

Mapping the Social / Inclusive Business field in Brazil

Results:
Businesses Category



Contents

- 1. Objectives, partners, methodology and target group**
- 2. Mapping size & scope**
- 3. Identifying profiles**
- 4. Additional observations**
- 5. Contact information**

OBJECTIVES OF THE STUDY

- Identify actors in the area of businesses that aim to reduce poverty, specifically:
 - Businesses
 - Incubators
 - Accelerators
 - Investment Funds
- Collect and analyze data relating to:
 - Operations, performance and impact
 - Relationships with other actors and role in the ecosystem
- Promote results to people/organizations interested understanding the field in Brazil



EXPECTED IMPACT

- Improve decision-making of actors in the field
- Attract more people/organizations to engage with the ecosystem in Brazil

PARTNERS

Coordination

ANDE Brazil Chapter, AVINA Foundation & Potencia Ventures

Financial support

AVINA Foundation & Potencia Ventures

Execution of the research

Plano CDE

Other support

Artemisia Social Business & Vox Capital

For more detailed partner information, see Appendix I

METHODOLOGY



MAPPING SIZE & SCOPE

- Identification of actors
- Desk research
- Systemization of basic information

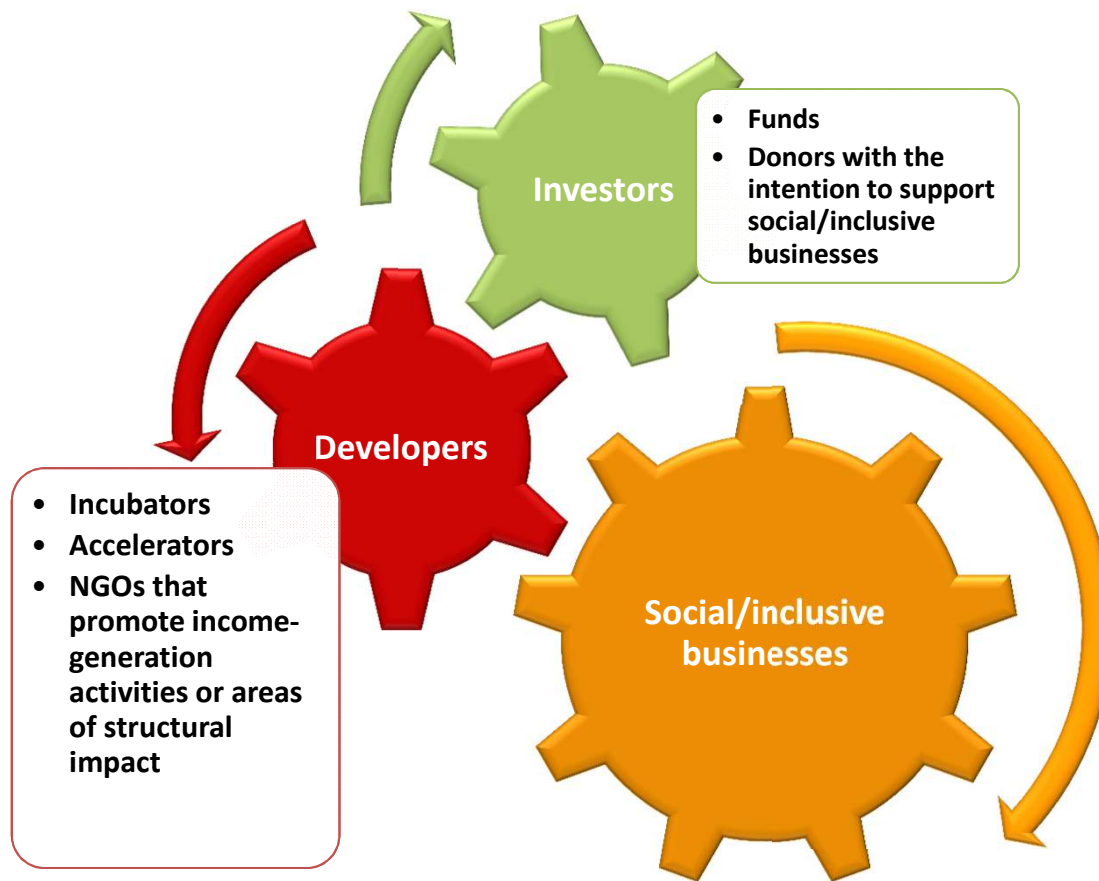


IDENTIFYING PROFILES

- Definition of samples & list of indicators for deeper research
- Compilation of data relating to operational model, performance and social impact
- Analysis of data

Target groups

The research focused on three categories of organizations within the social/inclusive business field in Brazil:



Phase 1 Results : Mapping size & scope

Businesses Category

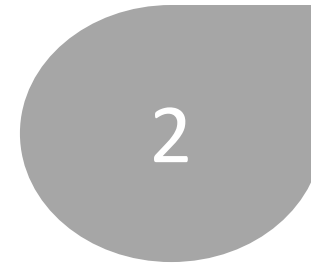


METHODOLOGY



MAPPING SIZE & SCOPE

- Identification of actors
- Desk research
- Systemization of basic information



IDENTIFYING PROFILES

- Definition of samples & list of indicators for deeper research
- Compilation of data relating to operational model, performance and social impact
- Analysis of data

