counter medicines via its SariSari stores.</td>
</tr>
<tr>
<td>Developing nutritional products for BoP markets (4 initiatives).</td>
<td><strong>Ajinomoto</strong> and <strong>Phillips Healthcare Services Limited</strong> are developing micro-nutrient products for babies and young children. <strong>DSM</strong> is adding nutrition to children’s food sold from food carts, and <strong>PepsiCo</strong> is developing a local nutritious product.</td>
</tr>
<tr>
<td>Development and/or sale of specific products or services (4 initiatives).</td>
<td>This category covers four distinct products: <strong>Naya Jeevan</strong> offers micro health insurance. <strong>Sumitomo Chemical</strong> makes anti-malarial bed nets. <strong>Unicharm</strong> makes feminine hygiene products. <strong>Ericsson</strong> enables the development of health innovations via its African innovation centres.</td>
</tr>
</tbody>
</table>

**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.

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. **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. 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. In addition, 100 million or so people have benefited as Olyset® bed net users.
The benefits to patients vary hugely and cannot be easily quantified or compared, either within the sector or with consumers in other sectors. In most cases, it is a very specific one-time service or product on offer, such as eye care, dentistry, reliable prescription medicine, health information or screening. So, it would be misleading to say that 12 million households now have access to a full suite of healthcare. But these one-time services can save lives. Hundreds of thousands of women die every year from pregnancy and childbirth-related causes, and LifeSpring Hospital offers essential care including to those who can only afford public hospitals. Counterfeit malaria and tuberculosis drugs alone are estimated to cost 700,000 lives a year and services offered by Sproxil can prevent the use of a counterfeit drug. Deafness goes undetected and untreated across most developing countries, but a simple check using ClickMedix new services can lead to low-cost treatment to cure a child’s infection and avoid deafness for life.

**Challenges and solutions**

**Table 5.6 Challenges faced and strategies adopted in the health sector**

<table>
<thead>
<tr>
<th>Challenges faced by companies</th>
<th>Supply Chain</th>
<th>Strategic Planning &amp; Finance</th>
<th>Product &amp; Service Development</th>
<th>Distribution, marketing &amp; sales at the BoP</th>
<th>Structure of the market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health practitioners lack skills and capacity, particularly in rural and underserved areas.</td>
<td>Health practitioners lack skills and capacity, particularly in rural and underserved areas.</td>
<td>Developing a business model that is commercially viable. Finding the right pricing and margins that work for every player in the market. Achieving sufficient return on investment.</td>
<td>Consumers are not aware of new health products and services.</td>
<td>Complex value chain with multiple actors with roles and power in the market.</td>
<td></td>
</tr>
<tr>
<td>Strategies adopted by companies to tackle challenges</td>
<td>Train and equip semi-skilled workers, such as nurses, or pharmacists.</td>
<td>Find the right partner whose bottom line benefits from working together on the inclusive business initiative.</td>
<td>Work through partners with access to consumers, such as hospitals, pharmacies, retailers and NGOs.</td>
<td>Find and build the right partnership.</td>
<td></td>
</tr>
<tr>
<td>Cross-subsidise low cost products or services from more profitable market segments.</td>
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<td></td>
<td>Align with government for procurement contracts or with supportive regulations which boost demand.</td>
<td>Invest in understanding the market.</td>
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<tr>
<td>Add products to increase profitability.</td>
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<td></td>
<td></td>
<td>Work with local experts who understand the regulatory and market context.</td>
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</table>

**Key strategies for scale:** B2B partnerships in the value chain; use of ICT for products that give health sector access to the BoP and vice versa.

*In the health sector, the main challenges are in the complexity of the value chain, and solutions lie in finding business to business (B2B) partnerships and revenue models that work for all actors.*
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, 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.
Eight of the fourteen initiatives in this sector are using innovative, mobile-based solutions to provide inclusive financial services to their customers. They see mobiles as a way of facilitating low-margin, high-volume business, as well as dramatically increasing their reach. While Vodafone’s M-PESA is the ‘poster child’ for mobile money, others such as FINO PayTech, WIZZIT and Zoona are all using mobile technology to provide branchless banking services to people who do not have access to the traditional ‘brick and mortar’ banks.

**Business approach to improving financial inclusion**

There are 14 initiatives in the BCtA portfolio that are aiming to improve access to financial services for low-income people. In general, large and established financial companies are expanding their banking services to low-income consumers, whereas emerging and maturing companies are harnessing mobile technologies to expand financial services to underserved markets.

All the initiatives in this impact area focus on the BoP as consumers of financial services, but many have secondary impact on local entrepreneurs, either by giving them work as local agents or providing solutions to improve their businesses. For example, WIZZIT, a company providing branchless banking services to low income customers in South Africa, train local unemployed youth to become their financial agents or ‘Wizzkids’. Wizzkids earn a commission for every bank account that they help to open. PagPop in Brazil has developed an affordable mobile platform that allows entrepreneurs and small business owners to accept credit card payments.

