



Capturing BoP Markets: Corporates Venturing into Inclusive Business

Practitioner Workshop

9 March 2016

Workshop Summary

Supported by:



Participants:

Name	Organization
Alex Armbruster	onedollarglasses
Alexander Kraemer	AfB Social and Green IT
Andreas Hendel	FINE Fair Trading
Andrew Kingman	Baobab Fruit Processing
Anne-Louise Thon Schur	SDGlead
Antje Blohm	Welt Hunger Hilfe
Christian Jahn	IBAN
Fabian Suwanprateep	Beyond Philanthropy
Farrukh Khan	Acumen
Franziska Schaefermeyer	Tengelmann Ventures
Giancarlo Raschio	Alexander von Humboldt Foundation
Jochen Moninger	Welt Hunger Hilfe
Jonathan Seipl	onedollarglasses
Jose Alcocer	FirstDay
Kärim Chatti	responsAbility
Lukas Wieser	SEED
Madeleine White	Challenges Worldwide
Martin Vogelsang	Good Root/EVPA
Mirko Zuerker	SEED
Niek van Dijk	BoP Inc
Nina Reichert	FSG
Olivier Kayser	Hystra
Paul Kuhlmann	Manaomea GmbH
Rey Buckman	Airbus Group
Ryan Glasgo	The Palladium Group
Stefan Koch	Covestro
Stefan Maard	DIVA
Sue Lawton	Challenges Worldwide
Virginia Taborda	SOLARKIOSK
Will Coetsee	Botanica Natural Products
Wolfgang Hafenmayer	The FutureMakers
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Endeva Institute members:

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Background

The base of the global economic pyramid (BoP) market presents a US\$5 trillion opportunity. Corporations have a clear incentive to innovate in these BoP markets in developing countries but often struggle to establish successful models as a result of internal bureaucratic hurdles and lack of market insight. In the meantime, inclusive business models operating in BoP markets cannot scale effectively due to a lack of financing and business expertise.

A promising route to overcome both inclusive businesses and corporations' challenges is a Corporate Impact Venturing (CIV) strategy. By investing into local business, corporations can learn about low-income markets and relevant business models and tap into growth opportunities while hedging their risk of failure. On the other hand, local inclusive businesses get access to finance to grow their business and may receive access to useful management knowhow, complementary technologies, and new markets.

CIV has the potential to drive development at the BoP. However, this emergent field of innovative financing requires greater research, dialogue, and support structures to push it into mainstream financing practices. To this end, Endeava organised a one-day interactive workshop bringing together corporations, inclusive businesses, intermediaries, and other interested practitioners to share their own experiences and discuss key trends in the field of CIV. Guiding questions for the organisation of the workshop content included:

- What are the objectives and motivations of corporates to invest in local inclusive businesses?
- How does investing into Inclusive Businesses work?
- Who supports corporates and inclusive businesses to set up such collaborations? Which support structures are still needed to make this approach more viable for corporates?

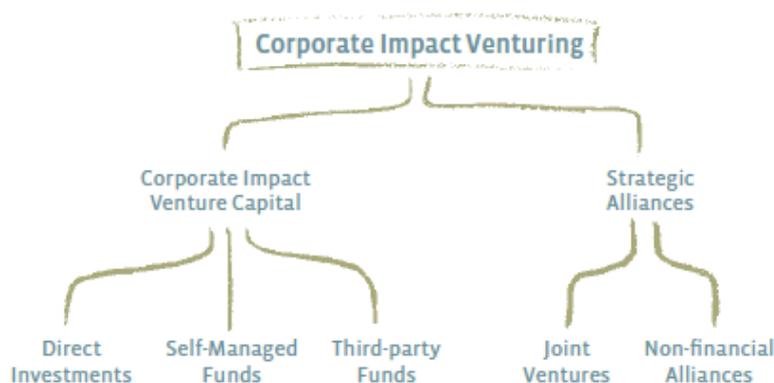


Figure 1: Models of Corporate Impact Venturing

In preparation for the event, Endeava authored a brief report

Source: Endeava Institute (2016). *Capturing BoP Markets: Corporate Impact Venturing with Inclusive Businesses*

on CIV in order to explore current models, the investment cycle, and how to foster an enabling ecosystem. Our report included a typology of CIV models and case studies of current corporate impact ventures with inclusive businesses operating in the BoP. The report can be downloaded at: www.endeva.org/publication/corporateimpactventuring.