PHASE 1

Actors identified

884 organizations

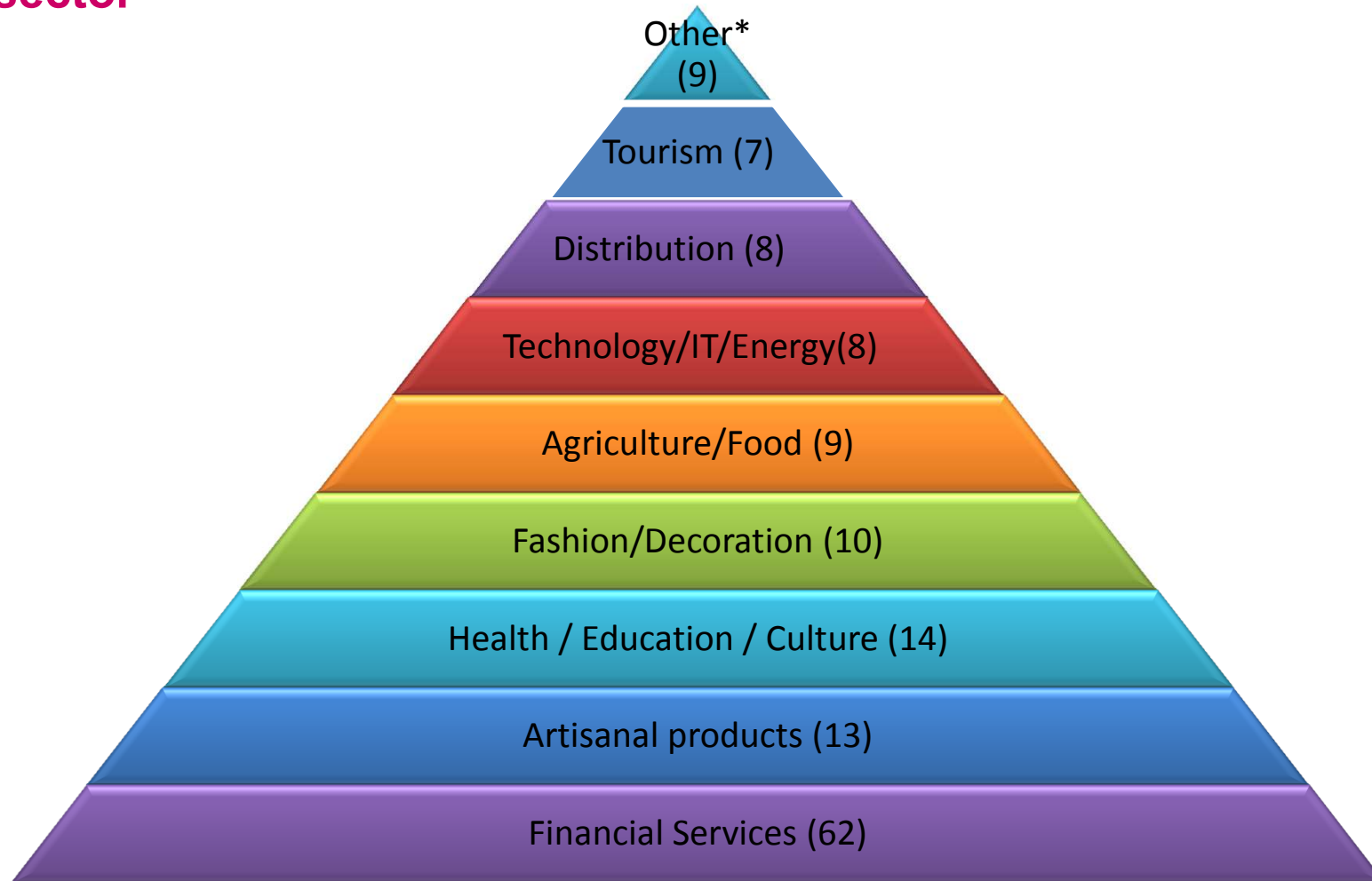
- **140** Social/Inclusive Businesses
- **60** Incubators
- **24** Accelerators
- **15** Investors

-
- **645** Income generation initiatives (not considered for Phase 2)

For more detailed results, see Appendix II

Phase I: Social / Inclusive Businesses (140)

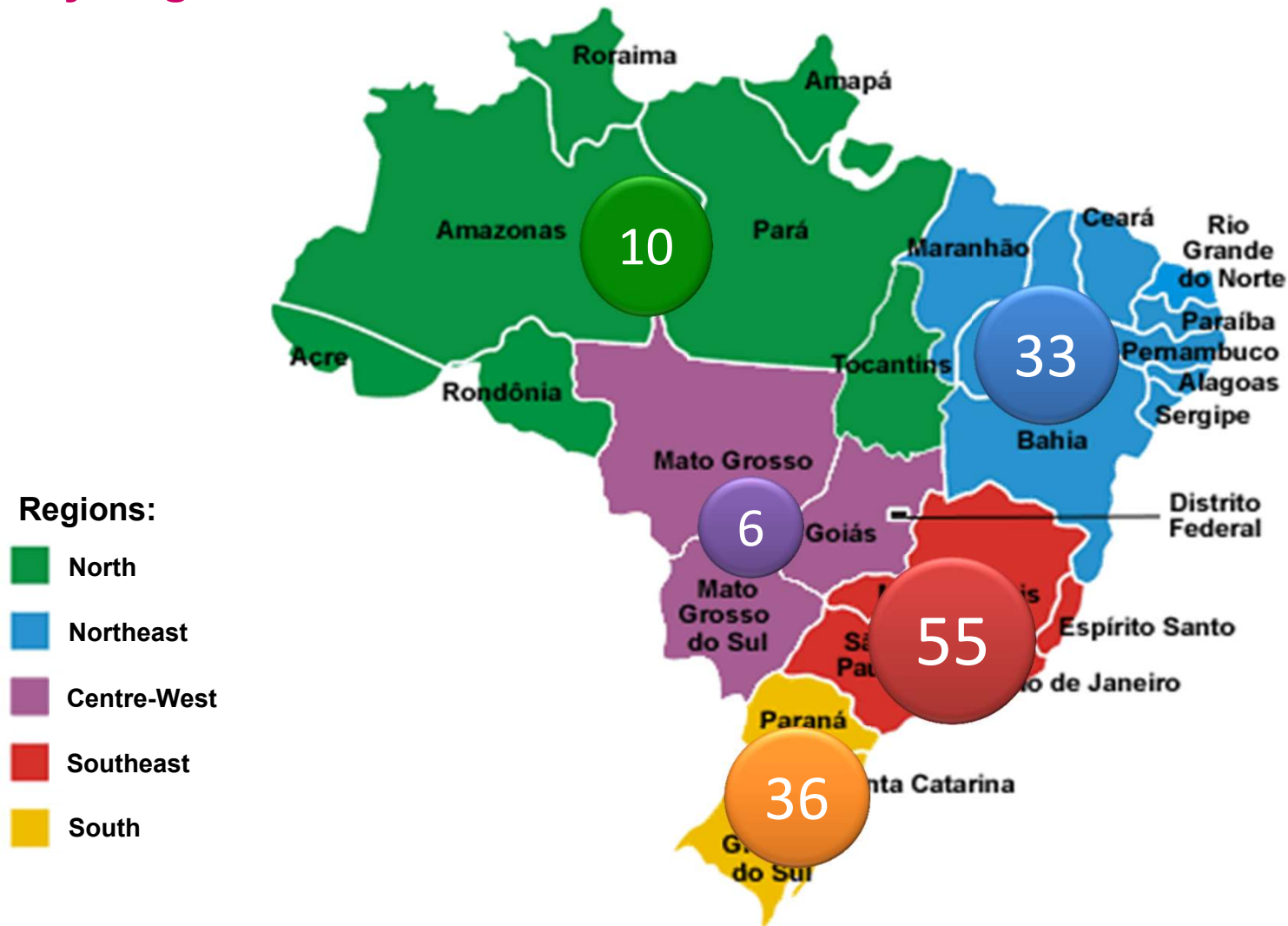
By sector



* Including Housing

Phase I: Social / Inclusive Businesses (140)

By Region

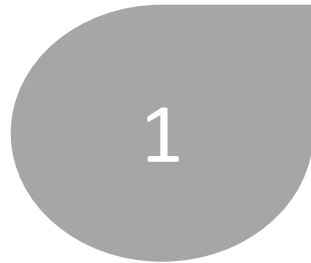


Phase 2 Results: Identification of profiles

Businesses Category



METHODOLOGY



MAPPING SIZE & SCOPE

- Identification of actors
- Desk research
- Systemization of basic information



IDENTIFYING PROFILES

- Definition of samples & list of indicators for deeper research
- Compilation of data relating to operational model, performance and social impact
- Analysis of data

Sample Definition

50 SOCIAL / INCLUSIVE BUSINESSES

- Focus on micro and small enterprises
 - Revenue below 16 million reais (\$10M), when declared
- Directly serves the base of the pyramid:
 - Offer products or services; and/or
 - Includes people from the BoP in the value chain (excluding those that generate only employment)
- Economically viable, or structured to achieve viability
 - Excludes those that depend mostly on donations
- May or not intend to cause positive social impact
- Preference for areas of structural necessity:
 - Education / health / housing / finances