**Progress in creating social and commercial value**

Looking at the reported progress and results from our survey and interviews, this appears to be a thriving sector. Of the five initiatives that have provided data, three of them have reported that they are on track to fulfil their commercial and social targets while two are flourishing, having not only hit their targets but exceeded them (as noted above, WIZZIT shifted away from the initial plan, but as this business is progressing well and is still committed to serving the BoP and is therefore included as a ‘flourishing’ initiative). They are all relatively large in terms of revenue, with all the surveyed initiatives earning between $1 million to $10 million per year. Only one reports reaching break-even although the others expect that they are between six months to two years away from break-even.

**On the whole, most of the companies have hit the targets, in terms of BoP reach, that they had committed to at the time of their application to BCtA. In many cases, targets are being exceeded.** MicroEnsure have reported 3.5 million enrolled clients for their mobile micro insurance in Pakistan and Bangladesh. This well exceeds their commitment of reaching 20,000 people in six months when they joined BCtA in 2012. PagPop in Brazil is another flourishing initiative. Since joining BCtA at the end of 2013 their customer base for credit card services has grown to almost 100,000; almost a third of the way to reaching their goal of 300,000 customers by 2016.

### Table 5.7 Finance initiatives in the BCtA portfolio

<table>
<thead>
<tr>
<th>Business approach</th>
<th>BCtA initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing access through existing established banking channels (5 initiatives).</td>
<td>Barclays, Itaú Unibanco, FirstRand Bank and Santander Brasil are providing micro-credit and other financial services by linking the BoP to their formal banking channels. Citigroup’s initiative offered a remittance service to customers.</td>
</tr>
<tr>
<td>Providing branchless banking services (6 initiatives).</td>
<td>WIZZIT and FINO PayTech provide the full suite of mobile banking services, using an agent model. Vodafone, MAP International and Zoona provide money transfer and other basic banking services through mobile technology. MicroEnsure offers micro-insurance products to customers through mobile networks.</td>
</tr>
<tr>
<td>Improving financial infrastructure (2 initiatives).</td>
<td>Vortex Engineering has developed low-cost ATMs for rural and semi-urban areas. PagPop offers a service that allows entrepreneurs and small business owners to accept credit card payments through their mobile phones.</td>
</tr>
</tbody>
</table>
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. Zoona, 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 Zoona’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

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

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 thesurest 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, 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.

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.

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

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) 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.
## Challenges and strategies

### Table 5.10 Challenges faced and strategies adopted in the employment and enterprise sector

<table>
<thead>
<tr>
<th>Challenges faced by companies</th>
<th>Supply Chain</th>
<th>Strategic Planning &amp; Finance</th>
<th>Product &amp; Service Development</th>
<th>Distribution, marketing &amp; sales at the BoP</th>
<th>Structure of the market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of local skills, capacity and knowledge results in low-income producers not having the appropriate quality and production capacity, and workers not having the right skills.</td>
<td></td>
<td>Companies lack knowledge and skills.</td>
<td>Lack of market information and local networks and contacts that could provide better information.</td>
<td>Customers cannot afford to pay for services such as training or are not sufficiently aware of its value.</td>
<td>Vocational services are not esteemed in the culture.</td>
</tr>
<tr>
<td>Producers lack the money to invest in production themselves.</td>
<td></td>
<td>Insufficient internal resources and financing.</td>
<td>Reaching a low enough cost point for products or services.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Because of a lack of skills certification, workers are not paid according to their skill level.</td>
<td></td>
<td></td>
<td>High costs of doing business.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategies adopted by companies to tackle challenges</th>
<th>Focus on capacity building to provide training on skills development and financial literacy, and offer mentoring and networking opportunities.</th>
<th>Access philanthropic or public financing from government.</th>
<th>Work with partners who have established networks and contacts.</th>
<th>Leverage cultural and/or behavioural change initiatives of others, including government and the media.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide credit for purchase of equipment and help maintain equipment.</td>
<td>Engage constantly with staff internally (especially at the management level) to ensure buy-in and maintain BoP focus.</td>
<td>Seek premium price for customers, backed by effective marketing on the product source.</td>
<td>Look for who else in the value chain may be able to pay, such as an employer paying rather than the jobseeker, or advertising revenue funding job websites.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>With other actors, develop a system for skills certification.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Key strategies for scale: partnerships linking with other enablers; finding a way to add value to the company.**

In the above case, MUJI collaborated with the Japan International Cooperation Agency (JICA) who had existing networks within the local communities and could introduce MUJI to community leaders and artisanal producers.