Workshop Summary

The practitioner workshop took place in Munich on 9 March 2016 to discuss the emerging trend of CIV and develop an action plan on how to drive the practice forward. The three plenary sessions focused on providing participants with a board overview of the practice while the six parallel workshops delved into the details of the different CIV models and explored specific stages of the CIV cycle. SEED award-winning inclusive businesses provided pitches and shared first-hand the challenges inclusive businesses are facing when pursuing corporate venture partners. At the end of the workshop, participants broke into groups to discuss key steps in creating an enabling environment for CIV and then collaboratively laid out a series of action steps to move the CIV agenda forward.



Venturing into BoP Markets: Build or Buy?

Speakers: Stefan Maard, DIVA and Olivier Kayser, Hystra

Moderator: Dr. Christina Tewes-Gratl, Endevo

Through an interview-style discussion with Stefan Maard and Olivier Kayser, the first plenary session took a broad approach to CIV by exploring the key differences between building an inclusive business model within a corporate and investments or strategic alliances with an existing inclusive businesses.

Corporations are faced with a series of trade-offs when deciding what model to pursue to enter BoP markets. While building inclusive business internally provides corporations with complete autonomy and flexibility, corporations also often lack the innovation skills or market expertise to be a successful in the low-income context. Often, corporations also experience tension between their profit and impact objectives in these markets. The shortage of scalable, investment-ready inclusive businesses and the current lack of exit examples were raised as key challenges for external corporate impact venturing practices.

The speakers agreed that defining a corporate's strategic intent was one of the most critical factors when making the decision to venture into the low income markets and decide whether to build or buy. Incorporating best practices in terms of adequate governance structures and capabilities are also crucial to ensure that the strategies are eventually effectively executed and implemented.

Risks and Opportunities of Corporate Impact Venturing with inclusive businesses – Lessons from SOLARKIOSK

Speaker: Virginia Taborda, SOLARKIOSK

During the 45-minute plenary session, Virginia Taborda provided an overview of SOLARKIOSK's corporate impact venturing partnership with Coca-Cola. The Berlin-based inclusive business provides a unique technical solution through their solar powered business hub, the E-HUBB, providing energy services, solar and green products and fast moving consumer goods (FMCGs) to rural BoP communities, creating a formal infrastructure to enable and empower the community. SOLARKIOSK manages the operation of over 100 E-HUBBs, through its six subsidiaries in Eastern Africa.

Coca-Cola's EKOCENTER project, focused on women, water and well-being, was in search of a technical and operational solution to enable its success. The EKOCENTER team

recognized that it needed an inclusive business partner with a strong value proposition to help achieve the goals of the EKOCENTER project. As SOLARKIOSK had a proven business model and technical solution in the BoP, Coca-Cola decided to partner with the company to enable the EKOCENTER; together the companies tailored the technical solution and business model to meet their partnership objectives. Coca-Cola made a significant investment in SOLARKIOSK to fund the procurement and operations of over 150 E-HUBBs branded as EKOCENTERS to be implemented by the end of 2016.