Respondants' profile:

- Founder, shareholder or qualified manager/director

Phase 2 - METHODOLOGY

- Quantitative research
- Questionnaire applied by telephone (CATI), based on the list created in Phase 1 → intentional sample
- Interviews of approximately 30 minutes
- Questionnaires composed of the following types of questions:
 - **Closed:** the interviewee chooses and or ranks responses from within a pre-defined list of possibilities
 - **Semi-open:** the interviewee chooses and or ranks responses from within a pre-defined list of possibilities, and also has the possibility to declare a non-listed response
 - **Open:** the interviewee declares his/her response freely, without needing to choose from a pre-defined list
- Where possible, indicators were taken from the Impact Reporting & Investment Standards framework
(<http://iris.thegiin.org> – see Appendix III for more details)

Phase 2

Social / Inclusive Businesses (50 interviews)

Annual revenue in USD* (excluding donations) – Classification according to BNDES criteria**

Micro enterprise 64%	
< 125,000	22%
125,000 to 219,000	14%
219,000 to 312,500	6%
312,500 to 625,000	12%
625,000 to 1.5 million	10%

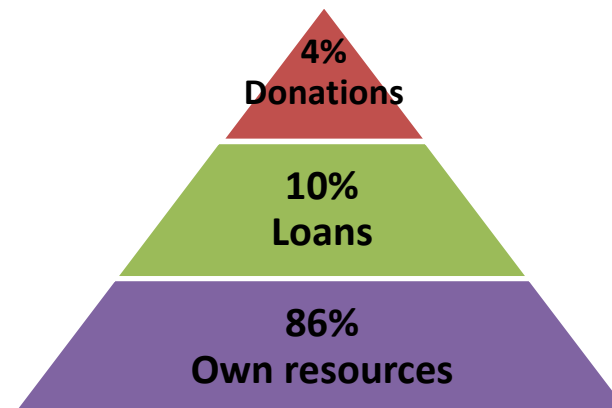
Small enterprise 10%	
3.125 to 6.25 million	8%
6.25 to 10 million	2%

Medium enterprise (not mapped)	
16 to 90 million	-

Businesses with declared revenue above 16 million did not enter into the study at this stage.

Did not respond: 26%

How do they finance day-to-day operations?



Social / Inclusive Businesses

Geographic distribution of sample – absolute numbers

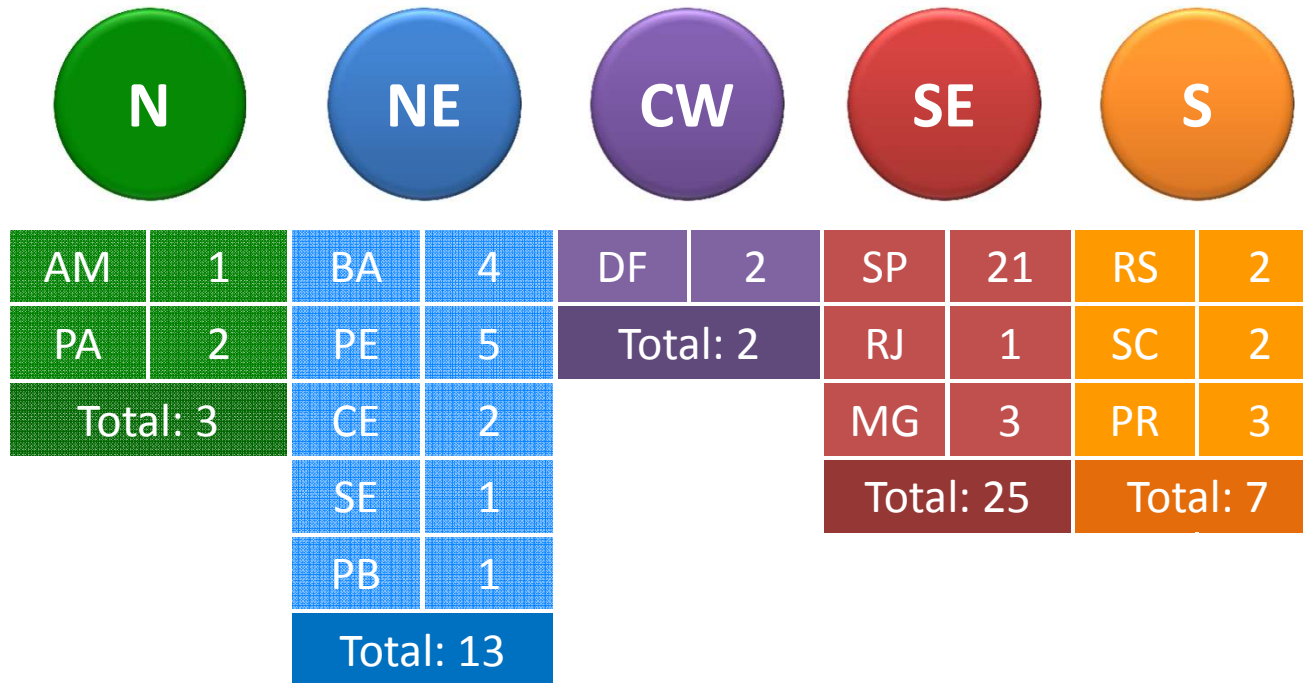
Origin per region



Social / Inclusive Businesses

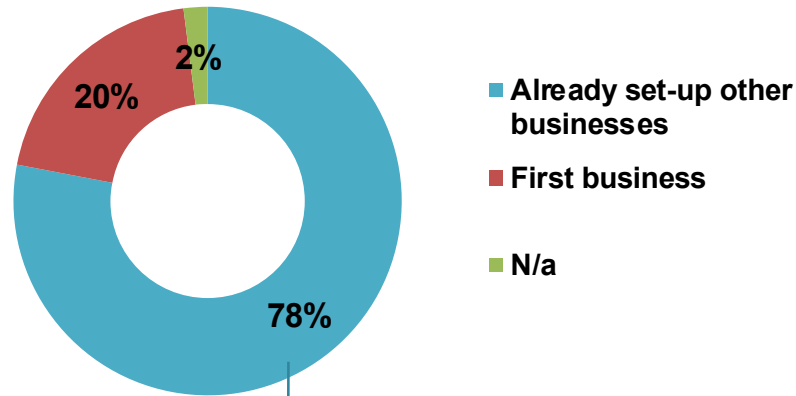
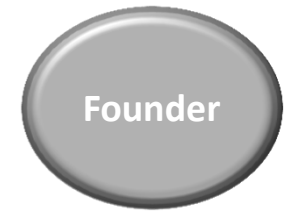
Geographic distribution of sample – absolute numbers