**An interesting challenge that emerges in this area is the impact of social norms.** People living at the BoP have their own views about what they want. This is often tied to social status and culture. Indian skills development enterprise, Empower Pragati has found this to be a significant challenge in developing skills and employment opportunities for the most vulnerable societal groups.
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.

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.xli 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.xlii 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

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

Initiatives in this impact area seem to be progressing well, particularly where driven by ICT. The two ICT-focused companies report that they are on track and both are rolling out their model across their intended markets. Turkish telecom giant, TTNET has provided low-cost Internet to more than 255,000 households throughout Turkey, surpassing the original target of reaching 140,000 households and is on track to reach its targets for the online educational platform and digital literacy training. In India, DataWind has reached more than a million people with its low-cost mobile tablets and is finding that they are used not only for educational purposes. They also enable benefits in other areas, such as access to online government services. Significant further growth is expected. The Indian Government has laid out a vision to equip all 220 million students across the country with data tablets and is expected to procure a high volume of Aakash tablets from Datawind.

The only early education initiative that responded to the survey, PUPA, is still at the pilot stage and is adapting its business model. At this point, none of the initiatives report having reached break-even point, but they expect to do so within the coming two years.

Challenges and strategies

Table 5.12 Challenges faced and strategies adopted in the education sector

<table>
<thead>
<tr>
<th>Challenges faced by companies</th>
<th>Supply Chain</th>
<th>Strategic Planning &amp; Finance</th>
<th>Product &amp; Service Development</th>
<th>Distribution, marketing &amp; sales at the BoP</th>
<th>Structure of the market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling products and services that are not already established in the market is risky for micro-franchisees.</td>
<td>Strategic Planning &amp; Finance</td>
<td>Reaching a low enough cost point for products or services.</td>
<td>Customers cannot afford to pay for products and services.</td>
<td>Governments do not prioritise early childhood education.</td>
<td></td>
</tr>
<tr>
<td>Developing an alternative model (not using franchisees) during the early stages of the business, then bring in the franchising model at a later stage when likely income levels can be shown.</td>
<td>Strategic Planning &amp; Finance</td>
<td>Reduce any unnecessary costs and develop ‘lite’ products.</td>
<td>Look for partners who will subsidise education products and services, such as corporate CSR programmes.</td>
<td>Use this evidence to change attitudes and increase support.</td>
<td></td>
</tr>
<tr>
<td>Strategies adopted by companies to tackle challenges</td>
<td>Distribution, marketing &amp; sales at the BoP</td>
<td>Distribution, marketing &amp; sales at the BoP</td>
<td>Strategic Planning &amp; Finance</td>
<td>Distribution, marketing &amp; sales at the BoP</td>
<td></td>
</tr>
<tr>
<td>Bundle with other services such as data (for example, internet access via mobile network) to create more value at a low price point.</td>
<td>Distribution, marketing &amp; sales at the BoP</td>
<td>Distribution, marketing &amp; sales at the BoP</td>
<td>Strategic Planning &amp; Finance</td>
<td>Distribution, marketing &amp; sales at the BoP</td>
<td></td>
</tr>
</tbody>
</table>

Key strategies for scale: use of ICT; B2B partnerships in the value chain.

Initiatives are using diverse approaches to increase consumers’ willingness to pay – and government support can really help initiatives reach scale.
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. 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.
Table 5.13 Shelter and living conditions initiatives in the BCTA portfolio

<table>
<thead>
<tr>
<th>Business approach</th>
<th>BCTA initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing affordable housing solutions (4 initiatives).</td>
<td>Cement and building materials company CEMEX, has two separate initiatives in this sector, <em>Patrimonio Hoy</em> and <em>PIAC</em>, who offer solutions to people to build their own houses in Mexico. Social housing company <em>Échale a tu Casa</em> also offers a similar service. <em>Mahindra Rural Housing Finance</em> offers home loans in rural India.</td>
</tr>
<tr>
<td>Improving access to clean water (1 initiative).</td>
<td>WaterHealth International is building water purification plants in Bangladeshi villages to provide clean water at cheaper prices.</td>
</tr>
</tbody>
</table>

Challenges and strategies

Table 5.14 Challenges faced and strategies adopted in the shelter and living conditions sector

<table>
<thead>
<tr>
<th>Challenges faced by companies</th>
<th>Supply Chain</th>
<th>Strategic Planning &amp; Finance</th>
<th>Product &amp; Service Development</th>
<th>Distribution, marketing &amp; sales at the BoP</th>
<th>Structure of the market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers lack home building knowledge and skills.</td>
<td>Consumers are not able or willing to pay.</td>
<td>Developing a business model that is commercially viable.</td>
<td>Consumers are not aware of products and services.</td>
<td></td>
<td>Regulation relating to land tenure creates uncertainties.</td>
</tr>
<tr>
<td>Low return on investment.</td>
<td>Build partnerships with local stakeholders to raise awareness and provide training.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Strategies adopted by companies to tackle challenges

