



INCLUSIVE BUSINESS REIMAGINED

How multinational companies are finding purposeful and profitable new ways to engage the four billion people living on less than \$8 a day as customers, suppliers and employees



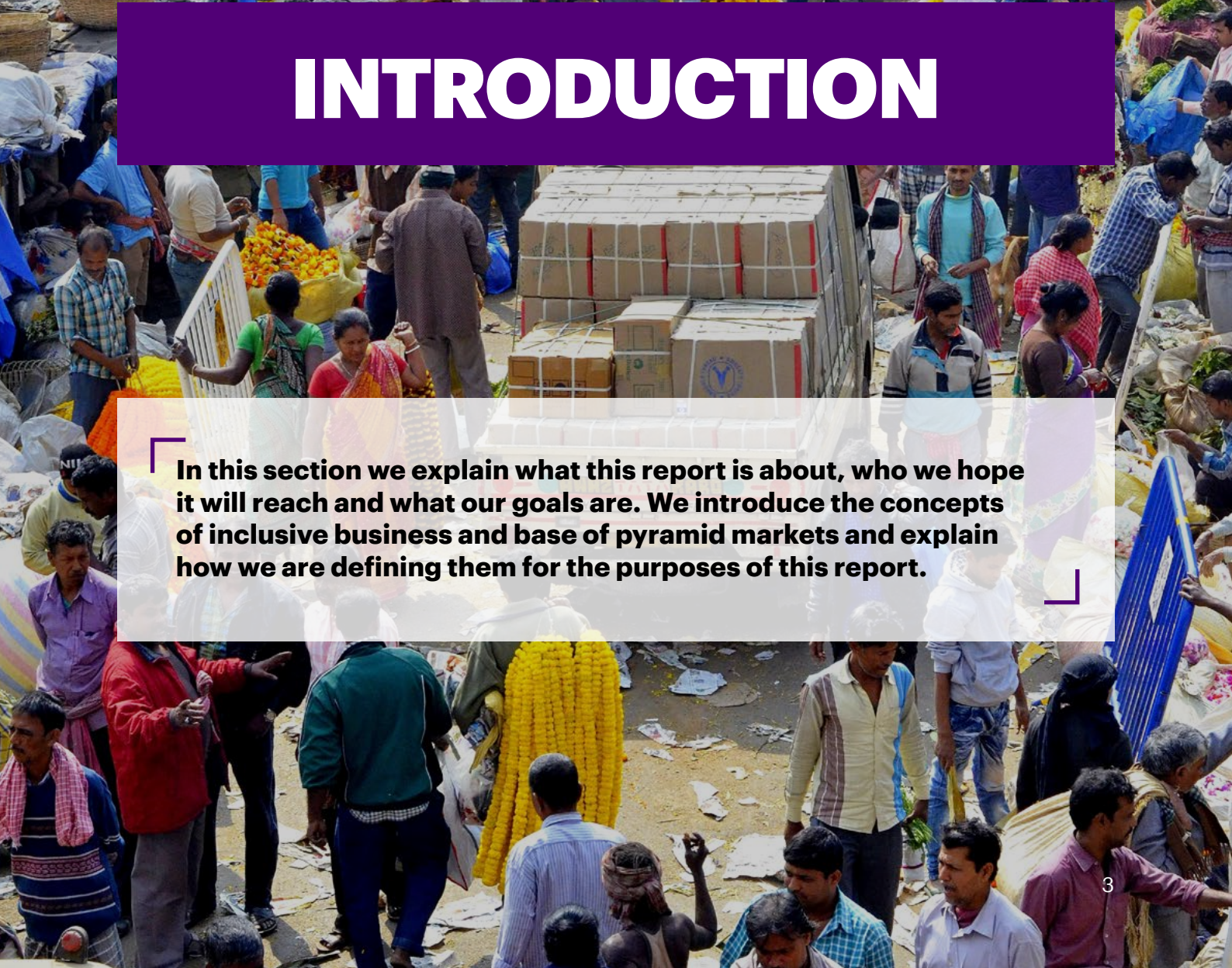


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INTRODUCTION



In this section we explain what this report is about, who we hope it will reach and what our goals are. We introduce the concepts of inclusive business and base of pyramid markets and explain how we are defining them for the purposes of this report.



What is this report about?

Over half the world's population still earns under \$8 a day. For multinational companies, they are the ['next four billion'](#) customers, suppliers and employees and it is essential to find new ways of engaging them to drive growth and profitability in the 21st century. Serving vast unmet needs, improving people's lives and turning global social problems into business opportunities are not new ideas. Inclusive business has been a growing trend for decades. There are hundreds of proven examples and these opportunities are estimated to be worth over [\\$6 trillion](#) for businesses in the next decade.

What is new is that in recent years the inclusive business landscape has been radically transformed by three main trends. There are now far more opportunities for multinational companies and they are increasingly attractive.

When we zoom out and look across the inclusive business market landscape today and compare this with the picture a decade ago, we believe it is now:

- 1. Increasingly profitable:** as new digital platforms and ecosystem business models are maturing and combining, enabled by better identity, supply chain and payments infrastructure
- 2. Growing faster:** as new companies, purpose-built to serve people on low incomes in the Global South are scaling up rapidly and driving a shift towards more 'South to South' investment
- 3. More mainstream:** as existing innovation and venturing capabilities are being leveraged to explore inclusive business more strategically and invest more systematically

In this report, we explore where we are now, where we have come from and where we are going on this increasingly critical Board-level topic. We map out the **inclusive business market landscape** across 13 industries – to give a sample of developments in each and an overview of the wider picture.

We provide insights on what modes of engaging people living on less than \$8 a day are most common in different industries and who is investing in what. We also highlight the factors **transforming the business case** and pointing towards continued improvements in profitability and growth in the 2020s.

But this is not just a simple good news story about the world becoming more globalized, connected and inclusive because of innovation. Yes, there are many examples of new technologies and business models improving the lives of people on low incomes. Yes, billions have been lifted out of poverty in recent decades. And yes, it is possible to identify the most scalable examples and grow them faster.

But speeding up growth is only one half of the challenge with inclusive business. Pausing to reflect on **what kind of world we are creating** and **who we are leaving behind** matters just as much.

We highlight how all business model design choices have consequences: intended and unintended, positive and negative. We explore the complexity of trade-offs and the **unintended negative consequences** of innovation – for example: unsustainable consumerism, inadequate protections for workers, new unregulated digital harms, rising inequality and difficulty ensuring lending is responsible.

We emphasize the importance of embedding a new ethos into the design process for inclusive business models. We illustrate how we have begun exploring complex design choices more deeply with our own clients and share **example frameworks** to identify and respond to unintended consequences. We encourage innovators to build on these and emphasise that the earlier we consider consequences and the more skilfully we respond to them, the easier and cheaper it is to improve outcomes. By asking the right questions in the right way at the right time, we can trigger many small but critical changes that will ultimately lead to faster, more sustainable and more responsible growth for everyone.



What are our goals and who are we aiming to reach?

Our two inter-related goals are to:

- 1. Increase investment in inclusive business** – by giving leaders a view of new opportunities in their industries and beyond and presenting an analysis of the trends transforming the business case
- 2. Improve the design of new business models** – by giving leaders examples of the unintended consequences of innovation and presenting a new design ethos and example framework

Our analysis and recommendations are aimed at three main audiences:

- 1. Multinational companies:**¹ our primary focus is on business leaders with roles in strategy, innovation or new business development who can trigger replication of existing models, internal and external collaboration on this topic and greater investment. In today's world, only business leaders can mobilize the necessary resources and global networks of partners and capabilities needed to scale up inclusive business models fast enough to achieve the SDGs.
- 2. Investors:** our secondary focus is on impact investors, asset managers, pension funds and other financial institutions who want to see strong financial returns combined with a greater focus on sustainability, responsibility and inclusion. Investors can influence business leaders through dialogue, corporate governance activism, changes to their investment strategy or by co-investing with companies in specific projects.
- 3. Donors:** our tertiary focus is on leaders in development agencies and foundations, who want to harness the power of the private sector to help address the [\\$2.5 trillion](#) Sustainable Development Goal (SDG) financing gap. With so much exciting change at the intersection of aid, trade, business and investment today, there's a pressing need to understand the latest opportunities and trends to engage multinational companies more effectively and shape interventions that can deliver most value for money, additionality and impact.

Beyond these three audiences, this report may also be of interest to people working in start-ups, venture capital funds, non-governmental organisations (NGOs), think tanks, consultancies or the public sector in the [Global North or South](#).

However please note we do not address the needs or perspectives of these additional audiences directly. For example, when we explore barriers to investment – we consider only the barriers facing multinational companies, not those facing start-ups, NGOs or any others.

¹ i.e. companies with more than \$500m revenue and activities in more than five countries



How do we define 'inclusive business' and 'base of pyramid'?

We define business models as 'inclusive' if they have two main characteristics:

1. They engage people at the **base of the pyramid** in **developing countries** in **core business activities** in at least one of the following ways:²
 - a. as **customers**
 - b. as **suppliers**; or
 - c. as **employees** (this could be as direct full-time employment or as temporary contractors and could include acting as distributors or retailers)
2. They **serve unmet needs**, thereby creating positive social impact (see examples in Figure 1).

But beyond a simple technical definition like this, what is inclusive business?

It is the thousands of incremental new ways in which **four billion people are becoming part of the global economy for the first time** every day.

It is the trillions of data points being generated through entirely new kinds of digital interactions, making hundreds of millions of people **more visible, more trusted and less remote** each year.

It is the rapid **collapse of time, cost and risk** involved in engaging people in poorer, more remote areas.

It is the gradual shift away from companies using a small portion of their profits to off-set the negative impacts of their core activities and the pro-active choice to invest in new business models with positive impacts designed in, laying down a **path for more sustainable, responsible future growth**.

It is the ever-increasing range of possibilities that is created as **new products and services act as enablers for each other**. It is a female entrepreneur buying a solar panel, which enables her to charge a mobile phone, which prompts her to officially register her identity for the first time, build up a credit score and get micro-finance loans for an electric bike, a water pump and an expansion of her market stall.

It is **access to a world of inter-related public and private sector services** like land and property rights, voter registration, mobile health and education, transport-on-demand and e-commerce.

It is the **blurring of boundaries between industries** and the complex new relationships emerging between public, private and non-profit sector organizations involved in these value chains.

It is the defining feature of the **next wave of globalization** – illustrated by its prominence in the '[Globalization 4.0](#)' narrative that shaped the agenda for the World Economic Forum conference at Davos in 2019.

It is not a simple or monolithic concept, but a vast, global snowball effect, involving many different types of businesses and changes, happening at **very different paces in different parts of the world**.

It is a term that is most relevant to business leaders from the Global North because it distinguishes **profitable core business activities** from philanthropy or Corporate Social Responsibility (CSR).

For many companies from the Global South who naturally seek to include people on lower incomes as their customers, suppliers and employees and view unmet needs as opportunities, **it is just business**. As we will see later, many impressive examples now come from Global South companies with this mindset.

² Please note that many business models could include people on low incomes in more than one mode, for example a business could hire them to be employees while also selling to them as customers. We label the primary mode based on the relative numbers of people involved



FIGURE 1. SCALE OF UNMET NEEDS EXAMPLES OF INCLUSIVE BUSINESS MODELS

	UNMET NEEDS	MARKET SIZE	EXAMPLE MODELS
	NO TOILET OR CLEAN WATER	2 billion people	Nest-In , Vestergaard , Kickstart
	NO DECENT HOUSING	1 billion people	Patrimonio Hoy , 14 trees
	NO ALL WEATHER ROADS	1 billion people	Zipline , Matternet
	NO RELIABLE ELECTRICITY	1 billion people	D.Light , M-KOPA , Fenix , BBOX
	NO MOBILE PHONE	1.5 billion people	Samsung , Transsion , Xiaomi , ARM
	NO INTERNET / DATA USAGE	4 billion people	Reliance Jio , Huawei , Liquid Telecom
	NO FORMAL IDENTITY	1 billion people	Good ID , Gravity , Simprints
	NO PROPERTY TITLES	70% of residential land	Ubiquity , BitLand
	NO BANK OR CREDIT SCORE	2 billion people	M-Pesa , Jaza Duka , First Access
	NO LITERACY / EDUCATION	750 million people	Ruang Guru , Silverleaf , Embibe
	NO FORMAL JOB	3 – 4 billion people	Jumia , Talenteum , Andela , Babajob
	NO JOB AT ALL	260 million people	CDC group portfolio



In past waves of globalization, 50–70 percent of all people in the world were mostly ignored by multinational companies because it was too hard to profitably engage them. Now, it is a different story.

FAST FACTS:

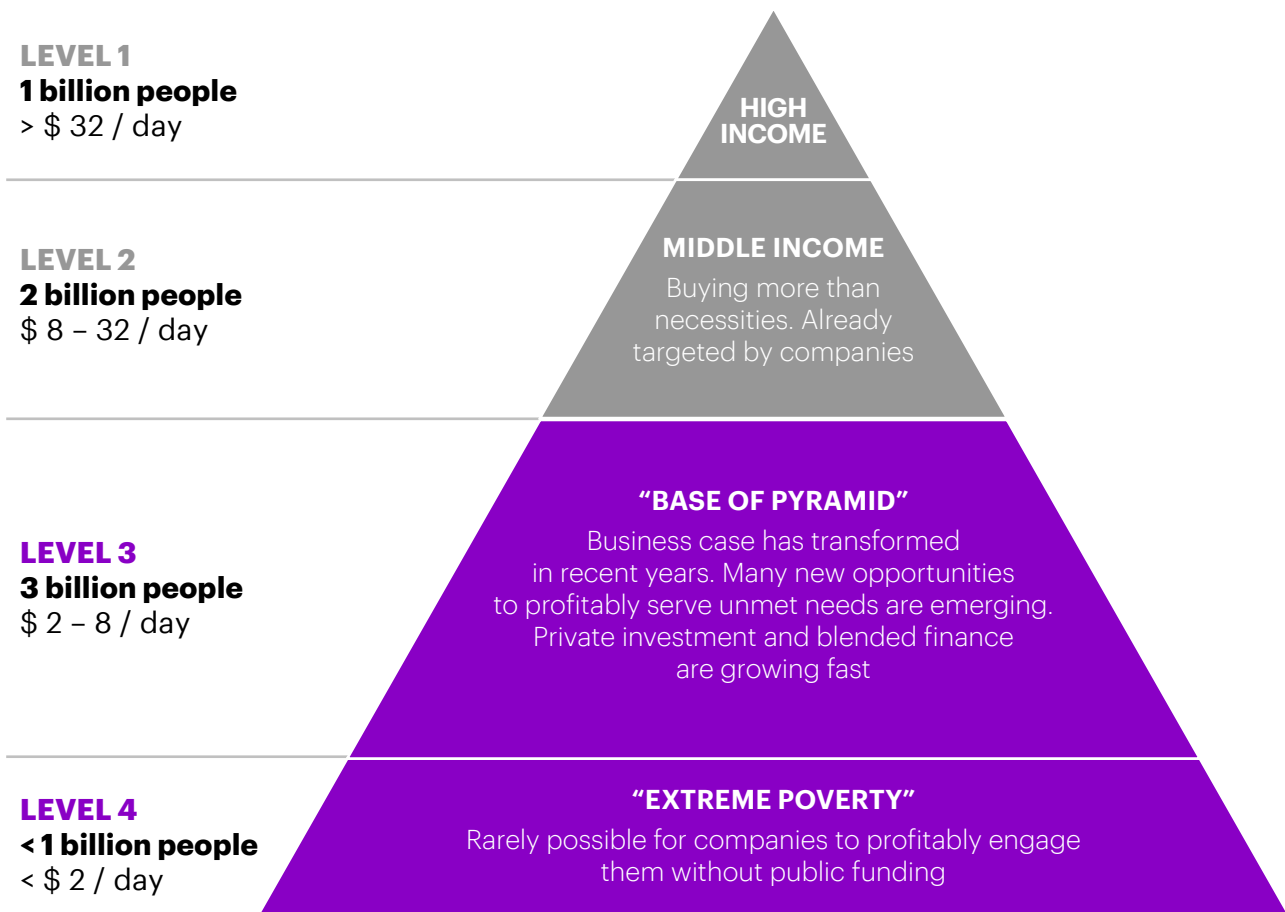
4.3 billion people are now online (57% of the world's population). In 2018 alone, 350 million more people were connected for the first time. Mobile network coverage and smartphone penetration continue to rise quickly, even in regions like Sub Saharan Africa.

Source: [WeAreSocial](#)





FIGURE 2. POPULATION INCOME PYRAMID OUR FOCUS IS ON THE BOTTOM TWO LEVELS



We define the base of the (income) pyramid (BoP) as the four billion people earning less than \$8 a day.

We follow Hans Rosling’s framework of [four levels of income](#) (Figure 2), but note that:

1. Without public sector funding, very few inclusive business models can profitably engage the one billion people living in ‘extreme poverty’. People on this income level are much less likely to be literate, online and living in urban areas in stable countries. We do consider them as part of the BoP and feel it is critical they are not ‘left behind’, but it is important to consider specific additional challenges facing people on this income level, as a distinct sub-set of the BoP.
2. Many inclusive business models are only profitable because they engage the ‘global middle class’ as well as the BoP. For example, a business might have most customers on higher incomes but some customers and lots of employees on lower incomes. If we set our BoP income threshold at less than \$8 a day, it includes about 50 percent of the world’s population. But if we set it at less than \$10 a day, it is closer to 70 percent. Our market landscape and insights would not change materially if we used a slightly wider definition because in practice, the same models we have explored often engage people on both income levels – what we are calling out in this report is that it is becoming possible to profitably engage not just the global middle class, but the much bigger markets further down the income spectrum.



THE PRESENT: WHERE ARE WE NOW?

In this section we outline the key trends in inclusive business for the 2020s, illustrate them with case studies and explore the market landscape and size. Our focus is on identifying what's new and what has most potential for profitability and scale.



Inclusive business is not a new idea – so what has changed?