Origin per State

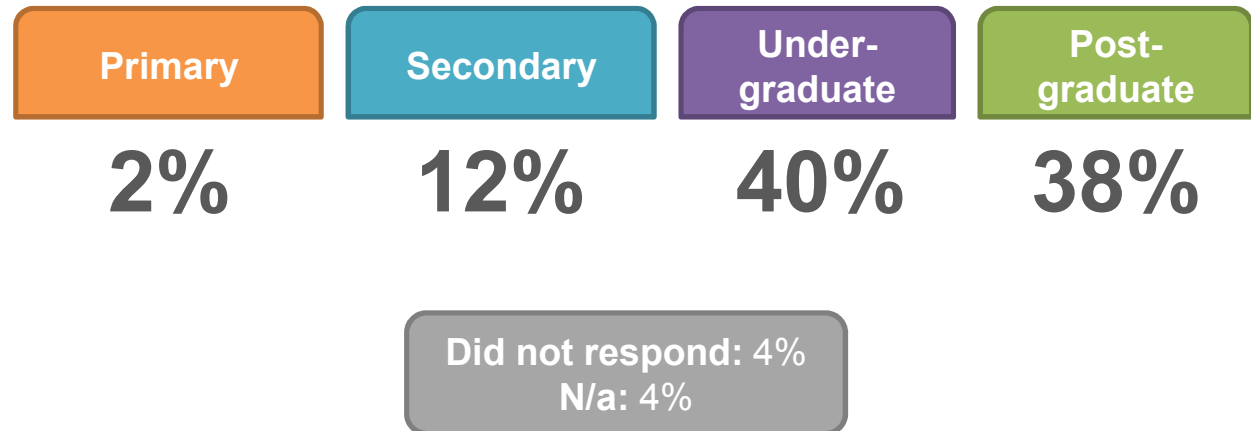


Social / Inclusive Businesses

Profile of founders – entrepreneurship experience and education



How many?	
1 enterprise	38%
2 enterprises	16%
3 enterprises	14%
4 enterprises	10%

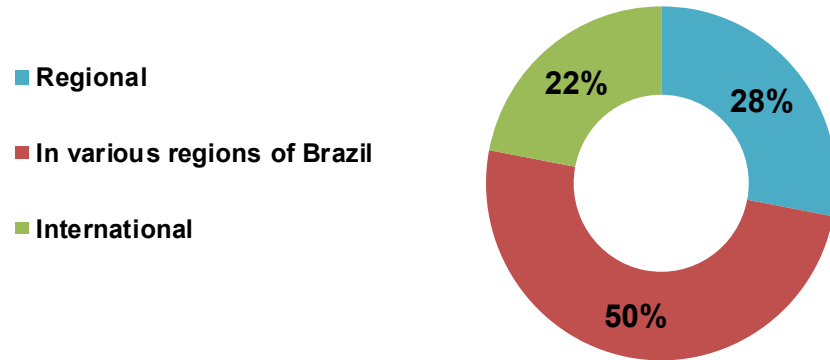


Social / Inclusive Businesses

Scope of operations



Scope of operations



Of those that operate **regionally***, 9 are in the **Southeast**, 4 in the **Northeast** and 1 in the **North**

Sectors:

Culture, Education, Housing, Environment, Health, Financial services/microcredit, Transport/logistics, Tourism and Food industry

Of those that operate in **various regions of Brasil***, 12 are based in the **Southeast**, 6 in the **Northeast** and 6 in the **South**

Sectors:

Water & sanitation , Agriculture, Artesanals, IT/Communication, Culture, Education, Housing, Infrastructure, Environment, Health, Distribution, Technical assistance, Financial services/microcredit, Transport/logistics, Tourism, Commerce, Training, Agro- industrial, Consultancy

Of those that have **international reach***, 4 are based in the **Southeast** and 3 in the **Northeast**

Sectors:

Agriculture, Artesanals, IT/Communication, Culture, Education, Energy, Housing, Environment, Distribution, Technical assistance, Financial services/microcredit, Transport/logistics, Tourism, Vocational training, Food industry

* Absolute numbers

Base: 50 interviews

Social / Inclusive Businesses

Geographic reach of sales

Profile

The 3 businesses based in the **NORTH** sell to, on average, 13 states, reaching all regions

The 25 businesses based in the **SOUTHEAST** sell to, on average, 6 states, reaching all regions

The 13 businesses based in the **NORTHEAST** sell to, on average, 8 states, reaching all regions

The 7 businesses based in the **SOUTH** sell to, on average, 11 states, reaching all regions

The 2 businesses based in the **CENTER-WEST** sell to, on average, 4 states, reaching the North and Southeast) in addition to the Center-West itself

Social / Inclusive Businesses

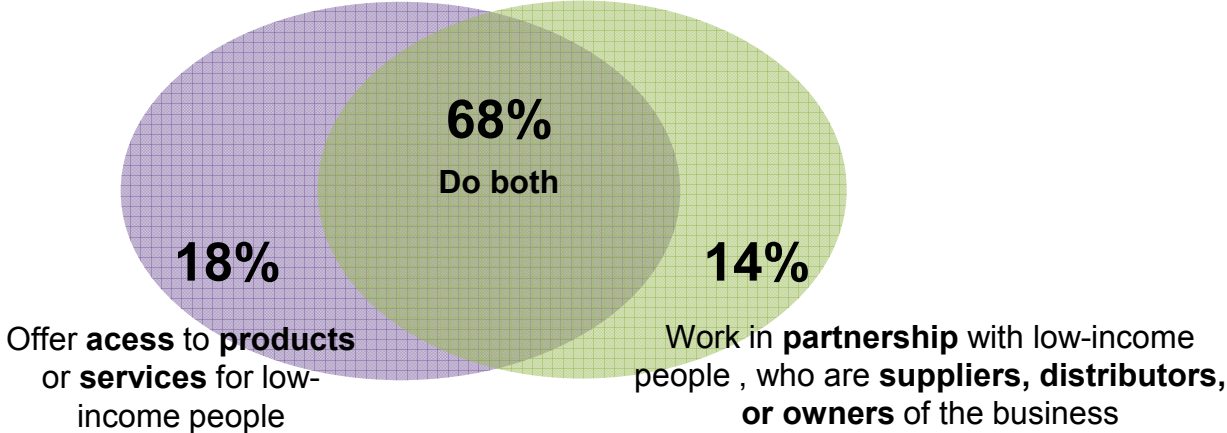
Founding year – in absolute numbers



1980	1	1990	1	2000	3	2010	3
1983	1	1992	1	2001	3	Total: 3	
Total: 2		1993	1	2002	2		
		1994	2	2003	1		
		1996	1	2004	1		
		1997	2	2005	3		
		1998	2	2006	7		
		1999	2	2007	4		
		Total: 12		2008	6		
				2009	3		
				Total: 33			