<table>
<thead>
<tr>
<th></th>
<th>Supply Chain</th>
<th>Strategic Planning &amp; Finance</th>
<th>Product &amp; Service Development</th>
<th>Distribution, marketing &amp; sales at the BoP</th>
<th>Structure of the market</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Build partnerships with local entrepreneurs.</td>
<td>Ensure that there is patience and a long term vision within the company.</td>
<td>Offer innovative consumer financing.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Training through technical assistance programmes.</td>
<td>Build partnerships with local stakeholders to raise awareness and provide training.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key strategies for scale: partnerships with local stakeholders; consumer finance.

All of the initiatives emphasized the need for long-term vision and patience in getting the business model right. CEMEX’s *Patrimonio Hoy* initiative, which provides building material and assistance to help people at the BoP build their own houses, have used what they describe as a ‘holistic bottom-up approach’. Their business model has been constantly adapted through fieldwork and pilots as they have attempted to understand the obstacles and needs of this segment. This approach has helped them develop their product offering that started with a fixed payment structure, but has now been adapted to changing customer needs and includes various micro-credit offerings.
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.
5.8 Looking across the sectors

Both differences and similarities emerge across the sectors. Many of the challenges are common, while slightly different strategies are undertaken.

Across most of the impact areas there are many **challenges in the supply chain**, as a result of the low level of skills in many areas. These are most often addressed by training. In the area of **distribution, marketing and sales at the BoP**, finding a solution to the challenge of low willingness and/or ability to pay is the most common issue. The related challenge - that many consumers are not aware of products, services, or benefits, is also common across sectors. High touch marketing, in which a demonstration of the benefits of a product or services is combined with the sales and distribution function, is a common solution. Another solution is to find partners who are willing to subsidize the cost or have their own reason to pay for the product or service.

The most common challenge is a statement of the obvious - the need to develop a **business model that is commercially viable** and sustainable. But it is interesting to note that, despite the considerable success of many members of the portfolio, this remains a commonly stated challenge. Partnerships are quite often part of the solution, but other common strategies are finding ways to reduce cost, achieve economies of scale, adapt the value proposition or drive willingness to pay in new ways.

Finally, while the above is an attempt to find common challenges and strategies, it is also important to note that each sector has unique characteristics that determine the business model. Each sector may have different dominant challenges or strategies which makes generalizing very difficult across sectors about what finally, may unlock success.

### Table 5.15: Common challenges faced and different strategies adopted across the seven impact areas

<table>
<thead>
<tr>
<th>Supply Chain</th>
<th>Strategic Planning &amp; Finance</th>
<th>Product &amp; Service Development</th>
<th>Distribution, marketing &amp; sales at the BoP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Challenges faced by companies</strong></td>
<td>People at the BoP lack skills, knowledge, and information as well as access to appropriate finance.</td>
<td>Developing a commercially viable business model, dealing with risks and uncertainties at the BoP and raising finance for investment and working capital.</td>
<td>People at the BoP lack product awareness, finance, skills to use products and often live in remote, hard to reach areas.</td>
</tr>
<tr>
<td><strong>Strategies adopted by companies to tackle challenges</strong></td>
<td>Provide training, advice and information services (particularly in agriculture, employment and shelter).</td>
<td>Focus on long-term supply chain benefits to the company (in agriculture and employment).</td>
<td>Provide training and advice to consumers (all). Adopt “high-touch” marketing strategies to build confidence and demand (particularly in finance, energy, agriculture, shelter).</td>
</tr>
<tr>
<td>Provide supplier finance or attract financial institutions by demonstrating that lending to farmers can be profitable (agriculture).</td>
<td>Find the right partner or leave the wrong partner (seen in health &amp; energy).</td>
<td>Maintain focus on quality while tackling demand and willingness to pay (particularly in energy and health).</td>
<td>Provide consumer credit for purchase on instalments or partner with institutions that provide micro credit (particularly in energy and shelter).</td>
</tr>
<tr>
<td>Partner with business or organisations that reach BoP producers.</td>
<td>Pursue external financing for company growth (particularly seen in energy, finance).</td>
<td></td>
<td>Partner with business or organisations that reach BoP consumers.</td>
</tr>
</tbody>
</table>

Top Challenges

Amongst our 49 survey respondents across all the sectors, the four top challenges (each identified by at least a third of respondents, multiple answers allowed) were:

1. Developing a business model this is commercially viable
2. Low consumer awareness of product or product types
3. Insufficient internal resources and finance
4. Lack of local skills capacity and knowledge
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.