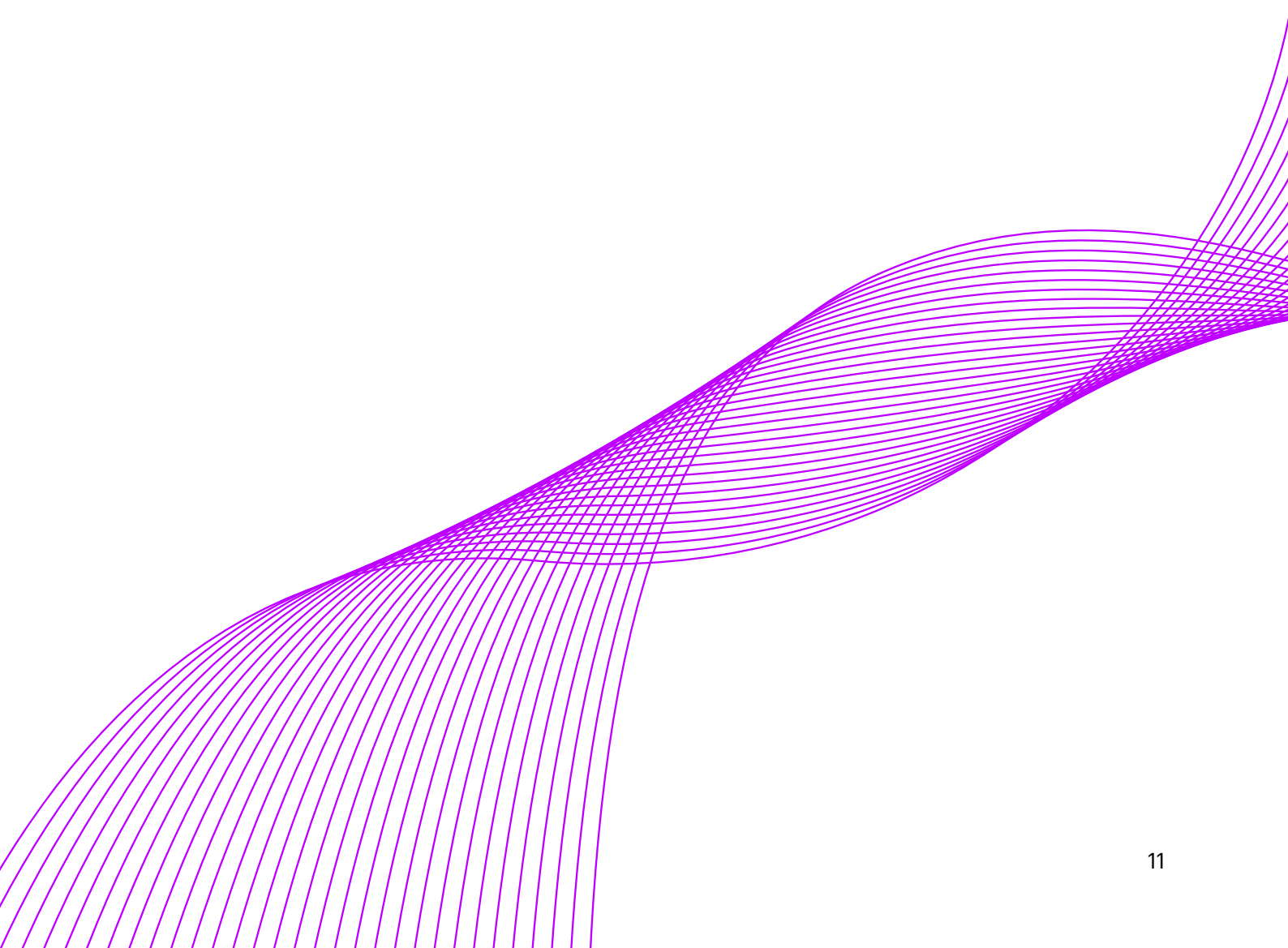
Few multinational companies can afford not to engage the ‘[next four billion](#)’ customers, employees and suppliers in the 21st century and hope to thrive. But the idea that companies can make a “[fortune at the BoP](#)” is not new. It has been championed in various forms for the best part of two decades. So, what is new now. Why might we need to reimagine inclusive business?

After exploring more than 300 inclusive business examples, interviewing more than 30 market participants and mapping out a new market landscape across 13 industries, we see **three radical changes** that have occurred in recent years, which are making it easier, more attractive and more important for companies to invest.

Inclusive business is now:

- **Increasingly profitable:** as new digital platforms and ecosystem business models are maturing and combining, enabled by emerging identity, supply chain and payments infrastructure
- **Growing faster:** as new companies, purpose-built to serve people on low incomes in the Global South are scaling up rapidly and driving a shift towards more ‘South to South’ investment
- **More mainstream:** as existing innovation and venturing capabilities are being leveraged to explore inclusive business more strategically and invest more systematically

Below, we look at each of these three changes in turn and highlight examples to bring them to life.





TREND 1

INCLUSIVE BUSINESS IS NOW INCREASINGLY PROFITABLE

Digital platforms are now connecting buyers to sellers, patients to doctors, students to teachers, governments to citizens and companies to vast pools of new potential customers, suppliers and employees. This is increasingly happening across developing countries too as enablers like energy access, connectivity, mobile devices, digital identity, supply chains and payments infrastructure are spreading rapidly but very unevenly. It is becoming far easier and less risky to engage with the four billion people on low incomes. It is also becoming more profitable because costs are falling, productivity and incomes are rising and data on and access to these markets is becoming valuable.

As well as connecting people, platforms are also connecting organizations, enabling new kinds of business models that blur traditional industry and sector lines. It is now possible to collaborate more flexibly to pool data, capabilities, products and services in [ecosystem business models](#),³ creating many new possibilities to serve people's unmet needs or raise their productivity. Costs and risks are being spread across multiple organizations, offerings are being integrated and some companies are gaining significant market power as the 'gateway' for others to access BoP markets.

In this context, the profitability of inclusive business is increasing and many leading companies (for example, Unilever, Danone, Vodafone, Mastercard, AXA, ENGIE, GSK, Facebook and Google) are looking very far ahead. They are adopting ten- to twenty-year investment horizons and making long term bets to position themselves centrally in emerging ecosystems across developing markets.

Today's market landscape still includes many traditional examples of companies selling physical goods at low prices in high volumes, but many of the most profitable and scalable examples are using new technologies to connect people and to connect organizations across industries and sectors. This has made inclusive business more relevant to every industry. Any major company can find opportunities to use data to improve the lives of people on low incomes or cut out inefficiencies in informal markets. But as profitability is improving, competition is intensifying. Some leaders are building market power and capabilities in new spaces while few others are aware of the magnitude of the value that is in play.

Below, we look at three examples to bring this trend to life.⁴

³ For example: in the mobile money space, a platform like M-Pesa resulted in the creation of an ecosystem business model where cross-sector organizations including banks, government departments, telecoms players, start-ups and small businesses, aid agencies and NGOs collaborated and derived benefits.

⁴ Please note that the locations and characters used to bring the examples to life are fictional, but all other information is factual. None of the examples in this section are multinational companies, but they all illustrate the power of platforms and ecosystem business models to enhance profitability and the scale of future opportunities



BABYLON HEALTH

OFFERING EVERYONE AFFORDABLE HEALTHCARE ON DEMAND

LIFE IS CHANGING IN: GATSIBO DISTRICT, RWANDA



A new mother is worried about her baby. He has been sick for days and has been getting worse. She lives two days walk from the nearest medical center and cannot afford any expensive treatments. In this situation a year ago, she would have faced many stressful uncertainties and painful decisions.

Today, she opens an app on her phone and books a video call with a doctor within an hour. Her doctor listens to the symptoms, diagnoses the likely illness and gives her advice on simple measures to take immediately and medicine to collect on her next trip into a local town. It is a free, quick, simple service that brings her tremendous relief and will most likely save her child's life.

Backed by the founders of Google [DeepMind](#), Innocent Drinks and several venture capital (VC) funds, [Babylon Health](#) was founded in the UK in 2013 to revolutionize the patient doctor interaction by avoiding overloading health systems with the cost and time of avoidable in-person visits and triaging remotely as a first step.

It was launched in Rwanda (branded as Babyl) as well as in the UK (branded as GP at Hand). Within just two years, it was being used by [over 30 percent of the adult population of Rwanda](#). It was so successful that the Bill & Melinda Gates Foundation decided to fund its expansion to 100 percent of the population in Rwanda and to three more of the world's poorest countries.

In 2018, Babylon Health signed a \$100m deal to license their [AI-chatbot software](#) to Prudential Insurance in twelve Asian countries – showing how AI is boosting their profitability. In 2019, they entered a partnership with the Chinese software giant Tencent to provide [mobile health services across China](#) – showing how quickly it is possible to scale up digital platforms through ecosystem business models. In August 2019, Babylon closed a [new round of funding](#) with a valuation above \$2 billion.

As Babylon Health and services like it bring ultra-low-cost, near-immediate access to doctors to even the most remote parts of the world, the impact on BoP healthcare and inclusive business can be transformative. There will be an explosion in data from hundreds of millions of patients who have never interacted with health systems in data-rich ways before. This will spark many opportunities for profitable, cross-sector collaboration to improve prevention, diagnosis, treatment and insurance, as well as urgent needs to ensure this data is managed responsibly by all parties involved.

Finally, it is worth noting that Alphabet (DeepMind and Google's parent company) have a wide range of ventures in the digital health space and a strong focus on artificial intelligence – from [DeepMind](#) itself to Verily, Calico, 23&Me, Oscar Health and Doctor on Demand. A portfolio like this could make Alphabet one of the future market leaders in healthcare globally and enable it to partner with many others on inclusive business opportunities across BoP markets. But as Babylon's recent deal with TenCent indicates, BoP healthcare is a space where competition is likely to intensify.



RUANG GURU

BUILDING A MARKETPLACE FOR PERSONALIZED ONLINE EDUCATION

LIFE IS CHANGING IN: PALU, INDONESIA



A teenager is studying for an important English exam next week. In this situation a year ago, she had to use Google Translate, internet chat rooms and YouTube videos to improve her English, but she still made lots of grammar mistakes and struggled to keep up with the lessons in her large class since.

Today, she borrows her father's smartphone in the evenings, logs into an app and chats to her English tutor about her last mock test to understand the exact areas where she has done better and where she still needs to improve. She chose her tutor based on lots of positive reviews from other students over the past few weeks they have built up a fantastic relationship. She will feel proud of her progress and confident about showing her tutor, teacher and family what she can do in her next exam.

[Ruang Guru](#) was founded in 2014 and have attracted investment from GSMA, venture capital funds Venturra and East Ventures and Credit Suisse. By 2016, they had over 300,000 tutors and 1.6 million students registered on the platform. Two years later, they had expanded to [400,000 tutors and 13 million students](#). As of September 2019, they reached a new landmark in growth, with half a million tutors and 20 million students registered in Indonesia alone.

Ruang Guru have expanded so quickly because their strategy involved partnering with hundreds of regional, city and district level educational administrations (who are keen to collaborate because they share data with the schools). At the same time, they have advertised their service extensively, including on major television networks.

Recently, they entered a partnership with the Indonesian Ministry of Industry to start coaching small and medium sized enterprises on marketing, entrepreneurship and other capacity building initiatives – taking them beyond secondary education into business training.

They have already reached profitability but recent advances in artificial intelligence, international expansion and the move into business training could significantly boost their profitability and valuation. As an example they may learn from, the [Embibe platform](#) in India (which Reliance Industries are now investing in) already uses AI deep learning to personalize lessons for individual students based on mock test results.

Ruang Guru, Embibe or similar EdTech platforms may expand across BoP markets globally in the coming decade and begin to connect with job-matching and gig economy platforms, social networks, financial services providers and many other kinds of businesses. They may make ever greater use of artificial intelligence to generate insights about our individual aptitudes, learning styles and preferences. Ensuring all parties gather and use this new data in a responsible way will be just as big an opportunity and a challenge in education as it is in healthcare.



TWIGA FOODS

RESHAPING THE FUTURE OF B2B RETAIL IN AFRICA

LIFE IS CHANGING IN: MERU TOWN, KENYA (3 HOURS FROM NAIROBI)



A farmer with a banana plantation is at a critical point as harvest time approaches. He needs to get a decent price for his crop to feed his family and ensure his business survives. But if he does not sell quickly, he is afraid the crop will start to spoil or be stolen by local gangs. In this situation a year ago, he would have been forced to take a very low

price locally. After this, a long chain of six different middle men would have taken cuts before his bananas finally ended up in the market stalls of Nairobi. This informal supply chain was so inefficient, Kenyan bananas cost more in Nairobi than they did in London, despite the massive distance they had to be transported and the vast gulf in affordability.

Today, the farmer simply logs into an app on his phone and sees real-time information on demand from many shops in towns across Kenya and beyond. He decides to sell his crop in smaller batches at a much better price to multiple retailers. All the transport and warehousing activities are handled for him. What is even more innovative is that the data of all sellers and buyers is being evaluated by the platform owner to determine credit-worthiness. They then partner with banks to extend loans to both sides of the market – helping the farmers to invest in new equipment or land and the retailers to get trade credit and loans to expand their stalls into bigger shops. Since both side of the market grow, the platform connecting them keeps growing too.

Pitched as “the future of African Retail,” [Twiga Foods](#) was founded in 2014 with backing from the IFC, Omidyar Network and a range of venture capital funds (for example, TLcom, Wamda, Blue Haven and Index Ventures). They are still at an early growth stage serving 17,000 farmers and 2,500 retailers in Kenya – but they are being deliberate about focusing on their profitability first and on scaling up later. They have resisted opportunities to move into lots of new cities in favor of pushing down unit costs. In 2019, they appointed the most senior regional executive from Coca-Cola Africa as CEO, bringing in deep experience of the distribution landscape across more than 30 countries to prepare for expansion. They also partnered with IBM to put their supply chain on blockchain, enhancing speed and transparency.

Further emphasizing their focus on profitability and phased growth, they have built their platform around the fresh fruit and vegetables

market first, but they plan to expand it to cover processed foods and household goods over time. Their long-term goal is to become the main B2B retail platform across Africa. When they move into the next stage of growth, they may be capable of scaling up rapidly and profitably across multiple countries, which could trigger a dramatic increase in valuation.

Twiga Foods’ innovative model offers inspiration, lessons and collaboration possibilities for retailers, financial services providers, logistics specialists and supply chain managers across many industries. Vast numbers of small suppliers and retailers are under-served by extremely inefficient informal supply chains across developing markets today and multinational companies can help to revolutionize this situation with recent advances in digital and financial inclusion.



TREND 2

INCLUSIVE BUSINESS IS NOW GROWING FASTER

Start-up companies that exceeded \$1 billion valuations were called ‘unicorns’ by venture capitalists because they were once so rare. From 2009 - 2014, only 20 companies reached this milestone, including household names like Uber, Airbnb and Spotify. But from 2014 – 2019, we have seen a tidal wave of value unleashed as over 370 more members have joined the once exclusive unicorn club. More multi-billion dollar companies are now being created in shorter timeframes than ever before.⁵ An under-appreciated consequence of this is that more countries from the Global South are now producing unicorn companies that engage BoP populations too.

Of roughly [390 unicorn companies in the world today](#), around half are US-based. The next largest source is China, with around a quarter of the total number. The UK ranks third, but India is virtually on a par with it (with sixteen examples of unicorn companies so far). Indonesia, South Africa, Nigeria, Brazil and Colombia have all now also become home to unicorn companies. Out of 50 companies expected to make up the [‘next wave’ of billion-dollar companies](#) in 2019, seventeen are non-US-based (including five from India). The share of new multi-billion-dollar companies coming from the Global South has increased dramatically in just a few years,⁶ illustrating the powerful impact of technology as an enabler and the fruits of long-term improvements in education, energy access, connectivity and governance.

As a result, inclusive business no longer simply means companies from the Global North engaging people on low incomes in the Global South. Increasingly, it also means that a new generation of companies is emerging from countries in the Global South, expanding rapidly within their domestic markets and moving beyond them to compete globally. They are demonstrating how fast it is possible to scale up new ventures when they are run as ambitious businesses purpose-built to serve people on low incomes and backed by investment on a magnitude that is proportionate to the opportunities.

Below, we look at three examples to bring this trend to life.

⁵ Please see link for a [visualization of this rapid increase](#)

⁶ Please see [these visualizations](#) for emerging examples of VC funded start-ups in Africa



TRANSSION

BECOMING #1 IN PHONES IN AFRICA AND CROSSING NEW FRONTIERS

LIFE IS CHANGING IN: DIRE DAWA, ETHIOPIA



A young man brings his crops to town from a local village, sells them and buys his first mobile phone. Until recently, not having enough money or any electricity supply at home put him off buying one, but this phone has been specially designed for people just like him. It is very competitively priced at around \$10 and works for up to a month on a single charge.

[Founded in China in 2006](#), Transsion Holdings never sold a single handset in their home market, but focused on Africa and more recently India, Bangladesh and other fast growing and underserved BoP markets.

In 2018, they became the #1 mobile phone seller across Africa. They have a [58 percent market share](#) in feature phones (the next highest share was Nokia on 11 percent) and a 48 percent share of the overall African mobile market including smart phones. They operate through multiple popular brands like Tecno, Infinix and Itel, manufacture their phones in China, India, Bangladesh and Ethiopia and distribute them to over 50 countries globally. In 2018, they sold over 135 million phones worldwide. As Africa's [smartphone user base is expected to rapidly triple](#) to 930 million from 2018 to 2021, Transsion will benefit from both rising volumes and price points. They are now also moving beyond hardware into [digital ecosystems and services](#), launching new media, music and payments platforms across Africa.

They have even launched a challenger mobile Operating System called [KaiOS](#).

Their remarkable success is down to taking standard products that many others saw as globally uniform and re-inventing them to suit local needs. For example, in Africa they greatly increased battery lives, re-calibrated cameras to pick up more detail on faces with darker skin tones and added multiple SIM card slots (so people could switch networks to get better coverage and avoid higher charges). In India, they realized people were struggling to use the touch screens on smart phones after eating with their hands. So, they redesigned them to work better with greasy fingers. Low price points, strong distribution networks and innovative 'killer features' have all helped Transsion eclipse competitors.

They IPO-ed on China's STAR exchange for technology stocks in 2019. Their proposed valuation was 42 times trailing earnings, or more than [double Apple's multiple](#) at the time of their listing. On the first day of trading their price rose by 96 percent at peak and they closed the day valued at \$6.5 billion. This shows how strong investor appetite is (given a generally very weak market for IPOs) and how much potential they have to grow. Even if their valuation is volatile over the coming years, if they bring the same talent for localization and human centered design to music, media and payments as they have to hardware, they may grow to rival not just the mobile phone makers but global digital giants like Apple, Google, Spotify and PayPal across BoP markets.