Social / Inclusive Businesses

Mechanism for impact



Social / Inclusive Businesses

Social Impact

Description



96%

Were created with the **intention** of causing **social impact**

4%

Were **not** created with the **intention** of causing **social impact**

Social / Inclusive Businesses

Financial self-sufficiency



64%

Are operating as conventional businesses, and do **not rely on donations**

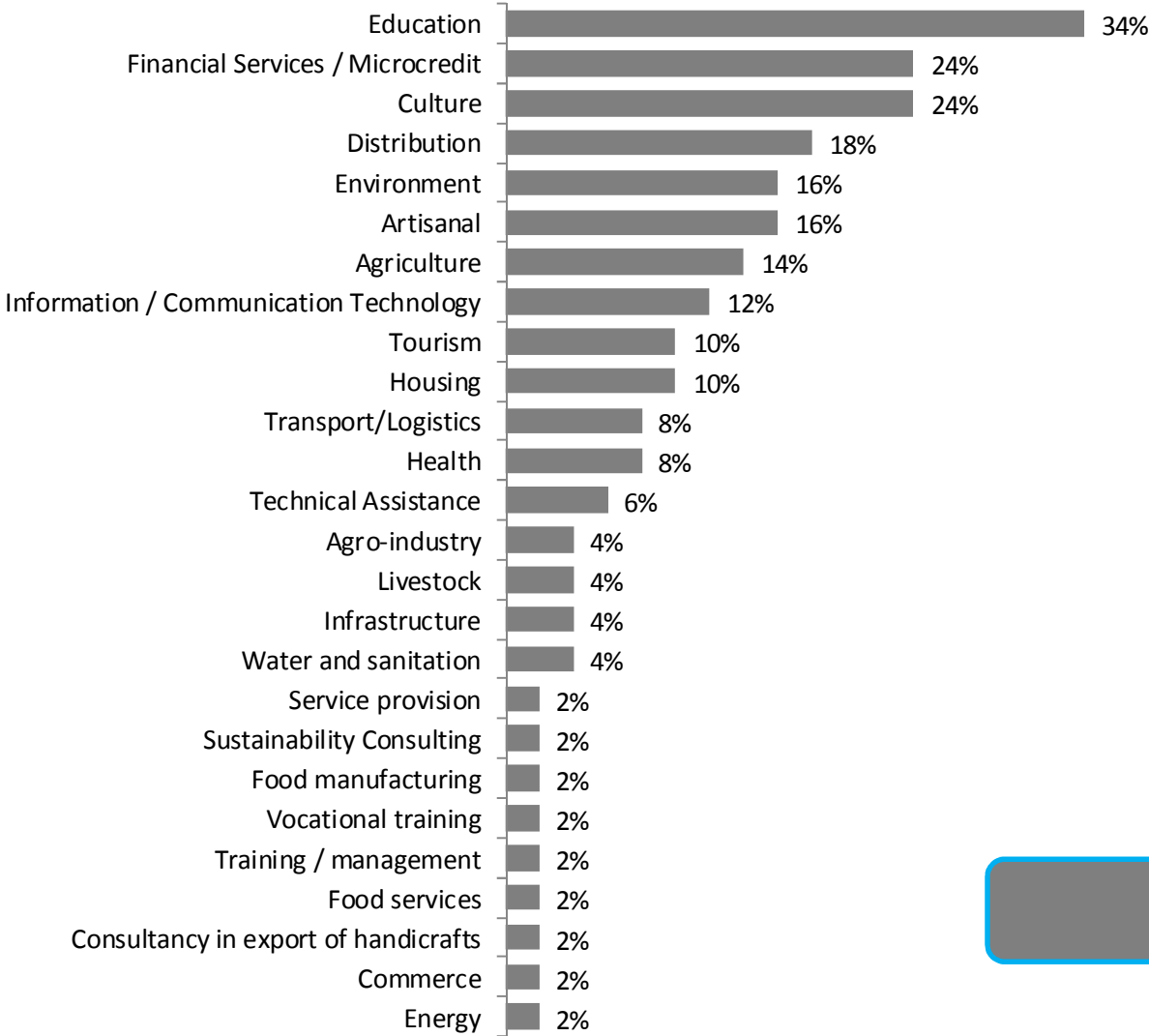
36%

Depend **partially** on donations (< 90%), but intend to become **independent** and operate fully with their own resources



Social / Inclusive Businesses

Sector



IRIS Indicator
OD 7481 / PD 3017

Multiple Responses
Multiplicity index: 2.34

Social / Inclusive Businesses

Operational Model



IRIS Indicator
OD 6306



Services

72%



Production/
Manufacturing

28%



Distribution

26%



Wholesale /
Retail

22%



Processing/
packaging

16%

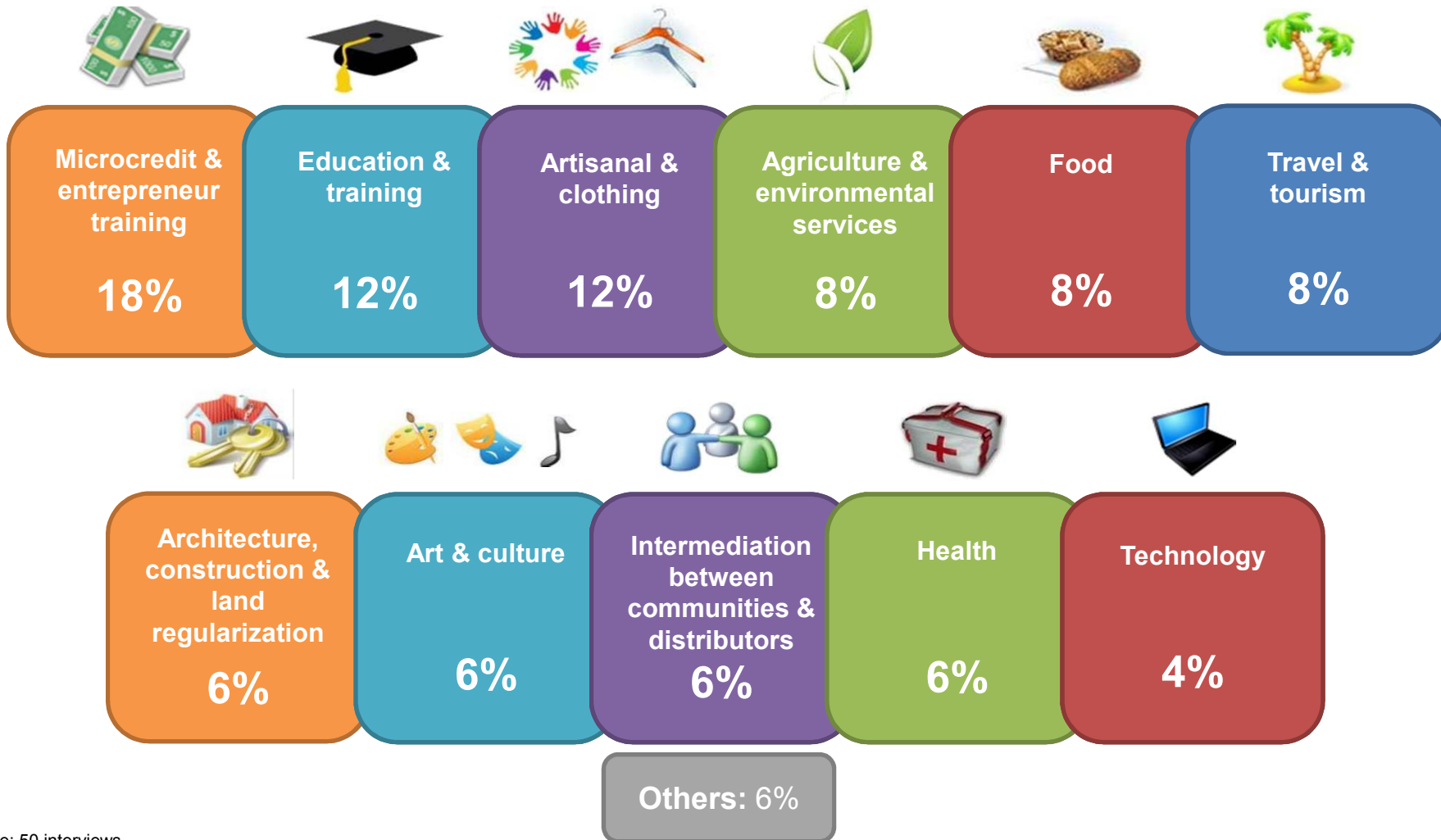
Multiple Responses
Multiplicity index: 1.64