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.
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.

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

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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

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

**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.

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**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\(^{44}\). Studies have found that people at the BoP are willing to make real sacrifices in order to buy mobile credit\(^{45}\). 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.

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**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
Farmers are very open to adopting new technologies (without being granted any kind of subsidies!), provided they deliver tangible benefits. In this case the benefits include speedier collection of milk (shorter queues!) and timely disbursement of payment.

Ujval Parghi, Director,
Shree Kamdhenu Electronics Pvt. Ltd.

The use of ICT as a strategy for scale is not restricted to any one impact area, but it is most prevalent in finance, healthcare, and education.

In the health-related impact area, initiatives are using mobile technology to provide reliable health information and quality medical care to patients in remote areas who do not otherwise have easy, reliable access to healthcare. ClickMedix have developed a mobile application that translates a clinical protocol into a series of questions on a smart phone or tablet that can be used by a semi-skilled health worker. The health worker is trained to use the protocol with patients and can then relay the information and images to an expert medical professional in a clinic elsewhere for diagnosis.

Sproxil tackled the need for a simple, easy to use drug verification system by setting up a simple SMS system. Like other companies, they have shifted to harnessing a wider array of ICT-based tools. As of 2014, clients can use SMS, voice call, mobile apps (iOS, Blackberry, and Android) and a web verification tool. At the point of sale, the consumer can check for a code on a drug packet, and use SMS or other channels to see whether it is a legitimate drug or not.

More than half the initiatives in the finance sector use mobile technologies as a way to facilitate low-margin, high volume business and create products particularly suited to the unbanked. To reduce the high transaction costs of traditional banking, WIZZIT in South Africa provide a mobile branchless banking service to their customers.

MicroEnsure has provided more traditional micro-insurance products for many years. The company very clearly saw incorporating mobile technology as a way to reach scale, and hence its initiative to provide life and health insurance to customers of its mobile network partner.

Turkish internet provider, TTNET identified that, in order to build the market for internet services in low-income areas, they need to provide training to show people how the internet can improve their lives. So as part of their Internet 4 All initiative, TTNET offer low-cost internet packages, along with free internet literacy programmes for women and children.

Developing affordable IT solutions for low-income markets

In three short years, DataWind has established itself as the leading provider of low-cost data tablets in India. DataWind’s Aakash tablets are improving access to education and enabling internet-based services for millions of low-income people. Using principles of frugal innovation, DataWind has focused on affordability in all aspects of its offer. Firstly, DataWind developed an affordable tablet by stripping back all unnecessary product features, reducing supply chain margins by developing high-value components in-house and overcoming value-added costs by indigenising manufacturing, assembling and programming. Secondly, they used open source content and apps. This eliminates the costs of proprietary software and has inspired a collaborative approach to software development that engages students, universities and international orgs in content development. Thirdly, they developed a patented internet delivery platform that allows users to access the web at a fraction of the data cost compared to competitors. Through its BCtA initiative, DataWind expects to provide access to education and the internet to 4 million people.

6.4 Turning regulation into a positive force

It is often observed that regulatory environments can be a major impediment for new business, particularly for start-ups based at the BoP. There are indeed examples of this in the BCtA portfolio. Abellon Clean Energy has a successful bio-pellet business in India but a different and difficult regulatory context has hindered its expansion into Ghana. Ajinomoto has also had to invest in local expertise to navigate the intricacies of local health regulation in Ghana. Envirofit is shifting to the local manufacture and assembly of stoves. One reason for this is that import costs and duties can effectively double prices.
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.

Inclusive businesses such as Ericsson are reaching remote areas.
Some companies have found the promise of impact investing to be difficult to capture. They have found their innovative models do not always ‘tick the right boxes’. And investors are cautious about some of their markets. Abellon Clean Energy has found that investors are not ready to finance in Ghana what they finance in India. They are more cautious and need a lot more due diligence.

For large and established companies, where the BoP model is just one of many business lines, building the right internal architecture is a much bigger issue. The initiatives start in different ways. Some initiatives develop strategically as the company moves into a new geography (as with Ajinomoto in Ghana), whereas some start more spontaneously (as with MUJI’s new product line, started by an ‘intrapreneur’ inside the company, Ms Akiko Masuda). Where the initiative is high risk, leadership commitment is essential at the start. In the case of BASF India, top leadership led the way to take on the risk of engaging directly with farmers.