LIFE IS CHANGING IN: CENTRAL MUMBAI, INDIA



A young woman signs a contract in a mobile phone store and switches to her new network. She turns on her data settings for the first time, begins to explore a world of new online possibilities and makes a free VOIP call to her friend to share her excitement.

A couple of years ago, using the internet on her phone was an unaffordable luxury for her. Today, it's as natural to her as it is for her peers in Europe or North America.

In late 2016, Reliance Industries spotted the vast untapped potential of hundreds of millions of Indians on lower incomes who lacked affordable mobile data and launched a new network called [Jio](#).

Because they immediately slashed mobile data charges by up to 90 percent and offered free voice calls to any network, they grew phenomenally quickly. In the first month they acquired sixteen million subscribers. It was the fastest ramp-up any network in the world.

In just three years since then, they have acquired over 330 million new subscribers. They are a newly created company that has become the third largest mobile network operator in the world before most people in the Global North have even heard of them.

And they are not growing quickly by burning through piles of investors' money on a big long-term bet – they reached profitability within the first fifteen months of their existence. In Q4 2018, their profits grew by 65 percent to around \$125m.

Most recently, they expanded the range of phones they sell by partnering with Google to manufacture affordable 4G handsets for the BoP. In 2020, they will bid in the 5G auctions and in a few years' time, millions of people who've never had the internet before could be using Jio phones on the Jio network at speeds a hundred times greater than even people in the richest regions of the world can today.

Their rapid growth amongst the BoP population has been transformational for India. Within six months of launching, Jio turned India into the world's #1 data consumer and it is estimated that their market entry will [boost India's GDP by over five percent](#) due to the wider economic benefits of widespread internet access. When a single large company can have such an influence on a country so quickly, it provides a powerful example to others about the scale and speed of growth that is now possible.



JUMIA

CREATING 'AMAZON FOR AFRICA'... WHILE 99 PERCENT OF RETAIL IS OFFLINE

LIFE IS CHANGING IN: JAMES TOWN SUBURB, ACCRA, GHANA



A group of small business owners stop in for a coffee at a stall after picking up packages and re-posting them at a collection point.

They have been buying products online at wholesale prices and re-selling them through the [Jumia](#) platform, mailing orders to customers in nearby towns.

Over a few warm cups and jokes, they share opinions about platforms like Jumia, Etsy and BidorBuy—figuring out how to get the most sales and lowest fees. These new platforms have doubled or tripled many of their incomes compared to a year ago.

Founded in 2012 and backed by major investors including Rocket Internet, AXA, MTN, Orange, Goldman Sachs and CDC Group, Jumia aims to become the “[Amazon of Africa](#).” In 2016, they became the first African unicorn company. In 2019, they [IPO-ed on the New York Stock Exchange](#) and they have had a volatile valuation of between \$450 million and [\\$3 billion](#) since then.

Their growth metrics are prodigious: over 60 percent sales volume growth, over 30 percent customer growth and over 20 percent revenue growth. By the end of 2018, they had 81,000 active sellers, four million active customers and operations in fourteen African countries.

However, it is their future potential that is most alluring for investors, since 99 percent of African retail sales are still offline. We are at the very beginning of the e-commerce boom there and analysts expect Jumia to become a dominant force across the African retail sector. As more companies like [WhatsApp launch sales and marketing offerings](#) for small business owners in developing companies (particularly popular in Brazil and India so far), there will be vast benefits for people on low incomes and companies who have built up strategic positions within the nascent e-commerce markets.

Jumia’s growth potential is increasing further as it is evolving from a platform into an ecosystem

business model. In 2018, they launched ‘Jumia One,’ an app that brings together online shopping with new services like food delivery, travel bookings, classified ads and bill payments in a ‘one stop shop’. Most recently, they have also signed strategic partnerships with [Mastercard](#) for payments, [Xiaomi](#) for joint-marketing and Vivo Energy for collection points at its service station network.

Jumia are expected to reach profitability before 2021. Since Amazon took six years to make a profit and twelve to fourteen years later was still going into quarterly losses to fuel growth, it will be impressive if Jumia can achieve profitability in a similar timescale, given the complexity of the problems facing them with logistics, addressing systems, bank accounts, payments and regulations in the African market. One final point to consider about Jumia’s long term growth potential and profitability is how drone networks may enable e-commerce across developing regions with poor road access. Just this year, the world’s first ‘[droneport](#)’ is being constructed in Rwanda and [Zipline](#) announced a [network to serve twelve million people](#) with 600 flights a day operating from three hubs in Ghana. E-commerce may reach further down the BoP as DHL, FedEx, Airbus, JD.com any many others invest in drones and governments start to pilot new networks (for example in Kenya, Tanzania and Malawi).



TREND 3

INCLUSIVE BUSINESS IS NOW MORE MAINSTREAM

[Evidence on the impact of purpose on performance](#) is growing. Companies with authentic purpose embedded in their core business activities have been shown to achieve:

- Twelve times faster share price growth, seven times faster job creation and four times faster revenue growth, compared to a less purposeful group of peer companies when measured [over a decade long period](#)
- Six to seven percent a year [net performance improvement](#) as a result of stronger share price growth, more innovation, improved accounting practices, more efficient operations, easier recruitment, better retention and greater motivation of employees, better industrial relations, more decentralization, lower costs of capital and fewer regulatory fines

More business leaders are now seeking to create shared value looking at BoP markets in response to saturation and disruption in their core markets. However, their challenge is to bring exploration of these opportunities into the mainstream and transform the core business over time. In this context, connecting inclusive business to their existing innovation and venturing capabilities is a growing trend:

- Leading companies are moving away from traditional corporate philanthropy and CSR programs that have inherent limits in terms of scale, towards **building or buying** inclusive business models that create scalable social impact and connect to the core business strategy
- They are using existing innovation capabilities to pursue inclusive business or social impact objectives. In some cases, they are setting up **specialist innovation units**. For example, MasterCard [Financial Inclusion Labs](#), Unilever [TRANSFORM](#), Barclays [Social Innovation Lab](#), [Google X](#), GSK [Developing Market Access](#), Ericsson [Social Business](#) or Shell [GameChanger](#).
- They are making more direct investments in inclusive businesses, or creating self-managed or third-party funds for ongoing '[corporate impact venturing](#)'. For example: Danone [Ecosystem Fund](#), Pearson [Affordable Learning Fund](#) and Schneider Electric [Energy Access Fund](#). [ENGIE](#) even offer employees a chance to invest part of their pensions in inclusive business.
- More companies now recognize the benefits of '[frugal innovation](#)'. As innovation spend has increased, the [returns to it have decreased](#). Scanning for [cheaper ways of doing things](#), integrating them and scaling them up globally is an extremely cost effective option
- Putting more purpose into R&D initiatives has also become popular across many companies, as '[Tech4Good](#)' **programs** create additional marketing and employee engagement benefits

Since many large global businesses already have some experience with shared value business models, or ventures in developing markets, it is often a case of simply dialing this up and becoming more structured about objectives, funding and ways of working. But by giving a top down impetus to extend the mandate of existing innovation and venturing units, many companies are now 'mainstreaming' inclusive business. This is enabling them to explore opportunities in more rigorous, cost effective and risk managed ways, while ensuring alignment with global strategy.

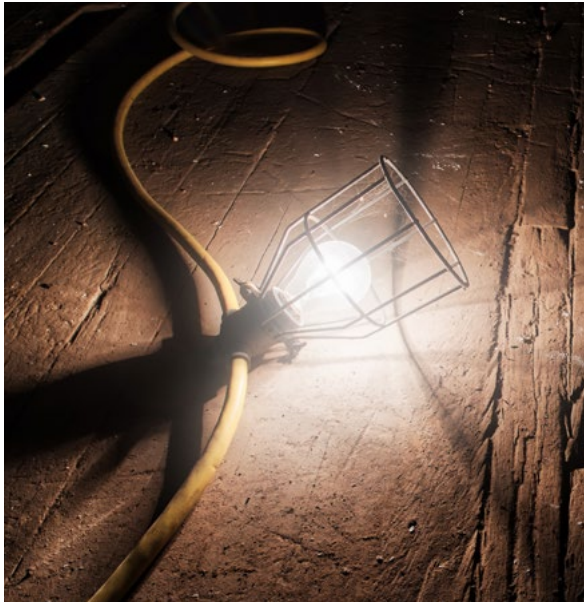
Below, we look at three examples to bring this trend to life.



FENIX INTERNATIONAL

HARNESSING THE PENSIONS OF EMPLOYEES AT ENGIE TO ACQUIRE AN AFRICAN SOLAR PRODUCTS PROVIDER

LIFE IS CHANGING IN: MPARO, UGANDA



A farmer and his family watch a technician install a new solar panel on their roof with a mixture of pride and curiosity. A year ago, they could never have afforded this. The farmer was [paying an expensive flat fee](#) at a local phone shop to charge up his mobile once a week. His children didn't have any light to study at night. The whole family [spent a lot of their time and money](#) collecting the fuel for fires to cook and boil water.

Last week, the family signed up to a 'pay as you go' offer for a bundle of products that will bring electricity, light and clean cooking into his home for the first time. Over the next few months, they will save time and money and their incomes will rise. The family will soon be able to afford a newer phone, a television and other household products. As their demands increase the company engaging them has many opportunities to sell products from its partners.

Founded in 2009, Fenix International attracted investment from multiple large companies including ENGIE, Schneider and Orange. In 2018, ENGIE fully acquired Fenix through its corporate impact venturing arm ([Rassembleurs d'Energies](#)) and it is now part of their Africa business.

ENGIE offers all employees the option to invest part of their pensions and savings in socially impactful companies via this fund, which tests new business models to see if they can be 'mainstreamed' into ENGIE's future core business. The investments are selected by working closely with local business units and Fenix is just one of over 20 companies ENGIE have invested in so far through this mechanism.

The acquisition of Fenix In 2018 brought ENGIE an immediate base of around 500,000 customers in six African countries. In 2019, they acquired another off-grid solar pioneer, [Mobisol](#) (after the German start-up had gone into insolvency). This added another 750,000 people in three more countries to ENGIE's portfolio.

ENGIE is still far from the largest off-grid solar player (D.Light have over 20 million customers in over 60 countries globally). But these acquisitions show how new business models are being integrated through venturing.

Shell investing \$20m into [Husk Power](#) in 2018, Mitsubishi investing \$40m in [BBOX](#) in 2019 and Total, EDF, GE Ventures and Tesla investing in [Zola Electric](#) all provide similar examples of this trend.



GOJEK

CREATING A 'REGIONAL SUPER APP' WITH MULTI-BILLION INVESTMENTS FROM TECH GIANTS

LIFE IS CHANGING IN: JAKARTA, INDONESIA



A young man feels increasingly dejected as he has not been able to find a regular job for over a year since leaving school. He wants to go to college but his prospects of saving up the fees seem further away every month. In this situation a year ago, he would never have been able to save up quickly enough and might have given up on college completely.

Today, he does something he would never have considered before. He becomes a motorbike taxi driver simply by registering on an app after some friends recommended that he join them. In a couple of weeks, he is picking up passengers daily and putting away the savings he'll need for college at last.

Launched in 2010 as the “Uber of Indonesia,” [Gojek](#) initially had just 20 motorbike drivers in one city. Today, they have over 25 million customers and two million drivers in over 50 cities across Indonesia and wider Asia, where they have begun expanding across Vietnam, Thailand, Malaysia and the Philippines.

As they have grown their user base and expanded into new countries, they have also become much more than just a ride-hailing platform and now position themselves as an AI-driven ‘Regional Super App’. They have created an ecosystem with eighteen products already. These range from their core business of ride-hailing to vehicle rental, package delivery, food delivery, event tickets, payments and many kinds of gig economy work.

Every morning, millions of drivers and thousands of tradespeople, cleaners, make-up artists and massage therapists open their phones to find new bookings from Gojek.

Reflecting the value of the data and insights being captured, Gojek’s investor list now includes venturing stakes from tech giants like Google, TenCent (the Chinese social media

platform) and JD.com (the Chinese e-commerce platform), as well as Visa, Mitsubishi, Thailand’s Siam Bank and private equity firms like KKR and Warburg Pincus. As a result, their valuation has skyrocketed from \$5 billion in 2017 to \$10 billion just a year later, making Gojek Indonesia’s first ‘decacorn’ company and prompting Fortune Magazine to name it as one of [50 companies that changed the world](#).

But Gojek are just one of many vehicle sharing platforms growing explosively fast. In 2018, 24 billion journeys were ordered via apps around the world; a 50 percent increase from sixteen billion journeys a year before. Platforms like Ola, Grab,⁷ Lyft, Didi, SafeMoto, SafeBoda, Careem and many others are now competing for market share and creating millions of part-time jobs in the gig-economy worldwide. In the process, the rich data on service providers and customers they are capturing is [enabling rapid growth](#) into adjacent markets like payments, vehicle rentals, micro-finance and deliveries of packages and meals. Tech giants from the Global North and South, financial services players and other companies are now starting to explore the vast new opportunities this is creating through innovation and venturing.

⁷ Grab’s [social impact report](#) 2018 explains that over 9 million people across South East Asia (or 1 in every 70 people) have now earned an income through the platform. 31% of them had no income prior to doing this, and it triggered 1.7 million of them to open a bank account for the first time



JAZA DUKA

SHARING DATA TO CREDIT SCORE MICO-RETAILERS

LIFE IS CHANGING IN: NAIROBI, KENYA



An elderly woman leaves the hospital. She has just paid for vital but unexpected treatment and no longer has enough money left to order any products to sell in her market stall this month. In this situation a year ago, she would have had no bank account, no credit history, regular cash flow frustrations and no way of getting a loan except to borrow from other struggling family members or informal lenders (who charge extortionate rates). A simple cash flow problem could easily have escalated into an extremely stressful situation, limiting her income and potentially causing her to miss her rent payments.

Today, she is in the final stages of approval for a life changing credit line, which will enable her to double her weekly stock purchase. She has a bank account, credit record and is learning to use new digital tools to order stock and manage payments. She had always dreamed of having a small permanent store where she could employ some friends and family but was never able to afford it. Now she is starting to explore loans and imagine the store she would love to build.

Mastercard and Unilever partnered to launch [Jaza Duka](#) (which means “fill up your store”) in 2018. By using data on Unilever product purchases, Mastercard can assess individual shopkeepers’ credit eligibility and recommend appropriate prospects to Kenya Commercial Bank (KCB). KCB provides credit lines and gets repaid when products are sold. Orders for Unilever products increase and Mastercard gains new customers and insights through this innovative digital platform. The pilot scheme in Nairobi is now supporting 5,000 shops and targeting an average 20 percent sales increase for each.

When it comes to inclusive business, Unilever have a wider and deeper reach than almost any other company in the world. A staggering three billion people use their products every day and they have long been a leader in the space.

Mastercard, on the other hand, set themselves a hugely ambitious goal to reach [500 million people](#) who were previously excluded from financial services by 2020. By 2018, they have already reached 330 million, showing the potential leading companies now have to acquire hundreds of millions of new customers in just a few years.

Their partnership highlights how innovative data sharing can get the most out of complementary capabilities and benefit all parties. By piloting a new business model that connects players across industries, they are generating new insights from existing data, improving life for people on lower incomes and learning lessons that can be applied globally.



Inclusive business today is radically different from a decade ago. Platforms and ecosystems have made it more profitable. New players from the Global South have proven rapid growth is possible. Innovation and venturing have made it mainstream.

In the rest of this section, we look at the market landscape. We ask what industries contain the most examples of inclusive business, what modes of engaging the BoP are most common, who is investing in what and why. Finally, we explore what models might be most profitable and scalable and discuss the estimated market size.



What does the inclusive business landscape look like now?

We have created a visualization of the market landscape by cataloguing more than 300 examples of inclusive business and turning more than 120 into case studies, for which we collected data on scale, impact, revenue, profits and funding sources. We categorized them into more than 60 model types and mapped these across 13 industries, so business leaders can see the most relevant examples at a glance and get an overview of the wider market to see how it is changing.

Our market landscape does not include every industry or model and it does not show what creates most jobs, what has most impact, where the largest financial opportunity sizes are or what has the highest returns. We recognize manufacturing, hospitality, chemicals and oil and gas are some of the most important industries for Foreign Direct Investment (FDI) inflows into developing countries, while construction, outsourcing and mining all create large numbers of jobs, but our market landscape is not centered on these examples. Our focus is showing **where most innovation is happening** by zooming out to look at the big picture across many industries. We believe this can provide a useful picture for business leaders, investors and donors, but it is just a starting point for further research.

Our data sources included internal databases from previous project work in this space, case studies mentioned in previous research papers we summarized, media articles, blog posts and the portfolios of impact investors like [CDC Group](#), [Acumen](#), [Omidyar Network](#) and [Unreasonable](#). We used databases like Owler and Crunchbase for revenue or employee estimates when they were not publicly available.