Virginia Tabora also discussed the benefits and challenges of a corporate impact venturing partnership. For SOLARKIOSK, the corporate impact venture enabled an operational technical solution to be scaled at a pace that would have otherwise been impossible. Moreover, Coca-Cola shared its manufacturing expertise and introduced new suppliers and processes in order to decrease SOLARKIOSK’s manufacturing costs. The corporate also provided assistance in streamlining certification processes. Coca-Cola benefits from last mile distribution, increased product sales, brand awareness and leveraging the partnership as a social enterprise initiative. Corporate impact venturing partnership can create tensions as interests diverge and, as such, it is crucial for the inclusive business and the corporate to share the same core values. Without these common values and objectives, the foundation of a partnership will be unstable. After experiencing the benefits of a corporate impact venture partnership, SOLARKIOSK continues to scale its business model by engaging with other corporations, such as TOTAL S.A.

Inclusive Business Pitches – SEED Award Winners

The session had two SEED award winning inclusive businesses, Botanica Natural Products and Baobab Fruit Processing present their businesses.

Company	Description
<p>Baobab Products (BPM)</p> <p><i>Country:</i> <i>Mozambique</i></p> <p><i>Speaker: Andrew Kingman</i></p>	<p>BPM is the first business in Mozambique to buy, process and trade the nutrient-rich Baobab fruit locally and market powder and oils as well as other planned products such as ingredients used to make ice creams and biscuits.</p> <p>BPM is an inclusive business that allows women harvesters to supply Baobab seed and pulp as well as become active</p>

	shareholders in the enterprise, as part of a co-operative. It stimulates the economy through a new value-chain. It assists rural communities adapt to climate change, and provides an alternative food source and income for a region where agriculture is becoming limited due to poor rainfall and drought.
Botanica Natural Products <i>Country: South Africa</i> <i>Speaker: Will Coetsee</i>	<p>Botanica cultivates <i>Bulbine Frutescens</i>, an aloe-like succulent plant. With an extraction technique developed by the enterprise, the gel of the plant, valuable for skin and hair care products, is derived in a local production facility meeting European pharmaceutical standards.</p> <p>Botanica specialises in identifying, producing and supplying indigenous plant extracts to markets in Africa, Europe, the USA and Asia in a socially and environmentally sustainable manner.</p>

Parallel Workshops: Round 1

The first round of parallel workshops allowed participants to learn about and discuss the various models of corporate impact venturing in detail. CIV practitioners provided first-hand knowledge of the merits and challenges associated with each model and discussed various strategies to overcome these challenges.

Session Name	Description
Safe Spaces: Self-Managed Funds as Innovation Vehicles <i>Speakers: Franziska Schaefermeyer, Tengelmann Venture Olivier Kayser, Hystra</i>	<p>The session focused on establishing a self-managed venture fund within the corporate to engage in CIV partnerships with inclusive businesses. The discussion focused on how to organize collaboration between the fund and the core business in order to extract strategic and social returns.</p> <p>Franziska Schaefermeyer shared her experience at Tengelmann Ventures and their investment into the inclusive business model, Coffee Circle. For Tengelmann Ventures, the financial viability is the primary investment criteria for the fund.</p>
Innovation Partners:	The session explored the role of third-party funds in managing

<p>Working with a Third-Party Fund</p> <p><i>Kärim Chatti, responsAbility</i></p> <p><i>Farrukh H. Khan, Acumen</i></p>	<p>CIV activities and sourcing innovations. It highlighted the merits and challenges of using a third-party fund for both corporations and inclusive businesses. The need for having a long term commitment and clear strategic intent on part of the corporates was again highlighted during this session. The speakers agreed that investee companies need active management and strategic support from their corporate partner. Further, speakers emphasized the importance of tailored financial instruments to facilitate the partnerships between corporates and inclusive businesses.</p> <p>The speakers also brought out differences in the investment philosophies of Acumen and responsAbility. For instance, while Acumen usually takes minority interest in very early stage ventures, responsAbility acquires majority in companies that have already gone through the initial round of scaling.</p>
<p>Joint Ventures: Partnering for Business Creation</p> <p><i>Stefan Maard, DIVA</i></p>	<p>This session focused on the nuances of the CIV joint ventures across the spectrum, from impact only to finance only. If corporations are unsure how to enter a low-income market, joint ventures provide a low-risk model by sharing the costs and sharing the risks with an existing inclusive business. With an increasingly unwieldy risk finance space and the bureaucratic burden of grant model financing, joint ventures are also beneficial to early-stage inclusive business to access both funds and expertise.</p> <p>The session also examined how intermediaries are helping to build the pipeline for investment-ready inclusive businesses. Intermediaries such a DIVA can provide the due diligence and manage the financial flows. DIVA has utilized a low-profit limited liability company (L3C) as a legal entity that can make the decision to pursue social returns over financial returns.</p> <p>A lively discussion was also held on how recent IB financing places too much emphasis on the individuals rather than the</p>