Social / Inclusive Businesses

Product / Service offered

(Open question)

IRIS Indicator
PD 7899

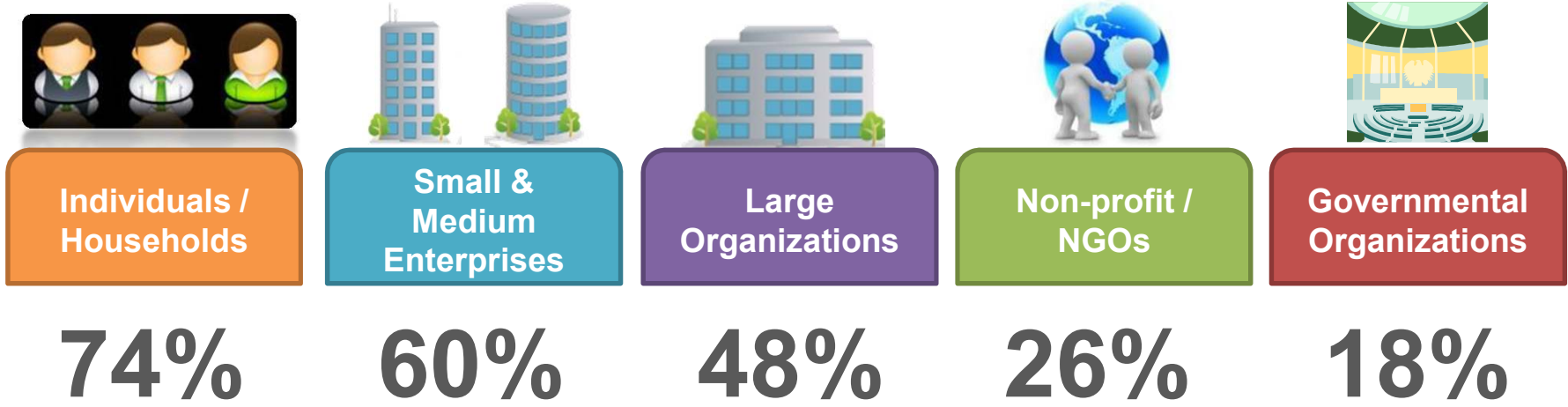


Social / Inclusive Businesses

Client type



IRIS standard
PD 7993

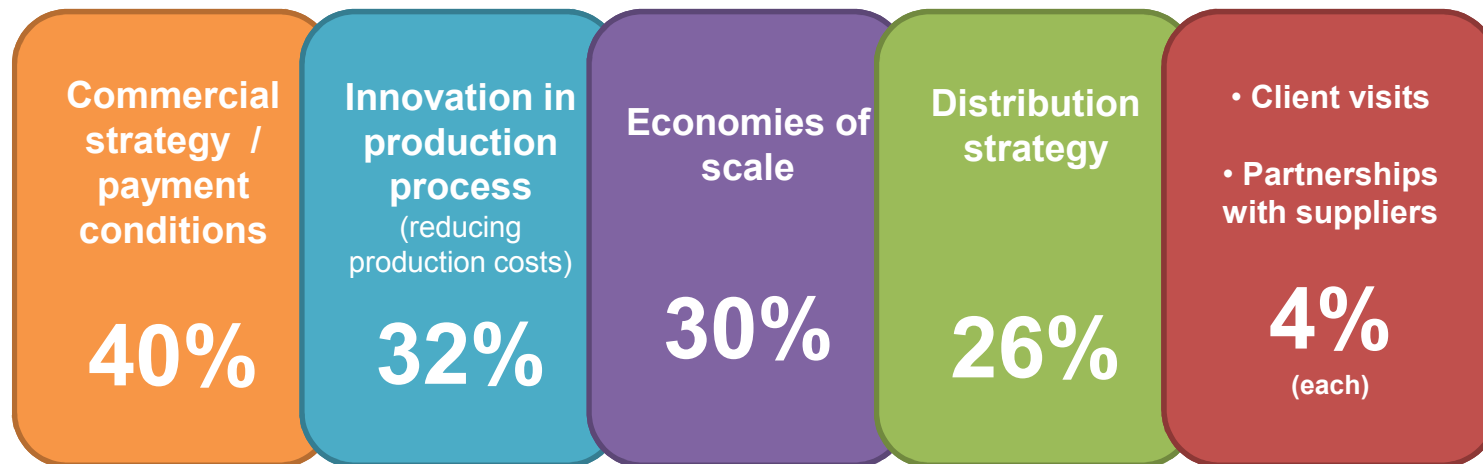


Multiple Responses
Multiplicity index: 2.26

Base: 50 interviews; 113 mentions

Social / Inclusive Businesses

Strategies for cost-reduction / increasing access
(Semi-open question)

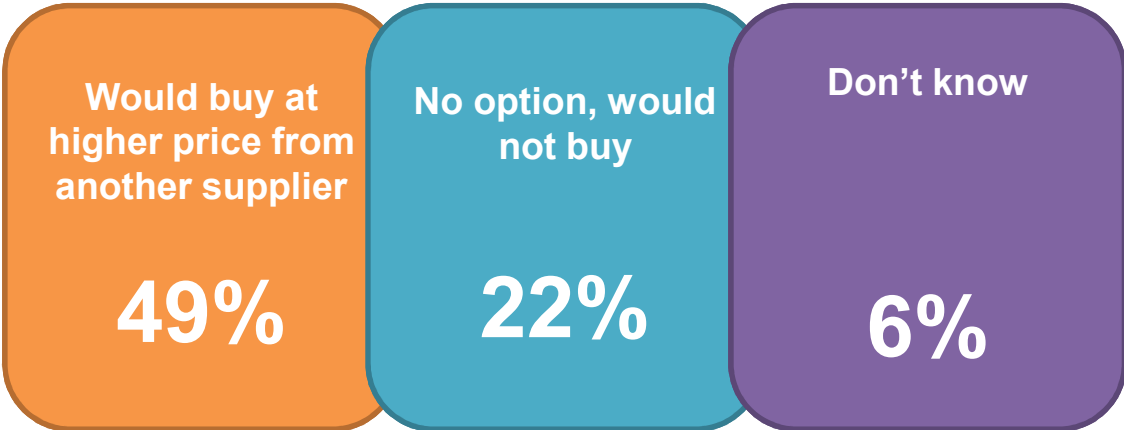


Others*: 38%

Multiple Responses
Multiplicity index: 1.74

Social / Inclusive Businesses

Client option if the business did not exist



Others*: 23%

Base: 50 interviews;