Our market landscape represents only a small fraction of the activity in this space and it is evolving so fast our overview will quickly become outdated. It is useful as a snapshot to derive insights about trends, but **many more up to date examples of inclusive business** can be found on the websites of specialist organizations. We encourage innovators and business leaders to use them to explore opportunities:

1. UN Global Compact [Global Opportunity Explorer](#)
2. WEF [GrowInclusive](#)
3. WRI [Next Billion](#)
4. Briter Bridges [Innovation Maps](#)
5. GSMA [Mobile4Development](#)
6. DFID [Impact Management Programme](#)
7. [Business Commission](#)
8. [International Finance Corporation](#)
9. [Inclusive Business Action Network](#)
10. [Volans](#)
11. [Endeva](#)
12. [Hystra](#)
13. [Business Fights Poverty](#)
14. [the League of Intrapreneurs](#)
15. [Business Call to Action](#)



FIGURE 3. MARKET LANDSCAPE COMPARING THE MODES OF ENGAGING WITH THE BOP

13 INDUSTRIES

SOFT-WARE & PLAT-FORMS	UTILI-TIES	HEALTH CARE	AGRI-CULTURE	COMMU-NICATIONS	FINANCE	RETAIL	CON-SUMER GOODS	EDUCA-TION	TRANSP-ORT	OIL & GAS	TRAVEL	CON-STRUC-TION
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60+ MODEL TYPES

Vehicle Sharing Platforms*	Grid Scale Solar Farms	Remote Diagnosis	Vertical Farms	Mobile Phones	Micro-Insurance	Retail Chains	Nutrition Fortified Food	Mobile Education	Electric Vehicles*	Biomass Micro-Gen*	Travel Booking Platforms	Affordable Housing
Uber	PowerGen	Babylon Health	Aerofarms	Mara Group	Blue Marble	IKEA	Dangote	Ruang Guru	Amphere Vehicles (e-scooters)	Husk Power (Shell)	AirBnB	Durabric (Lafarge Holcim)
Lyft	Project Noor	Altibbi	Algae Farms	Samsung	Microsure (AXA)	Massmart	DSM	Nafham	Ampersand (e-scooters)	Solar Lamps	Local Alike	Patrimonio Hoy (Cemex)
Grab	Fourth Partner Energy	Apollo Telemedicine	EnerGaia	Transsion	BIMA	Micro-Retailer Training	Grameen Damone Yoghurt	Faculdade Mauricio de Nassau	Tata (electric cars, bikes, buses, trucks)	Awango (Total)	Hotels and Hospitality Chains	Affordable Toilets
Ola	Grid Scale Wind Farms	ClickMedix	Pesticide Replacement	Xiaomi	Alternative Credit Scoring	Plan Barrio [Nestle]	Last Mile Sales & Distribution	Pearson	Personalised Learning (AI)	Clean Cook Stoves & Fuels	Marriott	Tata Nest-In
Gojek	Lake Turkana PPP	ChironX	Terramera	KaiOS, MTN, Orange	Tala	Mi Tienda	Lifebuoy [Unilever]	Embibe (Reliance)	Rolls Royce	Vivo Energy & Koko Network	Hilton	Disaster Resistant Buildings
Safe Motos	Solar Micro-Generation*	Healthcube Pro	Meat Replacement	ARM Holdings	First Access	Martins Retail University (Tribanco)	Bata	Affordable Schools	Airbus	Hydrogen Fuel Cells	Cruise Lines	Miyamoto International
Mondo Ride	d.light	Drones for Medical Delivery*	Enhanced Crops and Animals	Mobile/Fibre Networks	Jaza Duka (Unilever & MasterCard)	Rural Supplier Networks*	Employing Refugees*	Silverleaf Academy	Electric Ships	Magnuss	Carnival	
Ofo	M-KOPA	ZipLine	Lap Teer Seed	Huawei	Remittances	Libra (Facebook)	Chobani	Omega Schools	Hydrogen Vehicles*	Toyota		
Hello Tractor	Fenix [ENGIE]	Medical Equipment Sharing Platforms	Monsanto	SafariCom	Range Networks	L'Occitane en Provence	Waste Picking & Recycled Products	Dangote Academy	Shandong Heavy Industry			
Didi	Zola Electric	Cohealo	Syngenta	Lebara	Liquid Telecom	14trees (Lafarge Holcim)	Net-Works					
Swvl	BBOXX	DuPont Pioneer	DuPont Pioneer	Reliance Jio	Transfer-Wise	Transfer-Wise						
Task Matching Platforms*	Biomass Micro-Gen*	Health System Analytics	Sensors on Crops or Animals*	Mobile Wallets, Payments & Micro-Lending	MasterCard	MasterCard						
Lynk	Pamoja CleanTech	Medtronic	Huawei Connected Cow	M-Pesa (Vodafone & Safaricom)	VISA	VISA						
Cloud Factory	Safi Sanna	Affordable Drugs & Devices	EZ Farm (IBM)	Orange Money	Zidisha	Zidisha						
UpWork	WorldWater & Solar Tech	Novartis Social Business	Sensors on Cooler Boxes	Ant Financial	OVO (Lippo Group)	OVO (Lippo Group)						
UrbanClap	Vestergaard LifeStraw	MedAccess	Project Wezesha (Huawei, Vakava)	Money OnMobile	MFS Africa	MFS Africa						
SamaSource	Philips "AIR"	GSK DCMA	Mobile Apps for Farmers	Moja Brik	Cellulant	Cellulant						
Talentum	Battery Networks*	Essilor & Alibaba (eyeglasses)	ITC eChoupal	FIsoft	Crowd-Funding / Peer-to-Peer Lending Platforms	Crowd-Funding / Peer-to-Peer Lending Platforms						
Optimetriks	Jaza Energy	Reuters Market Light	Olam OFIS	eSewa Wallet	Kiva	Kiva						
NaTaKallam	Hydro Micro-Gen. in Pipes	WeFarm	Reuters Market Light	Last Mile Connectivity	Livestock Wealth	Livestock Wealth						
Goclean	Lucid Energy	Satellites and Drones for Monitoring*	WeFarm	OneWeb	Big Exchange	Big Exchange						
Supply Chain Platforms*		Riders for Health	Garuda Robotics	Altaeros	BRCK	BRCK						
Twiga Foods		Living Goods	Garuda Robotics	BRCK								
Kobo360		WOW [SC Johnson]	PRISE (CABI, UKSA)									
E-Commerce Platforms*		Mosquito Nets	Google Earth (Malaria)									
Jumia		Vestergaard PermaNet	Alibaba & WFP									
FlipKart		Zero by 40 (BMGF, IVCC)	Vodafone Ghana									
Taobao (Alibaba)		Medical Waste-to-Energy*	Irrigation Pumps									
Etsy		RAD Green Solutions	Kickstart									
Lynk		Genomics	Water Condensers									
Social Media Platforms*		54gene	Heaven Springs Dynasty									
TenCent			Reforestation									
Facebook; Free Basics			BioCarbon Engineering									
Virtual Assistants & Translators*			Miro Forestry									
Google DeepMind			Food from water, air and electricity									
Baidu Translator			Solar Foods									
Grameen Guru			Organic Certification									
Digital Identity Platforms*			Big Tree Farms									
Good Identity												
Gravity												
Juvo												
ID2020												
Land Registries*												
BitLand												
what3words												

Y-Axis:
What models are most relevant to each industry?
Industries arranged left to right by # of case studies

Primary way of engaging BoP	%
Customers	82
Employees	11
Suppliers	7

X-Axis:
What modes of engaging the BoP are most common?

Key trends over past decade:

- More profitable** – far more innovation in technologies and business models
- Growing faster** – far less dominated by smaller scale examples from companies based in Global North
- More mainstream** – far more use of innovation and venturing capabilities by companies, specialist tech hubs, accelerators and VC funds for startups

Notes:

- This is a non-exhaustive list based on 120+ case studies we explored that combine profits with impact, categorised into 60+ model type and split across 13 industries. Examples vary significantly in terms of scale and maturity
- All examples have unintended consequences that need to be considered (e.g. rising inequality, unsustainable consumerism)
- Star (*) denotes models that can enable businesses across many industries to collaborate in new ecosystems
- Many models are mixed (e.g. they sell to and employ people at the BoP). In all cases we have tagged them to one simplified 'primary' category



What industries contain the most examples of inclusive business?

We found the most examples by far in the **'Software & Platforms'** industry, highlighting how the market landscape has become radically more digital in recent years. It is now far cheaper to engage large BoP populations because software and platforms often have close to zero marginal cost. It is also easier and less risky because there's less need to have many physical assets or employees based in developing countries to do it. And it is more profitable because value can be created by gathering basic data, turning it into insights and using them to connect people and resources in new ways. What is even more important about this profusion of new digital centric inclusive business models is that so many of them are relevant to companies across other industries. They are therefore creating many new opportunities for replication and partnering to share data or customer access.

The five industries with the next largest numbers of examples were: **Utilities, Healthcare, Agriculture, Communications** and **Finance**, which might intuitively be expected as these often feature strongly in inclusive business case study collections and media articles. **Retail, Consumer Goods** and **Education** companies have also been amongst the most highly visible pioneers of inclusive business for many years and we found almost as many examples in these industries too.

Finally, the four industries where we found slightly fewer examples were: **Transport, Oil & Gas, Travel** and **Construction**. The fact that we did find at least four examples in every industry shows inclusive business is increasingly relevant to all companies. We expect more examples will emerge in transport and travel as new technologies mature. We see much latent potential for inclusive business in oil & gas companies. Given their vast resources, strong presence in developing markets and the disruption they are facing to unsustainable core business activities, some are now investing in utilities and transport business models. This may ramp up significantly in the 2020s. The construction industry is particularly important as an engine of job creation, so it too holds much promise in terms of connecting innovation to social impact.

What modes of engaging the BoP are the most common?

Overall, 82 percent of the model types we identified engage the BoP primarily as **customers**. It is by far the dominant mode of engagement across industries today. Within this, three types of goods or services are particularly important for the BoP: those that increase productivity and incomes (so people can pay back the upfront cost over time), those that eliminate inefficiencies in informal markets (so savings can be passed on to people) and those that have close to zero marginal costs (so it makes most sense to give them out for free and monetize market access or insights from data collection).

Only eleven percent of models engaged the BoP as **employees** (although many examples also employ people at the BoP it is not their primary mode). In addition to traditional large employment engines in developing countries (manufacturing, retail, hotels, restaurants, resources etc.), large numbers of jobs are now also being created very quickly by new gig economy platforms.

Finally, only seven percent of models engaged the BOP primarily as **suppliers**. The traditional industries that engage BoP suppliers most are agriculture and consumer goods. Digital platforms are connecting many kinds of BoP suppliers to new markets today. Smallholder farmers are selling direct to retailers, artisans are selling to a global market, small business owners are re-selling products online, people are sharing their properties with locals and tourists and waste pickers are selling recyclable materials to public and private schemes.



Who is investing in what – and what might that tell us?

The six key trends we see in inclusive business investment are:



Rapid growth in venture capital: from 2015–2018, VC [investments in start-ups in Africa quadrupled](#), rising from \$277 million to \$1.2 billion.⁸ While VC funding for inclusive business is starting from a very low base and is dwarfed by the concentration of VC in Silicon Valley, it is proving highly important to the creation of new digital platforms, apps, artificial intelligence and automation solutions as well as drone networks and bio-tech advances. VC funds are particularly active in the healthcare, agriculture, communications and financial services spaces. Education, travel and other industries are also seeing VC activity. The rising presence of VC funding reflects greatly increased levels of innovation, risk tolerance and profitability in inclusive business compared to ten years ago.



Sustained evolution in impact investment: the number of impact investors has grown from 50 to over 200 over the past two decades. They are now managing over [\\$228 billion in investments](#) globally and inclusive business start-ups that initially rely on donor grants, venture capital or internal funding from a multinational can now access impact investment as they scale up.



More 'South to South' investment: around [a third to half](#) of all FDI in developing countries is now 'South – South.'⁹ From mobile devices and networks to payments, micro-credit and other financial services to e-commerce and gig economy platforms, more companies from countries in the Global South (especially China and India) are now growing quickly and making large scale investments beyond their home markets.



Better connections to innovation and venturing: while total global FDI has fallen for the past three years and has been on a generally downward trend since the 2008 financial crisis, [Africa is bucking the trend](#) and saw FDI increase by eleven percent last year. With more profitable opportunities now arising and awareness of them spreading faster, investment by multinational companies is becoming more strategic, rigorous and mainstream. In every industry we looked at, we found examples of multinationals investing in inclusive business. But many have not yet fully explored new opportunities to engage the BoP, joined up their thinking as part of their global strategy or begun investing in BoP markets at scale.



Continued importance of specialists and alliances: there are still many spaces in the inclusive business landscape where the private sector is unlikely to invest alone at scale because they are niche markets or profitability is lower (for example, malaria elimination, clean cook stoves, water purification, affordable schools, last mile distribution). In these areas, specialist private companies like [Vestergaard](#) play vital roles in scaling up solutions and cross-sector alliances like [ZERO by 40](#) can be effective ways for companies to engage collaboratively.



Donor grants and blended finance: grants from donors have been critical to piloting many new inclusive business models, with impressive results (for example, in payments and off grid energy access). Today, there are many new technologies (for example, batteries, water condensers, hydrogen fuel) where the business case is still unproven. Multinational companies are much more likely to explore inclusive business in collaboration with donors if innovation grants are available. The challenge is getting value for money from pilots and taking them to scale after (we discuss this in detail when exploring barriers below). In addition to grants, blended finance mechanisms like low-cost loans, guarantees and public-private partnerships have all helped to catalyze more private investment, especially in infrastructure projects.

By understanding who is funding what in more detail, we can get a sense of the relative maturity, risk and profitability levels of different models.

⁸ Please see these [visualizations](#), which provide breakdowns of start-ups by country and type

⁹ Depending on how we measure South – South FDI it is either 47 percent by conventional metrics or 28 percent, if we account for ultimate ownership. This means stripping out money that would ultimately go to the Global North when, for example, a portion of a Chinese company that is investing in Kenya is owned by US-based investors



FIGURE 4. MARKET LANDSCAPE COMPARING WHO'S INVESTING IN WHAT

13 INDUSTRIES

SOFT-WARE & PLAT-FORMS	UTILI-TIES	HEALTH CARE	AGRI-CULTURE	COMMU-NICATIONS	FINANCE	RETAIL	CON-SUMER GOODS	EDUCATION	TRANS-PORT	OIL & GAS	TRAVEL	CON-STRUCTION
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60+ MODEL TYPES

Vehicle Sharing Platforms*	Grid Scale Solar Farms	Remote Diagnosis	Vertical Farms	Mobile Phones	Micro-Insurance	Retail Chains	Nutrition Fortified Food	Mobile Education	Electric Vehicles*	Biomass Micro-Gen*	Travel Booking Platforms	Affordable Housing
Uber	PowerGen	Babylon Health	Aerofarms	Mara Group	Blue Marble	IKEA	Dangote	Ruang Guru	Amphere Vehicles (e-scooters)	Husk Power (Shell)	AirBnB	Durabric (Lafarge Holcim)
Lyft	Project Noor	Altibbi	Algae Farms	Samsung	Microsure (AXA)	Massmart	DSM	Nafham	Ampersand (e-scooters)	Solar Lamps	Local Alike	Patrimonio Hoy (Cemex)
Grab	Fourth Partner Energy	Apollo Telemedicine	EnerGaia	Transsion	BIMA	Micro-Retailer Training	Grameen Damone Yoghurt	Faculdade Mauricio de Nassau	Tata (electric cars, bikes, buses, trucks)	Awango (Total)	Hotels and Hospitality Chains	Affordable Toilets
Ola	Grid Scale Wind Farms	ClickMedix	Pesticide Replacement	Xiaomi	Alternative Credit Scoring (Nestle)	Plan Barrio	Last Mile Sales & Distribution	Pearson	Personalised Learning (AI)	Clean Cook Stoves & Fuels	Marriott	Tata Nest-In
Gojek	Lake Turkana PPP	ChironX	Terramera	KaiOS, MTN, Orange	Tala	Mi Tienda	Lifebuoy (Unilever)	Embibe (Reliance)	Rolls Royce	Vivo Energy & Koko Network	Hilton	Disaster Resistant Buildings
Safe Motos	Solar Micro-Generation*	Healthcube Pro	Meat Replacement	ARM Holdings	First Access	Martins Retail University (Tribanco)	Bata	Affordable Schools	Airbus	Biolite	Cruise Lines	Miyamoto International
Mondo Ride	d.light	Drones for Medical Delivery*	Impossible	Mobile/Fibre Networks	Jaza Duka (Unilever & MasterCard)	Rural Supplier Networks*	Employing Refugees*	Silverleaf Academy	Electric Ships	Hydrogen Fuel Cells	Carnival	
Ofo	M-KOPA	Medical Equipment Sharing Platforms	Memphis Meats	Huawei	SafariCom	L'Occitane en Provence	Chobani	Omega Schools	Magnuss	Hydrogen Vehicles*		
Hello Tractor	ZipLine	Cohealo	Sensors on Crops or Animals*	Lebara	Libra (Facebook)	Jaipur Rugs	Waste Picking & Recycled Products	Dangote Academy	Shandong Heavy Industry	Toyota		
Didi	Zola Electric	Enhanced Crops and Animals	Huawei Connected Cow	Reliance Jio	14trees (Lafarge Holcim)	Raymond Khadi	Net-Works		Hydrogen Planes			
Swvl	BBOX	Lap Teer Seed	EZ Farm (IBM)	Range Networks	Transfer-Wise	MUJI			ZeroAvia			
Task Matching Platforms*	Biomass Micro-Gen*	Medtronic	Mobile Wallets, Payments & Micro-Lending	Liquid Telecom	M-Pesa (Vodafone & Safaricom)				HES			
Lynk	Pamoja CleanTech	Affordable Drugs & Devices	Monsanto	EZ Farm (IBM)	Orange Money				Drone Networks			
Cloud Factory	Safi Sanna	Novartis Social Business	Syngenta	Enhanced Crops and Animals	Ant Financial				ZipLine			
UpWork	UbuntuPower	MedAccess	DuPont Pioneer	Sensors on Cooler Boxes*	Money OnMobile				Matternet			
UrbanClap	WorldWater & Solar Tech	Project Wezsha (Huawei, Vakava)	Monsanto	Project Wezsha (Huawei, Vakava)	Moja Brik				Rwanda Droneport			
SamaSource	Vestergaard LifeStraw	GSK DCMA	Syngenta	Mobile Apps for Farmers	FISoft				Cloudline			
Talentum	Philips "AIR"	Philips "AIR"	Ant Financial	Mobile Apps for Farmers	eSewa Wallet							
Optimetriks	Battery Networks*	Essilor & Alibaba (eyeglasses)	Money OnMobile	ITC eChoupal	Last Mile Connectivity							
NaTaKallam	Jaza Energy	Olam OFIS	OneWeb	Reuters Market Light	Altaeros							
Goclean	Hydro Micro-Gen. in Pipes	Living Goods	Altaeros	WeFarm	BRCK							
Supply Chain Platforms*	Lucid Energy	Garuda Robotics	BRCK	Satellites and Drones for Monitoring*								
Twiga Foods		WOW [SC Johnson]		Garuda Robotics								
Kobo360		PRISE (CABI, UKSA)		PRISE (CABI, UKSA)								
E-Commerce Platforms*		Google Earth (Malaria)		Google Earth (Malaria)								
Jumia		Alibaba & WFP		Alibaba & WFP								
FlipKart		Vodafone Ghana		Vodafone Ghana								
Taobao (Alibaba)		Irrigation Pumps		Irrigation Pumps								
Etsy		Kickstart		Kickstart								
Lynk		Water Condensers		Water Condensers								
Social Media Platforms*		Heaven Springs Dynasty		Heaven Springs Dynasty								
TenCent		Reforestation		Reforestation								
Facebook; Free Basics		BioCarbon Engineering		BioCarbon Engineering								
Virtual Assistants & Translators*		Miro Forestry		Miro Forestry								
Google DeepMind		Food from water, air and electricity		Food from water, air and electricity								
Baidu Translator		Solar Foods		Solar Foods								
Grameen Guru		Organic Certification		Organic Certification								
Digital Identity Platforms*		Big Tree Farms		Big Tree Farms								
Good Identity												
Gravity												
Juvo												
ID2020												
Land Registries*												
BitLand												
what3words												

Y-Axis: What models are most relevant to each industry?
Industries arranged left to right by # of case studies

Who's investing?	Profit potential	Risk level	Concept maturity
Venture Capital Funds	Higher	Higher	Lower
Multi-National Companies	Varies	Lower	Higher
Specialists or Alliances	Lower	Varies	Varies
Early Stage Incl. Grants	Unknown	High	Lower

X-Axis: Who's investing in what

Key trends over past decade:

- More profitable** – far more innovation in technologies and business models
- Growing faster** – far less dominated by smaller scale examples from companies based in Global North
- More mainstream** – far more use of innovation and venturing capabilities by companies, specialist tech hubs, accelerators and VC funds for startups

Notes:

- This is a non-exhaustive list based on 120+ case studies we explored that combine profits with impact, categorised into 60+ model type and split across 13 industries. Examples vary significantly in terms of scale and maturity
- All examples have unintended consequences that need to be considered (e.g. rising inequality, unsustainable consumerism)
- Star (*) denotes models that can enable businesses across many industries to collaborate in new ecosystems
- Many models are mixed (e.g. they sell to and employ people at the BoP). In all cases we have tagged them to one simplified 'primary' category



Why are companies investing more in inclusive business?