	business model.
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Corporate Impact Venturing Cycle

Speakers: Wolfgang Hafenmayer, The FutureMakers and Farrukh H Khan, Acumen

In the third plenary session, Wolfgang Hafenmayer from TheFutureMakers and Farrukh Khan from Acumen provided a broad overview of the CIV cycle. The five key steps were 1) establishing strategy, 2) sourcing and screening, 3) implementing the investment, 4) portfolio controlling and reporting, and 5) realizing returns.

- 1) The first stage involves defining the corporate's objectives and desired outcomes of CIV investments or partnerships. If a corporate designs the investment criteria well, then a significant amount of time is saved in the sourcing and screening process.
- 2) Sourcing and screening should not be conducted with a checklist approach but includes teams vetting potential investments on the ground to investigate how a product or a service performs in the field. One of the key issues in the CIV cycle is the lack of inclusive businesses with a proven track record and scalable model; however, this pipeline hurdle can be partially overcome by working closely with social entrepreneurs, incubators, and accelerators in BoP markets.
- 3) In terms of implementing the investment, very seldom do corporations possess these deal execution skills internally and, therefore, this third stage often includes intermediaries.
- 4) In the fourth stage of portfolio controlling and reporting, the corporate can also provide continued non-financial support such as business expertise and corporate volunteers. It should not be underestimated how much value a corporate investor can contribute to an inclusive business model in 5 to 10 years.
- 5) The final step is realizing returns when some corporates may want to fully integrate the inclusive business model into their core business or sell their investment. Corporates should make their exit intentions clear from the start of the venture – do you want to buy, partner and support, etc.? If the corporate lacks a majority stake, the corporate can stipulate in the term sheet that they have the right to buy majority stakes at a later date. The majority of existing CIV cases include the corporate taking an equity stake in the inclusive business. However, the CIV cycle can easily be adapted with loans and other strategic alliances such as joint ventures.

Parallel Workshops: Round 2

The second round of workshops focused on the details of executing various steps of the CIV cycle, with a particular focus given on the early stages of identification of investees and the initial establishment of a corporate impact venture.

Session Name	Description
<p>Identifying Inclusive Businesses</p> <p><i>Mirko Zuerker, SEED</i></p> <p><i>Lukas Wieser, SEED</i></p>	<p>This interactive session focused on developing a robust and effective investment strategy to identify inclusive businesses with shared values and objectives. Participants examined a case study from within the group to rank the key impact areas (what the corporate would value in a venture/investment) and then divided the impact areas into tiers to prioritize investments.</p> <p>SEED also provided a brief background of the SEED Award program, which are now in its tenth year. Participants discussed how an award scheme can help corporates identify investable businesses.</p>
<p>Supporting social entrepreneurs along the venturing cycle</p> <p><i>Niek van Dijk, BoP Inc</i></p>	<p>Inclusive businesses also require support to engage with corporates. The IB Accelerator provides a platform for inclusive businesses to feature themselves. Corporates can use the platform to identify inclusive businesses. Participants discussed what kind of support inclusive businesses need along the venturing cycle, and who provides this support.</p>
<p>Setting Up a Venturing Partnership</p> <p><i>Nina Reichert, FSG</i></p> <p><i>Virginia Taborda, Solarkiosk</i></p>	<p>The session focused on various avenues for corporates and inclusive businesses to enter into mutually fruitful partnerships. The participants explored the ways in which the two counterparties can leverage their core strengths to achieve success in the partnership. Nina brought her perspective on how working on mutual interest between large corporates and inclusive businesses can help in creating shared value and scaling the mission. Virginia brought her perspectives from the</p>

	ground based on the ongoing partnership between SOLARKIOSK and Coca-Cola.
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World Cafe: Building the ecosystem for Corporate Impact Venturing