* Diverse responses with few mentions

Social / Inclusive Businesses

Primary Social-Impact Objective



IRIS Standard
OD 6247



Primary Social-Impact Objective	
Income / productivity growth	36%
Access to education	16%
Affordable housing	8%
Capacity-building	8%
Community development	8%
Access to financial services	6%
Employment generation	6%
Health improvement	4%
Agricultural productivity	2%
Access to consumer goods	2%
Access to information	2%
Disease prevention & mitigation	2%

Base: 50 interviews;

Social / Inclusive Businesses

Beneficiaries

(Open question, without pre-determined groupings)



N° of beneficiaries in 2010* vs year of founding		
1 to 999	21	1992 / 1994 / 1996 / 1997 / 1998 / 1999 / 2000 / 2001 / 2003 / 2005 / 2006 / 2007 / 2008 / 2009 / 2010
1,000 to 9,999	12	1983 / 1993 / 1994 / 1997 / 1998 / 2000 / 2001 / 2002 / 2005 / 2006 / 2007 / 2010
10,000 to 99,999	9	1980 / 1999 / 2001 / 2004 / 2005 / 2006 / 2007 / 2009
100,000 to 999,999	3	1990 / 2006 / 2008
> 1,000,000	1	2006
No response	4	2002 / 2006 / 2008 / 2010

Base: 50 interviews; * Absolute numbers

Social / Inclusive Businesses

Beneficiaries



IRIS Standard
PD 5752

Demographic Groups – multiple response	
General population	76%
Women	38%
Children & Adolescents	30%
Disabled	16%
Minorities / Previously excluded populations	16%
Multiplicity Index	1.76



IRIS standard
PD 2541

Socioeconomic Groups* – multiple response	
< 0.5 min. salary (<\$170 / month)	60%
0.5 to 2 min. salaries (\$171-680)	72%
2 to 5 min. salaries (\$681-1700)	38%
5 to 10 min. salaries (\$1701-3400)	24%
> 10 min. salaries (\$3400)	16%
No response	2%
Multiplicity Index	2.12

* Nominal Exchange Rate: \$1 = 1.60BRL
1 minimum salary in Brazil = 545BRL / month

Social / Inclusive Businesses

Measurement of Social Impact



50%

Research or collect data about **social impact generated**



Methodologies used	
Internal	38%
External	8%
ISO 26000	4%

50%

Do **not** research or collect data about **social impact generated**

Base: 50 interviews;

Social / Inclusive Businesses

Technological Products/Services



1/3

Used other sources to develop the technology for their product or service

2/3

Developed the technology for their product or service in-house

Technology Source – multiple response	
University	7
International model	6
Technology incubator	3
Large company	2
Investor / individual	2
Multiplicity index	1,82

Social / Inclusive Businesses

Advisory

Description

74%

Make use of **external advice or guidance** in day-to-day operations



26%

Do **not** make use of **external advice or guidance** in day-to-day operations

Base: 50 interviews

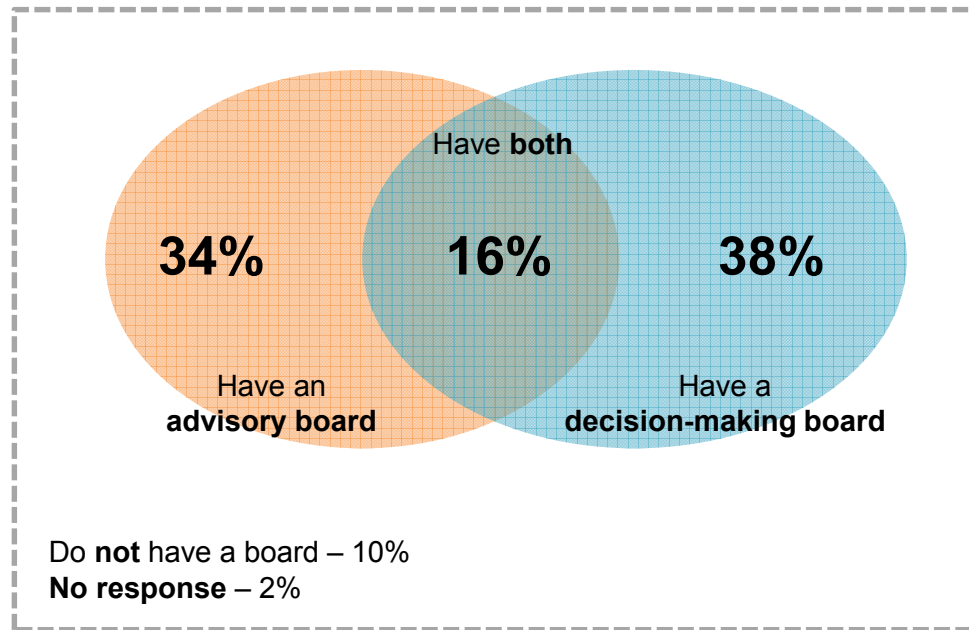
From whom receive advice – multiple responses, absolute numbers

NGO	22
Consultancy	18
SEBRAE (Government SME Agency)	13
Universities	12
Other government agencies	9
Business incubator	5
Sectorial organization	3
Bank	2
Multiplicity Index	2,27

Base: 37 interviews , 84 mentions

Social / Inclusive Businesses

Boards



Boards with independent members (advisory boards)	
Yes	29%
No	4%
No response	1%

Boards with independent members (decision-making boards)	
Yes	22%
No	16%

Social / Inclusive Businesses

External Investors

(who do not participate in operations; not including donations)

Financial
Resources

54%

Have **external investors**



46%

Do not have **external investors**

Social / Inclusive Businesses

Growth expectations – 3 years



Expected growth (%) - absolute numbers, open question	
0 to 25%	4
26 to 50%	10
51 to 100%	7
> 100%	9
No response	5

Expected growth (factor) - absolute numbers, closed question	
x2	4
x3	5
x4	1
x5	5



Social / Inclusive Businesses

Expected growth in financing – 3 years



Expected volume to be raised* – absolute numbers, open question	
< \$7.5M	23
> \$7.5M	15
No response	12

* Nominal Exchange Rate: \$1 = 1.60BRL



Proportion from donations – absolute numbers	
0 to 25%	19
26 to 50%	4
> 50%	2
Don't know	3
No response	10

Proportion from loans* – absolute numbers	
0 to 25%	12
26 to 50%	4
> 50%	5

Proportion from equity investment – absolute numbers	
0 to 25%	3
26 to 50%	5
51 to 75%	4
76 to 100%	19

Additional Observations

Businesses Category



Concepts & Terminology

- Social Business / Inclusive Business is a relatively new phenomenon in Brazil. It is therefore not surprising that there is not consensus around theories or concepts, nor even around what this means in practice.
- We identified many initiatives that are hybrid, trying various approaches and organizational models for social impact, and that do not fit neatly into any conceptual framework
- The legal nature of an organization does not necessarily define the driving factor for it becoming a social/inclusive business
- This creates challenges in classification, but also offers a great opportunity to innovate and experiment



The reality shows us that there is an opportunity to refine concepts and thus perhaps include other businesses that act within the social impact area but do not identify themselves as such.

We suggest not creating a rigid definition of social/inclusive business, given that the field is still in an early stage of development.

Social Impact

- The businesses analyzed generally have a clear intention to generate social impact, reaching the BoP as consumers and through inclusion in the value chain.
- There is an important gap, and a significant opportunity, in businesses that are able to meet the unmet needs of the BoP in healthcare, education, housing and technology.