A few inclusive business examples do **achieve profitability in the short- to medium-term** (for example Transsion Holdings, Reliance Jio, Ruang Guru). However, even in developed markets, new digital platforms typically take seven years to achieve profitability, so it is important to be realistic and expect at least this duration with equivalent models in developing countries (for example Jumia, Twiga Foods and Gojek were still on their way to breaking even and were raising additional capital to fund expansion). In addition, when impact investors like Acumen take stakes in start-ups, they typically expect to be patient and committed for ten- to twelve-year journeys to achieve successful exits.

Many multinational companies are looking at inclusive business today not as an isolated near-term investment opportunity for an individual market, but as a long-term global strategy theme that can re-shape the future direction of the company globally. They are not evaluating success in terms of profit and return on investment today, because these would necessarily be very small compared to their other business units. **They are making big strategic bets with ten- to fifteen-year investment horizons** that will shape their role in emerging ecosystems across BoP markets globally. This often means exploring multiple business models, collecting data, improving government relations, advocacy for regulation and building up the legal and commercial agreements with other companies to create a combination of valuable digital assets and market power that can be monetized in various ways in the long term. However, a strategy like this requires CEO and Board level buy in to set out the appropriate vision and level of ambition on gaining new customers, re-positioning the brand and building up new capabilities.

As older core business units reach saturation and face disruption and current trends continue to accelerate, some of these long-term bets could pay off spectacularly as some companies will become the **gateway to hundreds of millions of customers** for others, provide infrastructure they can charge fees for or able to generate insights that give them competitive advantages. In some cases, early investment can also pre-empt competition and reduce the threat of powerful new rivals emerging.

Beyond the basic rationale for investing, the additional benefits for multinational companies include:

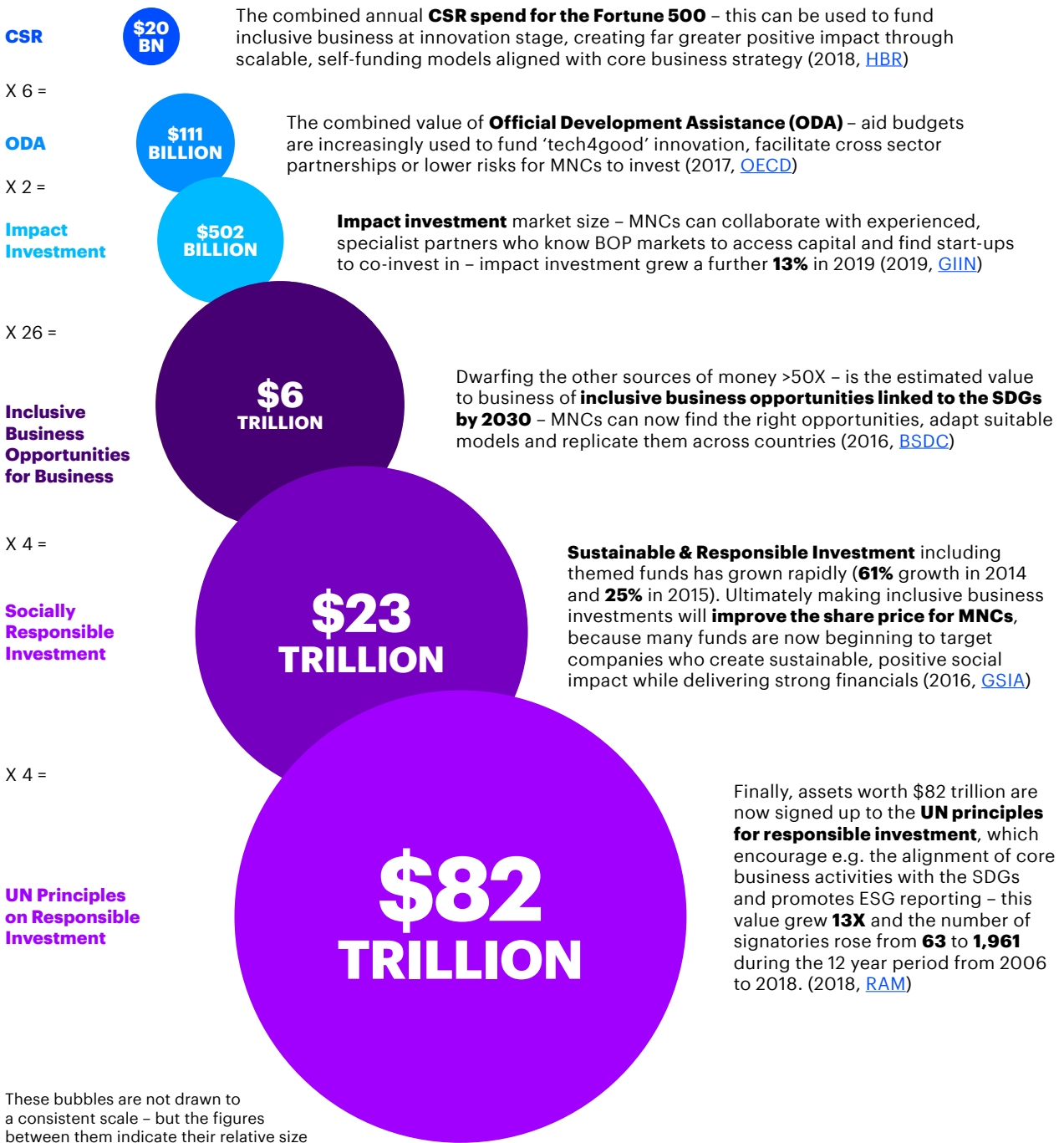
- **Better employee engagement** – improvements in recruitment, retention and productivity
- **Better customer engagement** – improvements in brand value, customer attraction and loyalty, reduced marketing costs, moving beyond ‘purpose-washing’ to substantive change
- **Better investor story and ESG metrics** – share price increases as the focus on Environmental, Social, Governance (ESG) factors and themed Sustainable and Responsible Investment (SRI) funds grow (see Figure 5.)
- **Better government relations** – stronger social license to operate, reduced risk of fines or regulatory actions and more opportunities for public-private-partnerships and incentives

Benefits like these often justify investment in limited duration CSR or ‘Tech4Good’ R&D initiatives that do not have any direct potential for profit, but the scale of this investment and therefore the impact they can have is inherently limited. The distinction with inclusive business is that these benefits are typically secondary considerations that improve the business case, but profitability (be it on a medium- or long-term horizon) makes or breaks decisions on how much to invest and the potential scale is greater.

In practice, the lines between CSR, ‘Tech4Good’ and inclusive business can be blurred, and examples can evolve from one category into another over time. It is therefore critical for business leaders to consider what examples have greater potential for profitability, scalability and impact, so they can avoid simply lumping so many diverse examples of inclusive business together.



FIGURE 5. INVESTOR PREFERENCES GREATER FOCUS ON PURPOSE AND ESG FACTORS



31%

of all assets will have an ESG related focus beyond simple screening by 2020, up from 24% in 2016 – i.e. nearly one third of investors will be **explicitly looking** for purpose and social impact ([Quartz](#))

1/2

of investors aged 18 – 34 intend to invest in a Socially Responsible Investment (SRI) fund within the next nine years ([Triodos Survey](#), 2018)

2/3

of all assets will have some form of ethical filter by 2020, up from 1/2 in 2016 – i.e. most investors will **completely screen out** companies if they have activities such as selling weapons, tobacco, alcohol, fossil fuels or don't have the right governance etc. ([Quartz](#))



What sort of models might be most profitable and scalable?

In Figure 6, we have subjectively mapped the potential profitability and scalability of some examples. This is not intended to be a highly objective, accurate or exhaustive comparison of models. The purpose is simply to **illustrate the shift in focus from traditional examples towards new digital platforms and ecosystem business models**. We also wanted to show the kinds of examples that are sometimes omitted from discussions about inclusive business – even though they are **engaging hundreds of millions of people and improving their lives**. We note that many of these newer and larger examples are growing at a phenomenal pace, coming from companies in the Global South and connecting organizations across industries and sectors. In our view, their larger scale, faster growth rates and wide relevancy have often been under-appreciated. On the other hand, examples that have engaged far fewer people or have far less potential for profitability, scalability or replication are often cited far more frequently to promote inclusive business to business leaders.

Unfortunately, we cannot directly compare the profitability of different inclusive business models today because there's very little public evidence available. Parts of the explanation for this may be that internal projects or business units do not have to report their financial results externally, companies may not want to be seen to be making money from BoP markets and many examples just have not reached profitability yet. While this makes it very hard for business leaders or investors to decide what models are right for them or how much they can invest, we do see rapid growth in investment by scores of venture capital funds and multinational companies as a strong indicator that profitability levels are increasing.

Finally, we note that comparing evidence on impact is even harder as there is so much variety in examples and so little use of standardized metrics and methods. The metrics that are most commonly cited by companies tend to be about 'reach' or 'outputs' rather than 'outcomes' or 'impact.' We have used bubble size to indicate the models that reach more people and differentiated models that improve people's health or incomes from those that enable access to new services or inter-connections. This can give us a sense of the main ways these models are improving people's lives.

How big are inclusive business opportunities?

In 2017, AlphaBeta (commissioned by the Business and Sustainable Development Commission) estimated the global opportunity size associated with delivering the SDGs for businesses was [\\$12 trillion](#) and 380 million jobs could be created in the process. Of this, they estimate 55 percent of the value and 90 percent of the jobs could be created in developing countries.

The value of inclusive business opportunities connected to the SDGs in developing countries is therefore approximately **\$6.6 trillion** and it could **create over 340 million jobs in developing countries**.

This figure represents a **total value between 2017 and 2030** (i.e. it is not the annual market size). It was calculated by adding up high level estimates for various opportunities. For example, \$1 trillion for affordable housing, followed by \$810 million for circular automotive models, \$770 million for energy efficiency of buildings, \$605 million for renewable energy and so on.

These figures are certainly attention-grabbing headline numbers that prompt further interest, but as we mention above, better data sharing on the profitability of specific models is still needed to inform business leaders' decisions about how much they can invest and in what kinds of ventures.



FIGURE 6. NEW EXAMPLES SHIFTING TO FOCUS TO GREATER PROFIT AND SCALE

Higher potential for profitability*

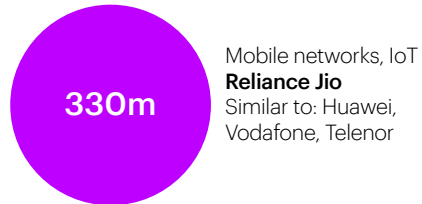
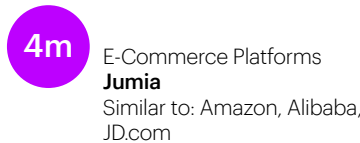
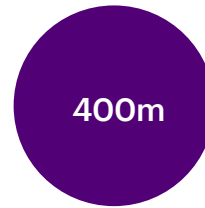
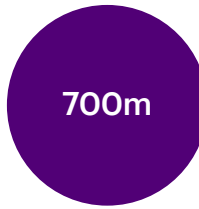
Sometimes under-represented

Key: Primary impact on:

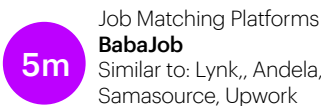
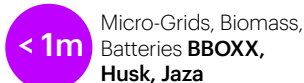
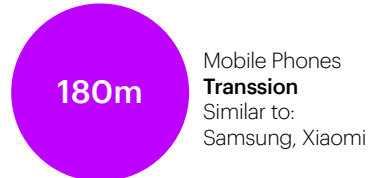
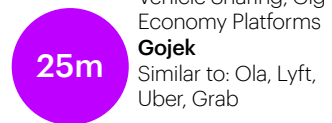
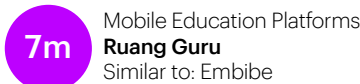
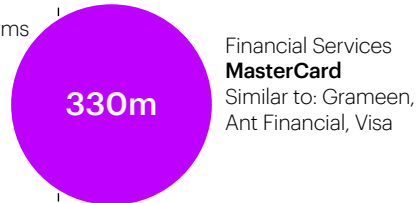
- Better Health
- Higher Incomes
- New connections to people, services, information

Bubble size = scale today in millions of customers, with small, medium and large bubbles for <10m, <100m, >100m

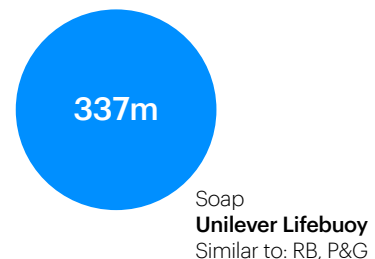
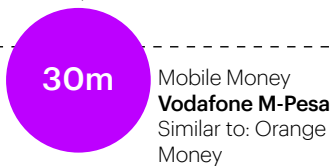
Notes: Positioning is subjective - its purpose is to illustrate how focus is shifting, not to objectively compare models



Expanding focus



Traditional focus



Note: we explored over 120 case studies, the examples above represent a small selection to illustrate key points
** Zipline is constructing a drone network to serve 22 million in Ghana, but this is a metric for coverage not customers

Higher potential for scalability*

A photograph of a man from behind, wearing a grey shirt and a dark cap, riding a rickshaw. The rickshaw is heavily loaded with goods, including large blue and white bags. The background shows a busy street market with many people, trees, and buildings. A purple banner is overlaid on the middle of the image.

THE PAST: HOW DID WE GET HERE?

In this section we ask what flows of money are powering economic development, how business models that engage the BoP have evolved over time and what is transforming the business case. Finally, we look at barriers that have limited investment and pain points that have stopped many pilots scaling up.



What has been powering economic development at the BoP?

In 1990, most developing countries still relied on Official Development Assistance (ODA) from international donors as their largest single source of capital. Back then, the total value of ODA was roughly \$50 billion globally, which was more than all Foreign Direct Investment (FDI) and remittances were worth combined.

Zoom forward nearly 30 years and the picture is unrecognizable. While ODA has roughly tripled, the value of FDI and remittances has sky-rocketed. Both now easily dwarf ODA and worth many times more. The parallel reduction in extreme poverty (i.e. people living on less than two dollars a day) has been even more remarkable. Since 1990, over 1.2 billion people have lifted themselves out of extreme poverty. In 1990 one in every three people in the world was struggling to exist, with poor health and education and very low productivity. Now, it is [less than one in ten](#). This has pushed billions more people into the base of pyramid (i.e. people living on two to eight dollars a day). There are hundreds of millions more people who now live in cities, with better education and more money and they are engaging with multinational companies in more productive and meaningful ways.

Figure 7 shows how important **private sector investment** and **money from emigrant diasporas**¹⁰ have become as the twin engines of economic growth for most developing countries. As foundational improvements in governance, infrastructure, education, health and many other areas have been made possible by donors and public spending, hundreds of billions of dollars from multinational companies and emigrants have flowed into developing countries every year over the past three decades. This has created new jobs, directly boosted incomes and fueled demand.

How have BoP business models changed over time?

Looking back over recent decades, the iconic examples of multinational companies working in developing countries have changed radically and so have the kinds of business models they are using:

- Companies have been on a long journey towards owning their social and environmental impacts, aligning their activities with SDGs and finding new ways to **create 'shared value'**
- People on low incomes are now being engaged in far more diverse, meaningful ways, often through **new combinations of technologies** and **new business models**
- Profitability, risk tolerance and investment levels have increased as companies have used their **innovation and venturing** capabilities better, **new players from the Global South** have begun expanding and **specialist venture capital, private equity, impact investment** and **blended capital** funds have begun focusing on new opportunities in developing markets.