In the breakout sessions, participants broke into three groups and worked through a series of three guiding questions on how to build the CIV ecosystem. Facilitators lead the discussions and captured the outputs of the thematic discussions on pinup boards.

Session Name	Description
<p>What knowledge do we need? <i>Fabian Suwanprateep, Beyond Philanthropy</i></p>	<ul style="list-style-type: none"> Existing barriers, incentives and tipping point for corporations Navigation through the CIV cycle Corporation's expectation from IBs with regards to KPIs, and financial targets Tools for measuring strategic benefits Assessment of the best suited CIV approach for different contexts Telling the story as a "collective transformative journey" Expectations management of both the corporate and the IB Overcoming the fragmentation in the impact investing space? Mapping the various actors and their roles
<p>What support for Corporates and IBs do we need? <i>Aline Menden, Endeava</i></p>	<p>Corporates:</p> <ul style="list-style-type: none"> Awareness of opportunities in low-income markets Development and screening of ideas (externally / crowd-sources or internally through intrapreneurship) Create a space to trigger radical innovation and room for failure Handholding along the investment cycle for both the corporates and IBs De-risking facilities at a larger scale (e.g. from foundations, governments, insurance schemes etc.)

	<p>Inclusive businesses:</p> <ul style="list-style-type: none"> • Intermediaries and brokers to provide access and support • Awareness about potential opportunities with the corporates • Incentives from host governments • Investment readiness support
<p>What new investment instruments and support mechanisms do we need?</p> <p><i>Martin Vogelsang, EVPA</i></p>	<ul style="list-style-type: none"> • Platforms where corporate investors can meet • Conducive environment for FDI • Create and adapt the financial market for CIV • Intrapreneurship and entrepreneurship competitions • Seed financing facility • Tools for capturing additional costs (e.g. for due diligence) • Access to short term capital • Blended finance tools • Revenue sharing instruments • Self-assessment tools along the continuum

Plan of Action and Next Steps

At the end of the workshop, concrete action steps were discussed. Combining the overall thematic discussions of the breakout sessions, participants discussed a number of potential outputs in order to support this nascent—but promising—practice and increase the number of cases of effect and mutually beneficial corporate impact ventures.

Action Point	Responsibility	Status
Document workshop findings	Endeva	done
Spread the word about corporate impact venturing among relevant actors	Endeva	ongoing in collaboration with SEED
Develop guidelines for corporates for getting started with impact venturing. Provide overview of who does what	Endeva	pending

Share the report on potential for corporate sector to cooperate with social enterprises	Acumen	pending
Share the list of events and conferences, including the Airbus competition	Airbus BizLab	done
Explore opportunities with EVPA to place topic on event agenda etc.	Beyond Philanthropy	pending
Link existing corporate partnerships with CIV agenda	Covestro	pending
Share how to reach the right people in corporates (informal BOP circle)	Covestro	pending
Explore with WBCSD how do reach big corporates	DIVA	pending
Share information about Intrapreneurship conference and Corporate innovation roundtables	DIVA	pending
Share more examples of corporate impact venturing (CIV)	EVPA/Endeva	done
Host a Webinar on CIV	TheFutureMakers	scheduled for Sep 20, 2016
Social impact bonds: Make the link	Phineo	pending
Share information on competitions as a matchmaking tool	SEED	pending
Share the information in networks including countries, BMZ and GIZ	IBAN	—