Whatever the starting point, as initiatives evolve, they need resourcing, appropriate skills, interaction with different parts of the business, and, of course, firm leadership support. It is clear from the interviews that these issues continue to need attention on an ongoing basis. Survey respondents were asked to select their main challenges. Amongst 17 respondents from large and well established companies, commercial viability and low return on investment rank first and second respectively, while securing adequate internal resources and finding the right partners internally follow in joint third. Taken together, these challenges suggest a broader, encompassing challenge of securing corporate buy-in. Initiatives depend on internal resources and partners for success, but securing these resources will often depend on initiatives being able to put forward a compelling commercial proposition.

### 6.5 Resourcing the initiative: finance and company buy-in

Getting the right internal structure is just as important as getting the right business model. Securing leadership, skills and company finance are critical to the long-term success of initiatives.

For emerging and maturing companies - where BoP is core to the entire business - leadership commitment is not an issue, because the company is centered on BoP market opportunities. The leaders are committed to the company and hence to the BoP model. The core issue is about accessing finance. External investment – particularly venture capital – is opening doors to new growth and helping emerging companies become market leaders. But equally lack of investment, and the search for it, is a major challenge.

- For a number of energy companies, venture capital (Series A, B or beyond) is driving expansion.
- For WIZZIT, lack of follow-up finance from a development finance institution for their microcredit initiative was a key factor in ending the initiative, and shifting attention to other services.
- For PagPop, securing Series B finance in the coming period will be critical to sustaining current growth.

**We have grown quickly but my focus for this year is Series B investment. A fresh injection of funds is the only way to keep up with growth and make sure we can compete with others coming into the market.**

Marcio Campos, CEO, PagPop

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**Who is investing in BCtA members?**

A wide range of investors are financing the initiatives in the BCtA portfolio. These range from Development Finance Institutions and Foundations to commercial banks and impact investment funds. The investors include:

<table>
<thead>
<tr>
<th>Oikocredit International</th>
<th>Acumen</th>
<th>Bank of America</th>
<th>International Finance Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insitor Management</td>
<td>Khosla Impact Fund</td>
<td>Deutsche Bank</td>
<td>USAID</td>
</tr>
<tr>
<td>Nexus Venture Partners</td>
<td>Omidyar Network</td>
<td>IFCI</td>
<td>Shell Foundation</td>
</tr>
<tr>
<td>Gray Ghost Ventures</td>
<td>Unitus Seed Fund</td>
<td>HDFC Bank</td>
<td>Grameen Foundation</td>
</tr>
<tr>
<td>Lok Capital</td>
<td>Aavishkaar</td>
<td>Union Bank of India</td>
<td>Dutch Oak Tree Foundation</td>
</tr>
<tr>
<td>Blackstone Capital</td>
<td>India Value Fund</td>
<td>Corporation Bank</td>
<td>The Mahindra Group</td>
</tr>
<tr>
<td>Intel Capital</td>
<td>Kiva.org</td>
<td>Indian Bank</td>
<td>Life Insurance Corporation of India</td>
</tr>
<tr>
<td>Headland Capital Partners</td>
<td></td>
<td>IDFC</td>
<td>GMR Group</td>
</tr>
</tbody>
</table>

Note: The investors in italics in this box are known to have invested in more than one initiative.
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 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.
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).

7.3 The inclusive business trajectory: multiplying and maturing

A decade ago, start-ups were exploring inclusive business. Now, some have grown so fast that the label ‘small and medium’ cannot be applied with confidence. The presence of maturing companies, with the BoP core to their business model, is a major shift on the inclusive business scene. Equity investors have demonstrated their confidence in the long-term potential of their models, by investing many millions to date. Plenty of challenges remain and progress is uneven, but the scene has transformed over a decade. The scale achieved by some companies in the last few years together with the spread of inclusive business models across a diversity of goods, services and sectors has been remarkable.

Large and established companies from many sectors are actively pursuing inclusive business through their BCtA initiatives. While not all are profit seeking, they are providing increasingly clear articulations of how business at the BoP is about repositioning them for the long term.

We also now see how many Southern-based companies of all kinds - from the start-up to the conglomerate – are active and growing as serious players in inclusive business. The trend is clearest in South Asia, and will no doubt spark more innovation and adaptation.

Although this review has focused on the 94 member initiatives, they operate in changing markets that are getting thicker - more crowded and more competitive. Other businesses are being influenced. New competitors are quickly entering the consumer market for goods such as solar lighting and clean cook-stoves. This trend will continue, creating challenges for some and ultimately increased opportunities for people at the BoP.
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.
The Millennium Development Goals are eight goals with measurable targets and clear deadlines for improving the lives of the world’s poorest people. MDGs were adopted by the UN member states in 2000. MDGs aim to reduce poverty, improve access to safe drinking water, and provide universal primary education, among others, by the target date of 2015.

Creating Value for All: Strategies for Doing Business With the Poor, UNDP 2008

‘Base of the Pyramid’ refers to people who live at the base of the socio-economic pyramid, have limited access to markets and essential services, low and unreliable incomes, and high vulnerability to shocks.