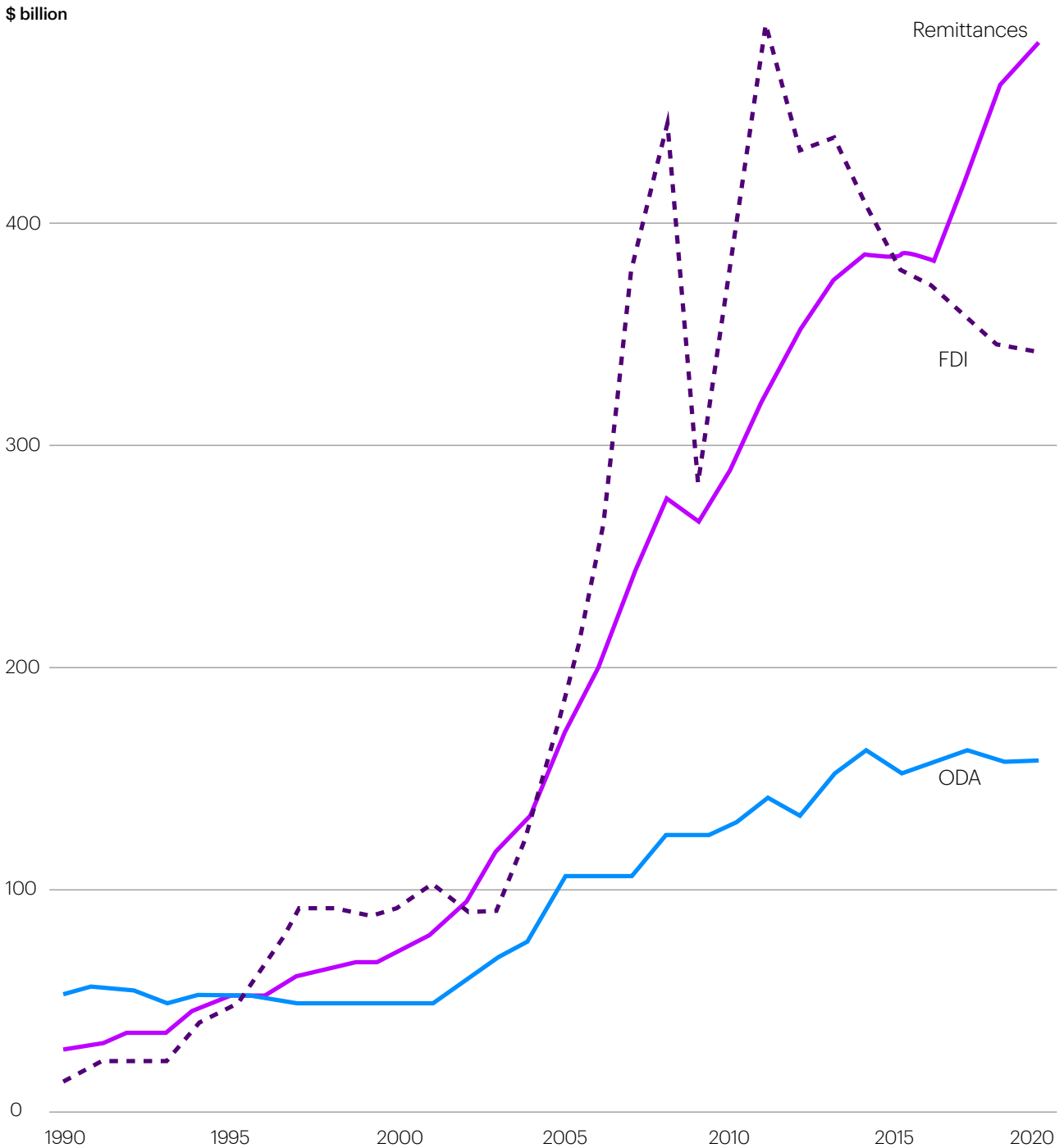
In Figure 8, we outline how mindsets, strategies, business models and iconic examples of companies have gradually changed over three eras. We split out examples that engage the BoP as employees, suppliers and customers to show how similar changes have occurred across all these modes.

¹⁰ Remittances could be an under-explored area for more multinational companies beyond financial services to tap into. By connecting inclusive business models to diaspora populations who are already their customers, there could be many new possibilities to drive growth. For example, [14trees](#) is a Joint Venture between CDC and Lafarge Holcim using a digital platform ([SmartDiaspora.com](#)) to engage emigrants to build an affordable, sustainable homes.



FIGURE 7. CAPITAL INFLOWS TO DEVELOPING COUNTRIES* RISING IMPORTANCE OF FDI AND REMITTANCES OVER TIME

From the 1960s to 1990s, aid money was the largest inflow into developing countries—but with greater investment and migration this picture has changed radically since then



FDI = foreign direct investment. ODA = Official Development Assistance; Data for 2018 are estimates and data for 2019 are forecasts
Source: Global Knowledge Partnership on Migration and Development (KNOMAD)

*Data for developing countries excluding China

Source: From the [World Bank, based on KNOMAD data](#); Note: this diagram excludes China, as including it can skew the picture for FDI and remittances for other developing countries.



New mindsets, strategies and models have evolved. The business case has been transformed. More and better opportunities are arising and becoming relatively more attractive to companies.



FAST FACTS:

E-commerce in China is already worth over \$1 trillion and accounts for 40% of all online trade. In Indonesia, e-commerce is expected to grow from \$8 billion to \$55 billion and in India it is expected to quadruple to \$150 billion between 2017 and 2022.

Source: [The Next Billion Online](#), Booking Holdings

Inclusive business opportunities are estimated to be worth \$6.6 trillion to business and could create 340 million jobs in developing countries by 2030.

Source: AlphaBeta & BSDC



FIGURE 8. EVOLUTION OF BUSINESS MODELS NEW MINDSETS, STRATEGIES AND ACTIVITIES

ERA	1970 - 1990	1990 - 2010	2010 - 2030
COMMON MINDSETS	Maximise focus on profits and minimise focus on negative impacts; post-colonial legacies remain	Keep the core business focused on profits but set up CSR units to offset/do good	Embed sustainability, responsibility and purpose into core business activities
COMMON STRATEGIES	Avoid developing markets and BoP as they are too risky and not profitable enough	Consider opportunities with the 'next four billion' but invest relatively little	Invest more in BoP markets in response to disruption, saturation and competition
ICONIC EXAMPLES OF ENGAGING BOP AS EMPLOYEES 	<p>Finding cheap, lower skill labour for factories or extractive activities etc.</p> <ul style="list-style-type: none"> • China Electronics Corporation (manufacturing electronics) • Nike (manufacturing sports apparel) • Anglo American (mining) 	<p>Offshoring higher skill jobs in call centres or back office functions, expanding global chains of hotels, banks, super-markets, restaurants etc. in major cities; introducing basic worker protection</p> <ul style="list-style-type: none"> • Tata, Wipro, Accenture, CapGemini (offshoring) • Carrefour (supermarkets) • McDonalds (fast food) • Marriott (hotels) 	<p>Platforms connect millions of drivers to passengers, gig economy workers to tasks and teachers to students</p> <ul style="list-style-type: none"> • Gojek, Ola, Grab, Safeboda, Lyft, Uber, Didi (ride hailing) • Lynk, Babajob, UpWork, SamaSource, Zhubajia (job matching) • Ruang Guru, Embibe (mobile education)
ICONIC EXAMPLES OF ENGAGING BOP AS SUPPLIERS 	<p>Buying cheap raw materials like metals from 'artisanal' miners or cash crops from small-holder farmers</p> <ul style="list-style-type: none"> • Tata (tea and coffee) • Nestle (cocoa, cereals, food and drinks) 	<p>Setting up networks to secure more reliable supplies – e.g. reducing bankruptcy of small-holder farmers when prices drop or crops fail, providing data on prices and weather to framers on mobile apps</p> <ul style="list-style-type: none"> • Danone, Mars, Olam (livelihoods, traceability) • ITC E-Choupal, RML (mobile apps for farmers) 	<p>Platforms connect millions of farmers to market stall owners and retailers to customers; supported by financial inclusion, credit scoring and payments ecosystems; supply chain growth and optimisation</p> <ul style="list-style-type: none"> • Twiga Foods, Kobo360 (supply chain, logistics) • Jumia, FlipKart, Taobao, Etsy (e-commerce)
ICONIC EXAMPLES OF ENGAGING BOP AS CUSTOMERS 	<p>Selling cheap consumable products like cigarettes, alcohol and soft drinks via informal supply chains</p> <ul style="list-style-type: none"> • Coca-Cola (soft drinks) • Diageo (alcohol) • Imperial Tobacco (cigarettes) 	<p>Training networks of micro-entrepreneurs for rural sales and distribution, selling consumer goods and health products to BoP via them or via retailers, providing mobile wallets and micro-finance loans</p> <ul style="list-style-type: none"> • Unilever, DSM (rural sales networks) • Vodafone M-Pesa (mobile payments) • Grameen, Mastercard (micro-finance) • D.Light (solar) • Facebook, TenCent (social media) 	<p>Platforms combine in new ecosystems as millions use mobile healthcare linked to identity, insurance and payments; or digital agriculture linked to micro-grids, e-commerce, drones</p> <ul style="list-style-type: none"> • Babylon Health, ChironX (mobile health) • BBOX, Off Grid Energy, Husk, Jaza (solar, biomass, batteries) • Zipline, Matternet (drones) • AXA, BIMA (insurance) • Baidu, Google (AI)



In this section, we explain how five elements have transformed the supply and demand sides of the market respectively, fundamentally changing the business case around inclusive business.

The supply side elements mean that more and better investment opportunities are arising all the time.

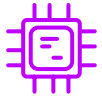
The demand side elements mean that companies are finding these opportunities relatively more attractive over time.

Combined, they have resulted in more investment. Most interestingly, in the case of every one of these ten elements, current trends only look set to accelerate as we move into the 2020s."



Why has the business case been transformed?

But what has caused so much change in profitability and evolution in mindsets? Why have so many more companies, venture capital, private equity and impact investment funds been able to find opportunities in developing countries where they couldn't previously. Why is this now more attractive?



THE FIRST SUPPLY SIDE ELEMENT NEW TECHNOLOGY COMBINATIONS

Figure 9 illustrates 27 technologies shaping the 'Fourth Industrial Revolution.' They are divided into three main groups: digital, physical and biological and visualized in the style of a 'periodic table.' The list is not exhaustive, but it gives us a more tangible sense of what we mean when we refer to the emergence of many 'new technologies' today.

Every year now brings advances across each of these technology fields (and many more not depicted), creating new technical possibilities. Many of these advances have direct applications for people on low incomes – expanding the ways in which companies can engage with them.

If we think back on the 'inclusive business landscape' in 2019 from the previous section and compare it with the 'periodic table' of technologies – there are obvious parallels.

The emergence of specific new technologies has directly sparked the growth of many multi-billion-dollar companies that built new inclusive business models based around them within just a few years. For example: mobile (Transsion, Samsung, Telenor), cloud (Facebook, Jumia, Alibaba), IoT (IBM, Gojek), robotics (Zipline, [WeRobotics](#)), energy harvesting (D.Light, M-KOPA, Off Grid Electric), machine learning (Babylon Health, Ruang Guru), artificial intelligence (Baidu, DeepMind, [AI4Good](#) start-ups).

Today, we see can also see many less mature technologies making very rapid advances, driving the emergence of many start-ups and ventures by multinational companies in developing countries. For example: energy storage ([Jaza Energy](#), [EDF & BBOXX](#), [Eskom](#)), bio-energy (Shell & Husk Power), 3D printing ([Autodesk and Dassault Systems](#)), machine vision ([ChironX](#), [One Concern](#)), hydroponics & aeroponics ([Aerofarms](#)), new forms of food production ([Solar Foods](#)), extended reality ([HTC](#)) and [blockchain](#) ([ConsenSys](#), [Good Identity](#), [BitLand](#)).

But it is not just individual technologies that really create most value, it is new combinations of them. As multiple waves of technologies mature and reach wide scale adoption, they begin to combine in new ways. The examples we gave above may have been distinctively driven by the emergence of one technology – but in every case it was really the combination of multiple technologies that enabled widespread adoption and underpinned their business model.

This 'combinatorial' effect is extremely powerful and often under-appreciated.



FIGURE 9. PERIODIC TABLE OF INNOVATION

27 TECHNOLOGIES SHAPING THE 4TH INDUSTRIAL REVOLUTION

DIGITAL <ul style="list-style-type: none"> • Based on computer sciences, electronics and communication • Make use of increasing information intensity • Enhance the connectedness between physical resources 	MD Mobile Devices	C Cloud Computing / Edge Computing	BD Big Data	IOT Internet of Things (Sensors, Controls, M2M)
	RPA Robotic Process Automation	ML Machine Learning	AI Artificial Intelligence	MV Machine Vision
	BC Blockchain	DT Digital Twin (Simulation of Physical Dynamics)	QC Quantum Computing	
PHYSICAL <ul style="list-style-type: none"> • Based on basic properties of materials, energy, forces of nature • Make use of new materials or interactions 	RB Robotics (Drones, Self-Driving Vehicles, Automation)	NT Nano-Technology	MS Material Science	3D 3D Printing
	EH Energy Harvesting (Solar, Wind, Tidal, W2E etc.)	ES Energy Storage (Batteries, Hydrogen Fuel Cells etc.)	CCS Carbon Capture & Storage	
	ST Spectroscopy	PM Physical Markers	XR Extended Reality (Augmented, Mixed and Virtual Reality)	
BIOLOGICAL <ul style="list-style-type: none"> • Based on biology aspects including, but not limited to, biological systems, living organisms, or derivatives thereof • Make use of new products or processes 	DNA DNA Marking	CT Cellular & Tissue Engineering	GE Gene Editing (CRISPR etc.)	
	HA Hydroponics & Aeroponics	BBM Bio-based Materials	BE Bio-Energy	



We illustrate this dynamic in Figure 10 – which illustrates how overlapping waves of technology innovation have combined and driven an ever-faster pace of change. It shows how huge new markets have repeatedly been created out of possibilities that were difficult for most people to imagine just a decade before, and how this dynamic is only going to accelerate in the coming decades. This has increased both productivity and demand across BoP markets and unlocked new pools of value worth trillions of dollars. It has caused competition to intensify and points to future opportunities that can be captured by those who are investing ahead.

Particularly critical but sometimes less visible is the rise in the volume and granularity of the data that will come from miniaturized sensors and controls, which are now becoming ubiquitous in every walk of life, including in developing countries. By 2030, it is expected that there will be over [125 billion active connected devices](#) globally.

Over 90 percent of all the data in the world was created in the past two years alone – so just how much more we will be generating by 2030 or 2050 is hard to comprehend. It is not just being created faster, it is being shared, combined, augmented and analyzed ever more effectively between citizens, public, private and non-profit organizations, supported new identity, payments and supply chain infrastructure. As we start to roll out 5G and other communications networks purpose-built for such a world we will approach a phenomenal level of inter-connectivity and the richness of data that we begin to generate will enable a new level of optimization in services. In this context many profitable new possibilities will arise for business models that serve unmet needs for people on low incomes.

Beyond the next five to ten years, it is difficult to imagine what will happen as we can begin to add emerging technologies like quantum computing, direct neural links and gene-editing to the mix.