Among existing businesses, there is an opportunity to reinforce the importance of effectively measuring social impact.

Developing the field

- There is significant scope for communicating a more consistent concept of social/inclusive business, and for showcasing successful initiatives from the field.
- This would help to :
 - Widen the discussion
 - Increase the maturity of the field
 - Stimulate exchange of experiences between actors in the field
 - Promote better structuring of initiatives
 - Increase awareness of opportunities for investment and support services
 - Stimulate entrepreneurs to look for financing to increase the scale of their businesses
 - Structure common metrics for measuring social impact (those in this survey that do measure mostly use in-house methods, and many do not measure at all)
 - Develop management models capable of meeting the specific needs of businesses that aim to cause social impact as well as being profitable

For more information, contact:

Rob Parkinson
ANDE Brazil Chapter, Coordinator
Email: rob.parkinson@andepolobrasil.org



Appendix I

About ANDE Brazil Chapter (www.andepolo.org)

The Aspen Network of Development Entrepreneurs (ANDE) is a global network of organizations that invest money and expertise to propel entrepreneurship in emerging markets. ANDE members are the vanguard of a movement that is focused on small and growing businesses (SGBs) that create economic, environmental, and social benefits for developing countries. ANDE's Brazil Chapter brings together member organizations across the country to generate and share knowledge around businesses focused on the base of the pyramid, facilitate dialogue with other players in the entrepreneurship ecosystem, and build connections with the international movement for SGBs.

About AVINA Foundation (www.avina.net)

AVINA Foundation contributes to sustainable development in Latin America by encouraging productive alliances based on trust among social and business leaders and by brokering consensus around agendas for action. AVINA works in almost all of the continent, implementing national and regional strategies.

About Potencia Ventures (<http://www.potenciaventures.net/>)

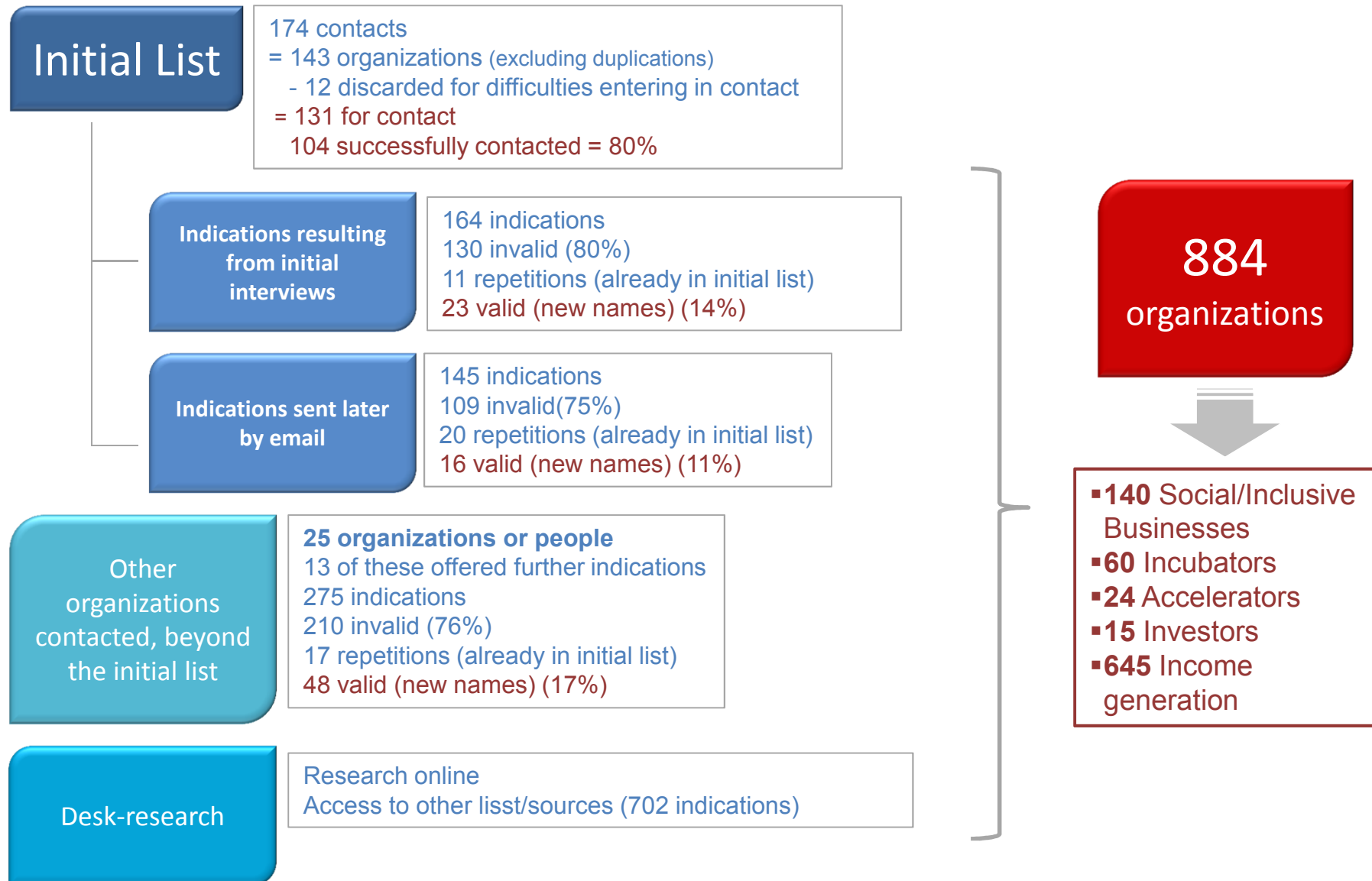
Potencia Ventures backs system-changing new business models, businesses, and institutions to help create the entrepreneurial ecosystem that improves opportunity for the base of the pyramid. Potencia has been the first investor and principal strategic partner for a half-dozen key initiatives for business serving the base of the pyramid in Brazil. This includes a venture capital fund (VOX Capital), an organization that develops high performance teams for businesses that reduce poverty (Artemisia), and Brazil's premier source for information about the field (NextBillion Brasil). Potencia Ventures has also supported other initiatives in Latin America, Asia, West Africa and Europe.

Appendix I

About Plano CDE (www.planocde.com.br)

Specializing in understanding socioeconomic classes C, D & E, Plano CDE is a consultancy firm that helps organizations from all sectors to develop new activities and inclusive businesses involving the base of the pyramid population. Plano CDE also carries out qualitative and quantitative research to better address its clients concerns, as well as providing executive training and guidance on working classes C, D & E in Brazil and with emerging markets.

Appendix II: PHASE 1 DETAILED RESULTS



Appendix III:

IRIS STANDARDS USED IN THIS STUDY

- Sector of activity
 - (OD 7481 / PD 3017).....slide 26
- Organizational model
 - (OD 6306).....slide 27
- Product or service offered
 - (PD 7899).....slide 28
- Client type
 - (PD 7993).....slide 29
- Primary social-impact objective
 - (OD 6247).....slide 32
- Beneficiary demographic groups
 - (PD 5752).....slide 34
- Beneficiary socioeconomic groups
 - (PD 2541).....slide 34