The Coca-Cola Company reports reaching around a million people in its BCtA initiative through multiple segments of the value chain, including producers, suppliers, distributors, retailers, recyclers and artisans.

Although many more have a secondary beneficiary category of employees, entrepreneurs or suppliers.

There is no one consistent international definition of ‘small to medium enterprise’. Fewer than 250 employees is the most commonly used definition. See http://www.ifc.org/wps/wcm/connect/9ae1dd80495860d6a482b519583b6d16/MSME-Ci-AnalysisNote.pdf?MOD=AJPERES. Revenue is also used to define SME, but with no common cut-off. In our categorization of emerging and maturing enterprises, they all are estimated to have revenue under $50 million per annum and in most cases much less. Most but not all have less than 250 employees. The recent establishment of the business and the BoP focus in the original model are also key factors in our categorizations.

Global South (also variously referred to in this report as “the South” or “Southern”) refers to the middle and low-income countries as classified by the World Bank. These are located in Africa, Latin America, and developing Asia including the Middle East. See http://data.worldbank.org/about/country-and-lending-groups.

The oldest companies in the emerging and maturing company category are Aravind Eye Care System, which was established in 1976, and Jaipur Rugs, which was established in 1978.

Mahindra Rural Housing Finance is listed in this category, as it is a new business, founded with a core BoP focus, even though it is part of the Mahindra group. Barefoot Power and Sumitomo are listed in blue, as their employees and entrepreneurs are a primary direct focus for the company, even though their products reach millions of BoP consumers.

The 49 respondents are fairly representative of the entire portfolio. Emerging and maturing companies are slightly over-represented, making up around two-thirds of survey respondents even though they are only half the portfolio. The impact areas correspond quite well except for health, which is slightly over-represented, and finance, which is slightly under-represented. However, in terms of their commercial and social progress, we cannot know if they are representative. It is likely that initiatives that have not progressed are under represented.

One SME has been taken over, and one venture of a large company went into liquidation.

Among a portfolio of 40 businesses in the DFID Business Innovation Facility pilot, 5% were flourishing, 42% progressing well, 32% progressing slowly, and 20% stalled in late 2013 (reported in the 4Ps of Inclusive Business, http://businessinnovationfacility.org/forum/topics/the-4ps-of-inclusive-business-how-perseverance-partnerships-pilot). In Sida’s Innovations Against Poverty pilot programme, out of 29 respondents, 26 reported their start-up to be ‘on track’ and 3 as ‘stalled or failing’ in late 2013. None had reached ‘thriving and in profit’ (reported in From Paper to Practice, http://businessinnovationfacility.org/page/innovation-s-against-poverty-knowledge-exchange-report-2013).

It is likely that the more mature or successful members are the ones that tend to respond, so the total number that have reached break-even within the portfolio may be lower.

Many large and established companies did not provide data, and as mentioned earlier, many look for other commercial benefits meaning that the revenues might be smaller than those pursued by emerging and maturing companies. On the other hand, emerging and maturing companies often provide data for their entire company, as the BCtA commitment is broadly to expand their core business.


These figures are in market prices.

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.html#FAQ

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.

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://wiego.org/informal-economy/economic-groups/smallholder-farmers

http://www.ifad.org/operations/food/farmer.htm


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

http://www.undp.org/content/undp/en/home/ourwork/environmentandenergy/focus_areas/sustainable-energy/universal-access.html

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.

dlight’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.


For the avoidance of confusion, this is Philips 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.

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.

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.

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.

http://www.who.int/mediacentre/factsheets/fs348/en/


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.


http://www.ifc.org/wps/wcm/connect/0fe6e2804e2c0a8f8d3bad7a9dd66321/IFC_FULL+JOB+STUDY+REPORT_JAN2013_FINAL.pdf?MOD=AJPERES


Ryohin Keikaku is a Japanese retail company known internationally as MUJI.

http://www.unesco.org/new/en/education/themes/leading-the-international-agenda/education-for-all/goal-1/

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.

http://unhabitat.org/urban-themes/housing-slum-upgrading/


http://www.infodev.org/infodev-files/final_kenya_bop_study_web_jan_02_2013_0.pdf

All estimates are approximate, based on diverse data, which may be incomplete, and thus should be treated as indicative only.
Annex 1: BCtA Member Survey 2014

Basic information
1) Name of Company
2) Name of ‘the initiative’ that is the commitment to BCtA
3) Name and position of respondent
4) Contact details (email address or phone number) for any follow up