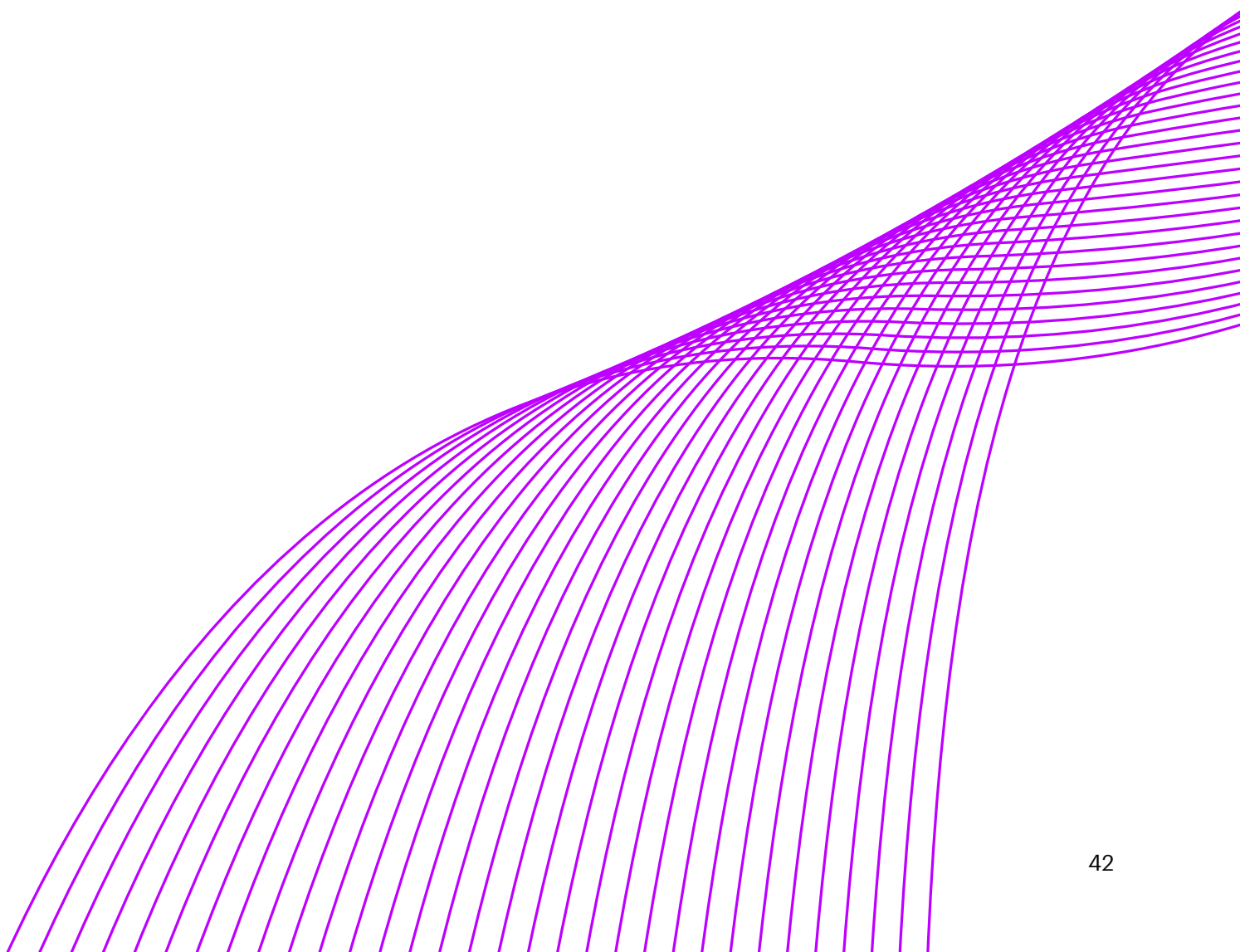
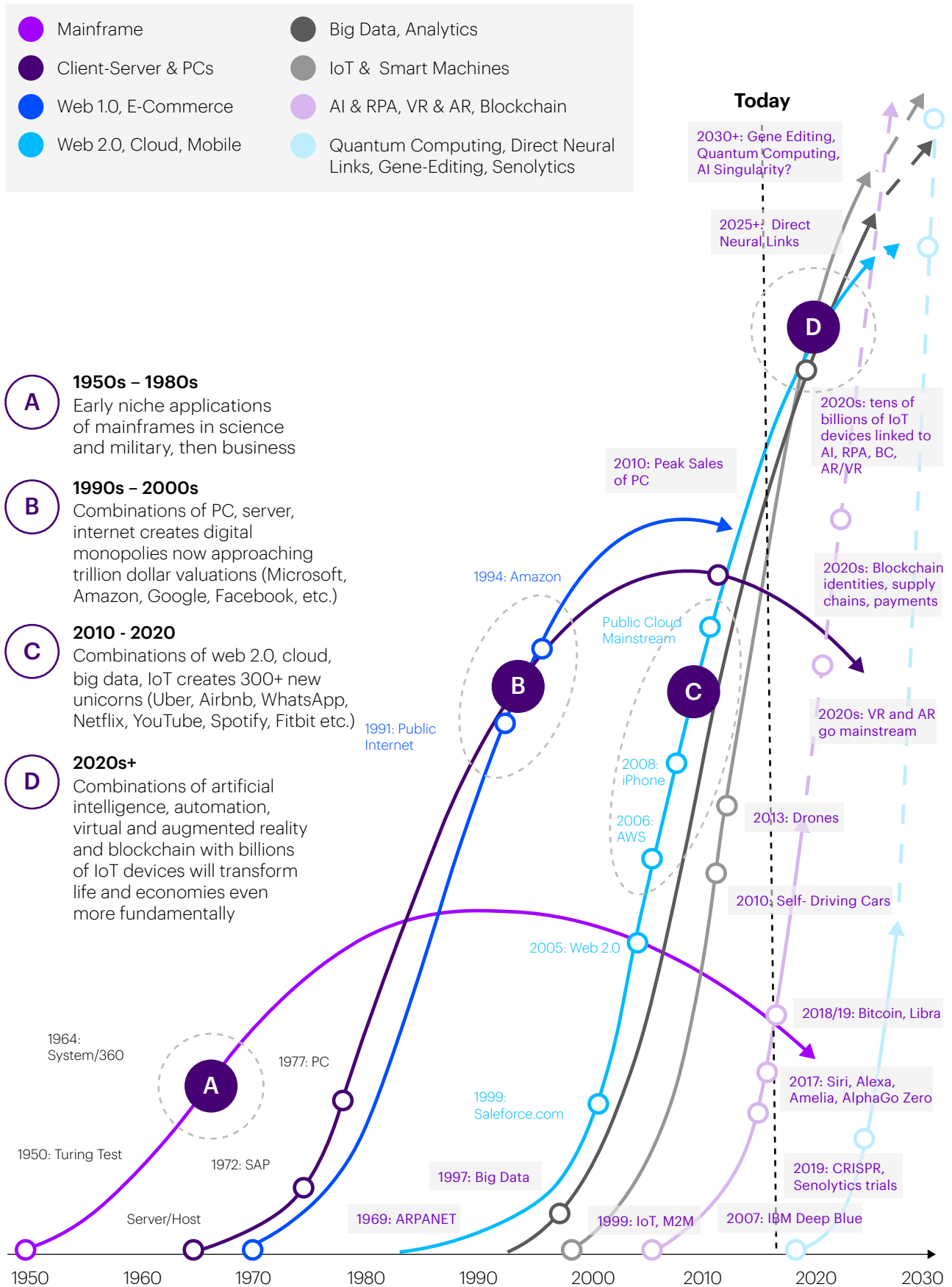




FIGURE 10. COMBINING TECHNOLOGY WAVES THE EXPONENTIAL PACE OF CHANGE

Technology adoption curves





In the next decade, all aspects of business and society (in both developed and developing markets) are likely to be re-shaped in even more fundamental and powerful ways as technologies like artificial intelligence, robotic process automation, augmented and virtual reality and blockchain combine with cloud, big data, IoT and smart machines.

FAST FACTS:

Internet is now accessible to 94% of people in China, 74% in Indonesia, 56% in India and 39% of Africa overall. In a country like Nigeria, access is expected to rise from 47% today to 84% by 2023. By 2030, there will be 125 billion connected devices globally. This tsunami of data, when combined with new technologies, will transform life at the BoP.

Sources: WeAreSocial, InternetWorldStats, Statista, IHS Markit



THE SECOND SUPPLY SIDE ELEMENT NEW BUSINESS MODEL FEATURES

Looking across many examples of inclusive business models, we have pulled out ten features that proved repeatedly successful. We have grouped them under four questions business leaders are starting to ask themselves when designing new models and illustrated each with brief examples.

A. WHAT COULD THE 'LIFETIME VALUE' OF CUSTOMERS BE IF WE REMOVED THE UPFRONT COST BARRIERS?

Product-as-a-service: [Gojek](#), [Grab](#), [Ola](#), [SafeBoda](#) and many similar vehicle sharing platforms now offer transport as an easy 'pay-as-you-go' services on demand. Some business models create value by enabling networks of entrepreneurs to buy productive equipment that is completely unaffordable to billions of people today and then rent it out on a 'per-use' basis. If the pricing and utilization is high enough, all parties can benefit but this model can involve a lot of financing risk.

Bundling products and/or financing: D.Light, Fenix and other solar providers [bundle products like TVs, mobile phones and chargers](#), as well as financial services like loans with solar panels. Some businesses models create value by subsidizing or giving away products people want so that revenue can be generated from services provided through them. If the mix is right, then a very strong relationship can be created, with lots of cross-sell and up-sell opportunities over time.



B. WHERE CAN WE CREATE MOST VALUE IN EMERGING DIGITAL ECOSYSTEMS?

Platform plays: platforms simply connect two sides of any market. For example Lynk connects over [60 types of informal traders](#) (cleaners, tutors, nannies, carpenters etc.) with customers in Kenya. Some business models create value by eliminating inefficiencies in matching supply and demand. If they can attract enough 'critical mass' on both sides of the market, platforms can benefit from network effects, extract rents and scale rapidly at zero marginal cost. But attracting users initially can be hard and competition can be high, so growth can involve buying similar platforms.

Ecosystem plays: LaFarge Holcim launched [14trees](#) in 2016 to grow its affordable housing business. Instead of simply selling their own product (a sustainable building material called Durabric) to people living in developing countries, they targeted diaspora communities who send remittances home. The aim is to engage them with a 'turnkey solution' to build a new house in their home country and manage the relationships with banks and contractors through 14trees. This is an ambitious idea that is still in its early growth stage. But it shows great creativity to target remittance flows and if successful it could position LaFarge Holcim as an originator for new mortgages, home construction contracts or public-private partnerships. Some business models create value by connecting multiple industries and sectors via platforms. Envisioning how a new ecosystem could look and selecting the right role to play is not easy, but for companies who gain a central position it can be highly profitable.

Profit or revenue sharing: Huawei and the Finnish start-up Vakava piloted pay-as-you-go '[connected coolers](#)' to offer cold chain transport as a service in Kenya in 2019, with a view to exploring revenue or profit sharing. Some business models create value by aligning the incentives of multiple parties. Creating appropriate commercial agreements, legal structures and investment and ownership mechanisms can be challenging, but if well designed they can provide a sustainable basis for growth.

Data sharing: Mastercard, KCB and Unilever partnered to create the [Jaza Duka platform for entrepreneurs](#) in Kenya to access credit in 2018. Unilever provides its customers' purchasing data to Mastercard, who assess each store owners' eligibility for credit and pass on the leads to KCB. Some business models create value by pooling data and analytics capabilities across organizations so new insights can be generated, which reduce the costs and risks of providing core services. In turn, new demand and data can be generated, benefiting all partners. It is critical we enable such innovation in a responsible way while protecting digital rights and privacy.



C. CAN WE MONETIZE THE DATA, CUSTOMER ACCESS AND IMPACT OVER TIME?

Access monetization: Africa's largest e-commerce company Jumia launched the [Jumia One](#) mobile app in 2018. It created a 'one stop shop' for millions of customers across more than 20 countries in Africa to access services from Jumia partners including mobile networks, utilities, hotels, airlines, event ticket sellers and many more. Some business models create value by monetizing access to a company's user base. When this is done well it can simplify the customer experience and enhance the profitability of BoP models, but it can also reduce competition and give excessive market power to individual companies – especially in monopoly situations.

Data monetization: [First Access](#) and [Tala](#) use data from mobile phones to provide alternative credit scoring services that help financial services providers assess the risk of people at the base of the pyramid. Some business models create value by collecting data on the BoP that is still very rare, generating insights from it and selling it to partners. There are vast opportunities related to lending, insurance and supply chains here. But balancing the need to protect digital rights and privacy with data collection and innovation is also critical.

Impact monetization: Some the largest [agricultural](#) companies in the world are collaborating to help eradicate Malaria by 2040. They are being funded by donors to do this. Some business models can create value by measuring social impact and reporting it to government departments, donors and impact investors. This enables companies to think beyond business models that aim to generate revenue directly from people on low incomes who have very little to give. Such payments can be given as grants or in '[pay by results](#)' schemes (which DFID tried with Unilever in the past).



D. CAN WE ACCESS BLENDED FINANCE, SUBSIDIES, TAX INCENTIVES OR PREFERENTIAL TARIFFS?

Low interest loans and risk-sharing guarantees: multi-lateral organizations like the [World Bank](#) provide financing for many infrastructure projects in developing countries, including wind farms and solar arrays. Some business models create value by bringing together public and private partners to achieve common goals. This has historically been appropriate for large infrastructure construction projects – where the risk might deter private sector investment without public guarantees or subsidies.

Funding from cost savings: [Babylon Health](#) are currently being funded by the Bill & Melinda Gates Foundation and the Rwandan Health Ministry to make mobile healthcare universal. In future, they could get paid by health departments worldwide to reduce costs for in-person GP and hospital visits. Data from mobile healthcare could also reduce costs for disease monitoring and elimination programs – creating savings for NGOs and donors. Some business models create value by replacing higher cost services. If cost savings can be captured it can fund rapid growth.

Public-Private Partnerships (PPPs), Special Economic Zones (SEZs) and Free Ports: following the success of this strategy in driving growth in Asia, thousands of PPPs, SEZs and free ports have been [created in Africa and other regions in recent years](#). They can provide co-investment along with tax breaks or favorable import or export rules for multinational companies. Some business models create value by bringing together investment across sectors and coordinating location so to drive benefits from special regulations because of the jobs and tax income they create.



Because companies are learning to think about BoP markets with different mindsets for value creation, many new kinds of business models are arising.

There are now many ways to collaborate, finance and monetize activities. The development of more and better business model features over time and their combination is having a multiplicative effect.

Like new combinations of technologies, this trend is reducing risk, increasing profitability and accelerating over time.

FAST FACTS:

In 2018, there were 272 mobile money services with 866 million users in 90 countries globally. But Sub-Saharan Africa accounts for almost half of all accounts (with 396 million users) and two thirds of all activity (\$25 billion worth of transactions). Over 110 million more accounts could be opened in just three countries (Egypt, Nigeria and Ethiopia) in the next five years, opening up many new business opportunities.

Source: [GSMA](#)



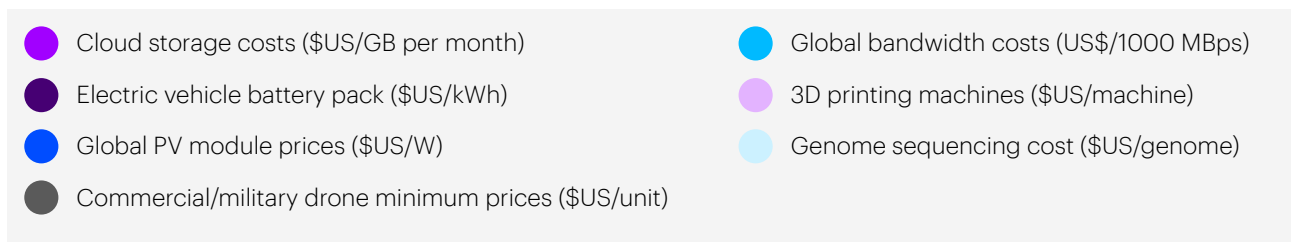


THE THIRD SUPPLY SIDE ELEMENT FALLING UNIT COSTS

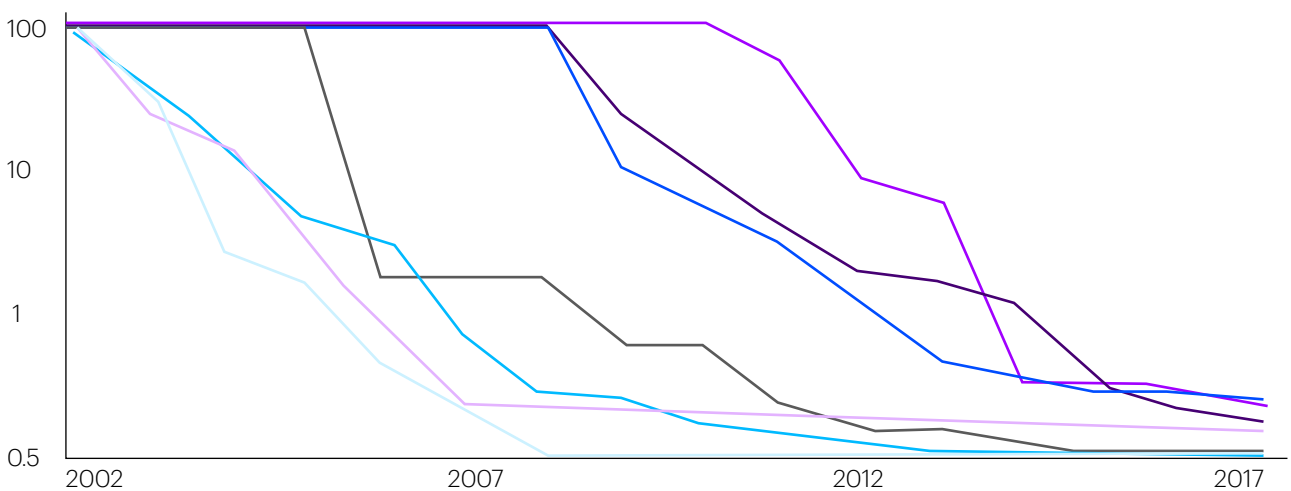
Profitability is now improving across so many different models because [many kinds of unit costs are falling dramatically](#). For example, it is now possible to make significant profits selling mobile phones, broadband data and off-grid energy solutions to the BoP at scale where it was initially uneconomic.

When evaluating a business case, it is sometimes important to consider the impact that this trend will have – as many more opportunities in developing markets will soon become economically viable. In Figure 11, we highlight examples to illustrate how widespread and dramatic this trend is.

FIGURE 11. FALLING UNIT COSTS EXAMPLES OF 10 – 100 X DECLINES



Logarithmic Cost Index (2002 = 100)



Source: Accenture Research Estimates based on data from HIS Markit, NY Times, WEF

- Mobile broadband costs have fallen by 50% globally within the past 3 years alone
- Purchasing equivalent levels of functionality in a smart phone is typically cheaper by factor of 10x within just a few years due to lower component costs and miniaturization
- The cost of basic smart-phones plummeted from over \$500 to less than \$50 in just a few years, triggering penetration rates to grow far more rapidly than forecast in developing countries
- Unit costs for wind and solar energy have consistently beaten forecasts and fallen much faster than they were expected to over the past two decades. Solar PV costs are over 3x lower than they were 10 years ago and are forecast to continue dropping to roughly 3x lower again by 2040 (i.e. from 62c to 21c per watt)
- Battery costs have been falling dramatically for decades too – often by over 20% a year
- Mapping the first human genome cost us over \$300m and took 13 years. We now routinely map entire DNA sequences for < \$50 and it takes just a few hours



THE FOURTH SUPPLY SIDE ELEMENT NETWORK EFFECTS

A study of 336 digital companies over the past 23 years [by NFX](#) showed that over 70 percent of all value created in the tech sector is driven by network effects. Every time a new person joins a network, its value does not increase linearly. The number of connections increases by an exponential 'power law'. The costs of connecting incremental people gets smaller and the benefits get bigger for everyone. The power of centrally collecting data leads to optimization of many kinds and triggers completely new insights and relationships. Most of the scale, market power and profitability of digital businesses like Google, Apple, Amazon, Facebook etc. are due to their network effects.

The reason this matters for inclusive business is that **energy access, device ownership, connectivity, digital identity, financial inclusion, payments and supply chain infrastructure** have been major enablers for other models. The networks they are creating are rising in value exponentially as more people are being connected to them. As billions of people worldwide who were previously relatively isolated and economically unproductive join thousands of overlapping networks and interact in productive new ways, it is unlocking trillions of dollars of new economic opportunities.

It is possible to facilitate deliberate connections between business models to speed up how fast this happens. The business case for combined models can be much stronger than for their own service alone. We have already noted examples like M-Pesa, Jaza Duka, Gojek and Jumia One – but what has happened so far is a drop in the ocean compared to the potential relationships. Consider the possibilities to connect mobile phone makers, network operators, mobile money services, alternative credit scoring services, micro-finance providers, micro-insurance providers, e-commerce platforms, vehicle sharing platforms, gig economy platforms and off grid energy providers. As more of these connections are made and more people join an interconnected web of networks, costs and risks will continue to fall dramatically and profitability and impact will grow.



THE FIFTH SUPPLY SIDE ELEMENT MACRO-TRENDS

More and better investment opportunities will emerge in future because of gradual demographic and economic trends too.

Over 90 percent of the world's **population under 30** [lives in developing countries](#). In India alone, over one million people turn eighteen every month. Most are looking for jobs and those who start earning start spending on new products and services – including many from large companies.

But it is not just markets for younger customers that are growing in developing countries. The population of **people aged over 80** in developing countries is set to double by 2030, resulting in growing opportunities in healthcare, insurance, housing and many other services.