The initiative on which you have based your BCtA commitment
5) What year did the company first decide to develop the concept or start scoping the initiative?
6) Please select the option which best describes the current stage of the initiative:
   ( ) Pilot – the business model is new, it is still being designed and tested, probably on a small scale or within a particular market
   ( ) Roll out – the business model has been piloted and is being rolled out across the intended markets
   ( ) Scale up – the business model has been successfully implemented in one or more markets and is being extended, adapted, or replicated
7) How is the initiative progressing?
   ( ) Cancelled: we no longer intend to progress this initiative
   ( ) Stalled/on hold: unlikely to proceed in the current design or current context
   ( ) Progressing slowly: continuing to make progress but not as quick as hoped
   ( ) On track: continuing to make progress against our plans
   ( ) Flourishing: meeting and exceeding all company expectations

What are the company’s reasons for undertaking this initiative?
8) What are the most important commercial drivers for the initiative?
   Please mark up to 3 drivers that you consider your priority for this initiative. Feel free to add your own if those on the list are not the most applicable.
   [ ] Brand identity/value, customer appeal and/or company reputation
   [ ] Profitability, productivity, cost reduction
   [ ] Competitive advantage and differentiation from competitors
   [ ] Security and sustainability of the supply chain
   [ ] First mover advantage in low-income markets
   [ ] Increased market share of your product/business
   [ ] Access to new markets or customer groups
   [ ] Access to ethical/niche retail markets, e.g. Fair trade, organic
   [ ] Lower reputational risk
   [ ] Social license to operate
   [ ] Innovation into new business lines
   [ ] Other:

9) What are the most important social benefits that the company hopes the initiative will achieve?
   Please mark up to 3 benefits that you consider most significant from the initiative. Feel free to add others if those on the list are not the most applicable.
   [ ] Skills and knowledge in the workforce
   [ ] Educational access and attainment
   [ ] Good and ethical employment practices
   [ ] Healthcare
   [ ] Nutrition and food security
   [ ] Improved infrastructure, including housing, water and sanitation
   [ ] Jobs or other livelihood and income opportunities
   [ ] Enhanced agricultural production and incomes for smallholder producers
   [ ] Availability of finance and/or improved financial literacy
   [ ] Access to sustainable sources of energy
   [ ] Growth of business/small enterprise
   [ ] Environmental sustainability
   [ ] Other:

For the drivers you selected, to what extent is the initiative already benefiting.
Please move the slider accordingly:
0 ________________[__]________________ 10

10) Brand identity/value, customer appeal and/or company reputation
11) Profitability, productivity, cost reduction
12) Competitive advantage and differentiation from competitors
13) Security and sustainability of the supply chain
14) First mover advantage in low-income markets
15) Increased market share of your product/business
16) Access to new markets or customer groups
17) Access to ethical/niche retail markets, e.g. Fair trade, organic
18) Lower reputational risk
19) Social license to operate
20) Innovation into new business lines

For the social benefits you selected, to what extent is the initiative already seeing results?
Please move the slider accordingly:
0 ________________[__]________________ 10

21) Flourishing: meeting and exceeding all company expectations
22) On track: continuing to make progress against our plans
23) Progressing slowly: continuing to make progress but not as quick as hoped
24) Stalled/on hold: unlikely to proceed in the current design or current context
25) Cancelled: we no longer intend to progress this initiative

What has been the commercial performance of the initiative?
35) What is the total revenue per annum of the initiative (turnover accruing to your company)?
36) Is your initiative intended to be commercially sustainable through generation of profits for the company?
   ( ) Yes
   ( ) No
37) Is the initiative already at break-even point (i.e. income is equal to or greater than costs)?
   ( ) Yes (specify since when):
   ( ) No (please estimate the time in years from now until the initiative breaks even):

Other impacts on the company
38) Please provide details of any additional or unexpected benefits or negative impacts arising from implementing the initiative. E.g. a wider interest in ‘inclusive business’ within the company, cross-sector collaboration, any negative consequences for the company.
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 (e.g. 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 (e.g. smallholder crop suppliers, trainee participants, clients of your programme)

45) Estimated number of low-income beneficiaries to date

<table>
<thead>
<tr>
<th></th>
<th>0 to 200</th>
<th>200 to 1,000</th>
<th>1,000 to 10,000</th>
<th>10,000 to 100,000</th>
<th>100,000 to 500,000</th>
<th>500,000 to 1 million</th>
<th>Over 1 million</th>
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<tbody>
<tr>
<td>Group 1</td>
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</tr>
</tbody>
</table>

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

Group 1

Group 2

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

<table>
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<tr>
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<tr>
<td>Group 2</td>
<td>( )</td>
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</tr>
</tbody>
</table>

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.
We are grateful to the companies who have provided images used within this report. Images cannot be reproduced without their permission.

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For further information, contact: secretariat@businesscalltoaction.org

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
- UN Habitat: United Nations Human Settlements Programme
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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