Our world is getting **rapidly more connected** – unlocking vast pools of trapped value for companies. Over four billion people are now online and two and a half billion more will be connected in the next decade. Even in a region like Sub-Saharan Africa where poverty is endemic and connectivity is limited today, smartphone penetration is forecast to jump from 34 percent in 2017 to 67 percent by 2025. Today, only ten percent of all Africans use a mobile money service. 99 percent of African retail is still offline. There are tremendous opportunities out there, driven by macro-trends and enablers.

Trends across **healthcare, education, incomes, urbanization, device ownership, energy access, connectivity and governance** are very nuanced and varied with vast differences between countries and even within them. However, the general direction and pace of improvement in indicators across all these areas has contributed to many new opportunities arising.



Above, we have explored why more and better opportunities are arising due to the five supply side elements

Next, we will look at five demand side elements. Why are companies finding inclusive business opportunities relatively more attractive?



THE FIRST DEMAND SIDE ELEMENT MARKET SATURATION

Many companies are facing disruption and market saturation in their core business. Business leaders are under pressure to find new opportunities and markets that will sustain long term growth at scale, or their profits and revenues will slowly decline. Utilities, mobile network operators, insurers, banks, consumer goods manufacturers, healthcare providers, car makers and retailers are all facing growing pressures such as commoditization, disintermediation, rising regulatory costs and disruption from a range of new-entrants. As the competition driving disruption and saturation pressures continues to intensify, inclusive business opportunities will become relatively more attractive to many companies.

Unilever, which has long pioneered inclusive business as a key strategy pillar, is currently seeing dividends from this as a 0.7 percent decline in sales in developed markets in its latest results has been more than compensated by a [six percent rise across emerging markets](#) (especially India and China).



THE SECOND DEMAND SIDE ELEMENT NEW EXPECTATIONS



The expectations that global businesses face from employees and customers are changing fast. It is getting far more competitive to attract, retain and inspire employees – driving many companies to look for new ways of embedding purpose into core business activities. 94 percent of [millennials](#) want to use their skills for good, 81 percent prioritize [purpose](#) in choosing an employer and inspired employees are three times as productive as peers ([HBR](#)). In addition, there is extensive research showing the benefits of positive social impact for customer acquisition and retention. 91 percent of consumers [prefer a brand](#) with social purpose and nineteen percent will pay a premium for it.

Perhaps even more directly influential, investors are expressing stronger preferences for social impact. [Sustainable and Responsible Investment](#) (SRI) and Environmental, Social and Governance (ESG) metrics have gradually become mainstream. The value of socially conscious investment [quadrupled in the past decade](#) to \$12 trillion in the United States alone. Over one in every four professionally managed dollars invested there now has an ethical filter. As of 2018, sustainable investment was worth over \$30 trillion globally. By 2020, it's expected that two thirds of all assets will have an ethical filter and one third will be aligned to sustainable or socially responsible themes. The world's largest fund manager ([BlackRock](#)) expect that over half of all investors will demand evidence of social benefits in addition to strong financial returns within the next decade.

Leading business theorists like Michael Porter have advocated a shift towards [shared value creation](#) for many years now and in the August 2019 [Business Roundtable](#), 181 CEOs formally redefined the purpose of a corporation to focus on value creation for all stakeholders and not just shareholders. We expect inclusive business investments to become increasingly attractive because it offers a tangible route to do this. Companies who can reposition their core businesses ahead of these rapidly changing expectations stand to benefit most from better employee recruitment, retention and productivity, customer acquisition and loyalty and share price growth over the long run.



FIGURE 12. RAPID SHIFTS IN STAKEHOLDER EXPECTATIONS SUSTAINABILITY, RESPONSIBILITY AND PURPOSE

	GOVERNMENTS EXPECT BUSINESS TO...	EMPLOYEES EXPECT BUSINESS TO...	CUSTOMERS EXPECT BUSINESS TO...	INVESTORS EXPECT BUSINESS TO...
WHAT WAS EXPECTED OF BUSINESSES IN THE PAST? 	<ul style="list-style-type: none"> • Create jobs and profits for investors • Comply with regulations and stay within the rules on tax and accounting 	<ul style="list-style-type: none"> • Provide decent pay and conditions • Provide job security • Engage with unions on rights 	<ul style="list-style-type: none"> • Provide safe, quality goods and services at affordable prices 	<ul style="list-style-type: none"> • Hit quarterly profit targets • Increase share price, dividends
WHAT'S EXPECTED NOW? 	<ul style="list-style-type: none"> • Lead solutions to social and environmental challenges (engage on and drive the SDG agenda) • Reduce or pay for negative externalities (e.g. carbon tax, producer pays, new supply chain standards) • Pay more effective tax (e.g. reform tax havens, sign global tax treaties, levies on tech giants or transactions) 	<ul style="list-style-type: none"> • Create purpose and meaning in work to attract and retain the top talent • Get out ahead of ethical and sustainability issues or risk costly backlash • Manage rapid changes in organisation structures, roles and number of employees —providing retraining, protecting jobs —using global workforces in ethical ways 	<ul style="list-style-type: none"> • Have brand values to identify with, support causes, create positive social impact • Avoid 'purpose washing' • Connect them to who products come from (traceability, inclusion and sustainability) • Provide options to pay more for social impact (only 19% will pay more today, but this portion is rising fast) 	<ul style="list-style-type: none"> • 2/3 of all investment will pass ethical filters by 2020 (e.g. no arms, tobacco, alcohol, fossil fuels): Quartz • 1/3 of all investment will proactively look for social themes by 2020: Quartz • Hit ESG targets • Articulate purposeful goals • Pre-empt disruption and regulation with new sustainable core activities



"Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. "

Larry Fink, BlackRock CEO

FAST FACTS:

Within the next decade, Blackrock expect over half of all investors will demand evidence of social and environmental impact as well as strong returns, so inclusive business activities are becoming a key differentiator for multi-nationals. This shift is happening rapidly: by 2028, Blackrock forecast their ESG ETF assets will increase 20-fold.

Source: Financial Times, EthicalCorp



THE THIRD DEMAND SIDE ELEMENT CROSS-SECTOR CONVERGENCE

In 2015, multinational companies, governments, NGOs and others co-developed a vision for the future called the [2030 Agenda for Sustainable Development](#).¹¹ Tangible ambitions were embodied in seventeen **Sustainable Development Goals (SDGs)** and each had a set of metrics defined.

Since then, cross-sector collaboration has been important to much of the progress that has been achieved, but [we are currently far off track](#) to reach many of the SDG targets by 2030. Worryingly, the world needs to mobilize an additional [\\$2.5 trillion investment every year](#) to achieve the SDG targets.

Additional investment on this scale can only realistically come from one source: the private sector. But the public and non-profit sectors have a vital role to play in catalyzing this investment. Over the past decade, we have seen a growing trend towards cross-sector convergence. We have published previous reports about the '[convergence economy](#)' (in 2011) and the '[convergence continuum](#)' (in 2015). More recently, we outlined what the emerging cross-sector [ecosystem for social innovation](#) looks like (i.e. how start-ups, universities, public sector, NGOs and companies interact) and highlighted the need to [reboot responsible business](#) in the face of growing ethical challenges posed by new technologies. This report builds very naturally from our previous thinking about all these topics.




In recent years, we have seen many more companies re-orienting their strategy for shared value creation around specific SDGs. This can help them to focus activities, measure success and find the right partners. We have also seen many more instances of cross-sector co-investment or sharing of resources, expertise, market insights, data and on-the-ground presence.

The recently established [Global Commission to End Energy Poverty](#) is a fantastic example of ambitious cross-sector partnering. It brings together multinational companies like ENGIE, Enel, Tata Power, EDF and PowerGen with donors like the African Development Bank, Asian Development Bank, World Bank, JICA, USAID and Rockefeller Foundation, impact investors like CDC Group, specialists like the IEA and universities like MIT, Columbia and Cape Town. Their goal is to link up small scale projects and dramatically accelerate change to provide access to energy for all by 2030. However, even after decades of experience, many challenges with cross-sector partnering remain and finding efficient models that engage organizations across sectors and incentivize them to work together is by no means easy.

¹¹ The 2019 United Nations Global Compact—Accenture Strategy [CEO Study](#) offers comprehensive, up to date research on business contributions to the SDGs based on views from CEOs



FIGURE 13. CROSS SECTOR CONVERGENCE BRINGING TOGETHER COMPLEMENTARY CAPABILITIES

SECTOR	BRINGS	NEEDS
PRIVATE 	<ul style="list-style-type: none"> • Potential for investment on the scale that it's needed • Global presence • Innovation capabilities • Revenues or profits to share • Market access routes to share • Data to share 	<ul style="list-style-type: none"> • Purpose – shift to shared value • Data and insights on BoP • Ways to get paid for social impact • Risk-sharing (e.g. matched grants, blended finance, guarantees on loans, insurance) • On-the-ground reach and trust • Capabilities to measure social impact • Expertise on SDG relevant programmes, risks and issues in local markets and capabilities to measure social impact
PUBLIC 	<ul style="list-style-type: none"> • Mandate to shape social agenda • Mindset to curb market failures and leave no one behind • Powers to enforce rights and protections, prevent harms • On-the-ground presence and reach • Market access routes to share • Data to share 	<ul style="list-style-type: none"> • To re-shape it's role to take the opportunities and manage the risks of digital age and convergence • To iteratively build the right set of mechanisms to engage private sector (e.g. targeted grants for innovation and scaling, public goods and data-sharing initiatives, 'pay-by-results' schemes, development impact bonds, blended finance and lending guarantees, partnerships, coalitions, alliances etc.)
NON PROFIT 	<ul style="list-style-type: none"> • Mindset to curb market failures, leave no one behind • Expertise on SDG relevant programmes, risks and issues in local markets and capabilities to measure social impact • On-the-ground presence and reach • Market access routes to share • Data to share • Trust with people at BoP 	<ul style="list-style-type: none"> • New sources of income as funding falls and disruption accelerates • Innovation partnerships with private and public sector – to share capabilities and investment • New activities and partners that can accelerate digital transformation of their core business – as they lack unrestricted funding for this



THE FOURTH DEMAND SIDE ELEMENT USE OF INNOVATION CAPABILITIES

Over 50 percent of the companies on the Fortune 500 in the year 2000 have either gone bankrupt, been acquired or fallen off the list since. The average time that companies stay in the S&P 500 has dropped from over 60 years in the 1950s to around 25 years in the 1980s to less than 20 years today. Looking ahead, over 75 percent of today's S&P 500 is expected to be replaced within the next decade. **The digital revolution has super charged the pace of change.**¹² Of the ten most valuable companies in the world today, seven are relatively recently created tech giants.

**FIGURE 14. 'TOP 10' PUBLIC COMPANIES BY MARKET CAP
DIGITAL GIANTS ARE OUTPACING ALL OTHER INDUSTRIES**

1	MICROSOFT	\$1,050 billion	6	BERKSHIRE HATHAWAY	\$507 billion
2	AMAZON	\$943 billion	7	ALIBABA	\$435 billion
3	APPLE	\$920 billion	8	TENCENT	\$431 billion
4	ALPHABET	\$778 billion	9	VISA	\$379 billion
5	FACEBOOK	\$546 billion	10	JOHNSON & JOHNSON	\$376 billion

Every industry is now being disrupted at such a pace it is imperative to have in-house capabilities to understand emerging trends, assess potential opportunities, make exploratory investments, manage portfolios of projects and ventures and embed continuous improvement in business units. **Over the past five years, companies have spent over \$3.2 trillion on innovation** (including R&D and venturing spend).¹³

What is important about this from the inclusive business perspective is that some companies are now going a step further and **connecting purpose, profits and innovation**. Examples of companies with innovation capabilities specifically focused on inclusive business or social impact opportunities include:

- MasterCard [Financial Inclusion Labs](#)
- Unilever's [TRANSFORM](#) and Purpose Studio
- [Google X](#) and Google [Africa AI Lab](#)
- Philips [Africa Innovation Hub](#)
- GSK [Open Labs](#), and [Developing Market Access](#)
- Shell [GameChanger](#)
- Ericsson [Social Business](#)

¹² These videos visualize the pace of disruption to leading [companies](#) and [brands](#)

¹³ Despite spend on innovation going up, returns to innovation are going down – as more companies find it harder to get the value out of it. Accenture Research have previously written about [how to get more value out of innovation](#)



But **innovation units do not have to be radically changed**, rebranded or focused entirely on inclusive business to start looking at new opportunities. Many businesses already have some experience with shared value business models or ventures in developing markets. This can simply be dialed up with a more structured approach that fits in with the overall innovation agenda. Business leaders can **extend the mandate for innovation units** without incurring significant additional cost if they believe there may be new opportunities worth exploring. It is an exciting, low cost change.

The use of innovation capabilities to explore inclusive business opportunities is speeding up inclusive business growth because it typically instils **more rigor around profitability, scalability and hard decisions** (for example, deciding when to pivot or kill projects that are not working). By centralizing expertise about BoP markets, specific SDGs and developing countries, the lessons learned can be applied to future projects. Innovation units can also become **great connection points** for internal and external stakeholders – and hubs for cross-sector engagement. They can drive conversations about inclusive business with a clear mandate and funding for exploring new opportunities.

Figure 15 illustrates **Accenture’s ‘innovation architecture’** as a deep dive example. It describes how each element might be applied to explore inclusive business opportunities to demonstrate the concept. For context, each of the six main elements is a large, globally distributed organizational unit supporting a distinct stage or aspect of innovation. Collectively, these units comprise hundreds of thousands of employees spread across hundreds of locations worldwide, working in day-to-day collaborations with our business units (Strategy, Consulting, Technology, Digital, Operations). Innovation is not siloed in these teams but embedded in the work of all employees through collaboration, skills training and culture change. We are not holding this up as a blueprint for other companies as every situation is unique, but it shows how these kinds of capabilities might be applied to inclusive business.

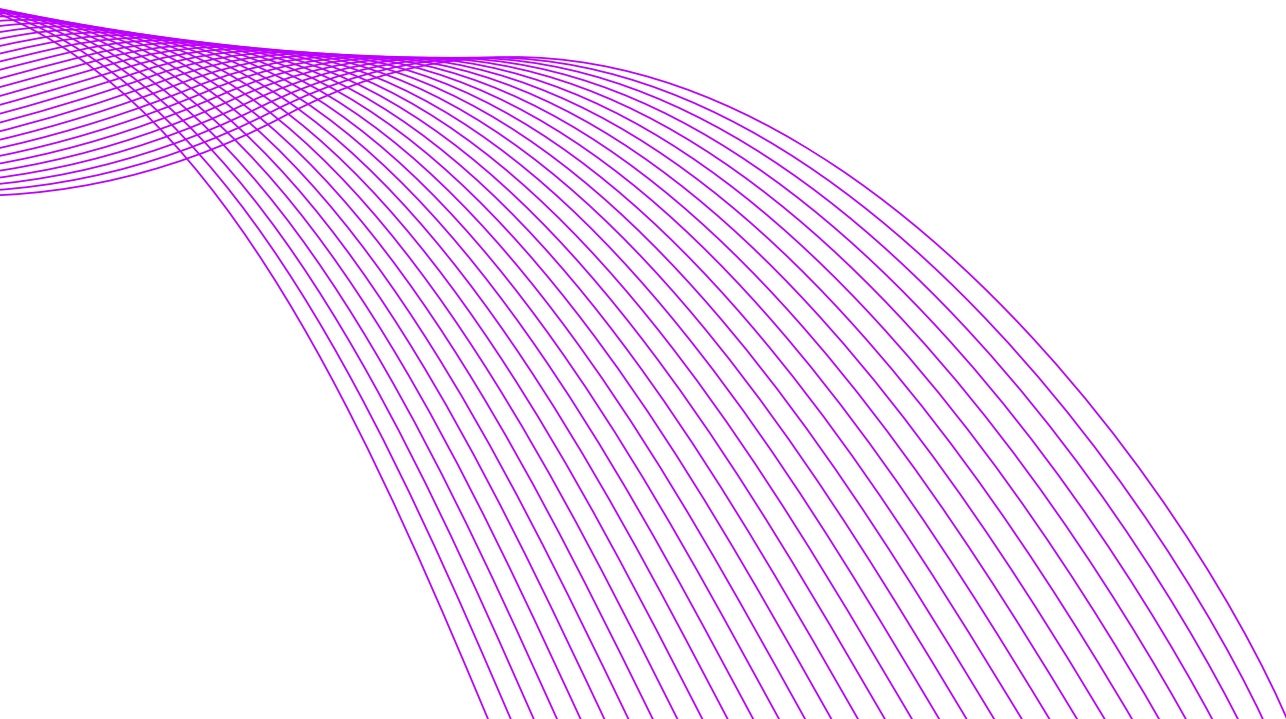





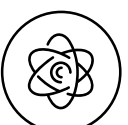





FIGURE 15. ACCENTURE INNOVATION ARCHITECTURE PURPOSE, SCALE AND RELEVANCE FOR INCLUSIVE BUSINESS

ELEMENT	PURPOSE	SCALE	RELEVANCE FOR INCLUSIVE BUSINESS
RESEARCH 	Stay ahead of long term trends Anticipates business and technology trends. Publishes provocative thought leadership. Builds partnerships with global thought leaders such as WEF, MIT and Singularity Uni.	<ul style="list-style-type: none"> • 250+ employees • Industry, geo. and tech. specialists • 20+ countries • 100s of reports published annually 	<ul style="list-style-type: none"> • Can scan for opportunities • Can provide specialists on developing countries • Can publish thought leadership for clients
VENTURES 	Connect to start-ups, accelerators, VC funds Builds partnerships with growth-stage companies with enterprise technologies (or less frequently invests in them). Uses an 'Open Innovation' approach to track thousands of companies and bring in new ideas from outside networks	<ul style="list-style-type: none"> • 5,000 start ups engaged • 200,000 tracked • 10+ countries • 40+ partners such as accelerators 	<ul style="list-style-type: none"> • Can engage specialist accelerators and VC funds • Can find new partners • Can invest in start ups
LABS 	Understand the possibilities and limits of emerging, pre-commercial technologies Conducts technology research. Incubates new concepts. Leads applied R&D projects to build experience and assess applicability to client businesses	<ul style="list-style-type: none"> • 7 locations • 5,500 patents • 20+ university partnerships • 600+ client workshops 	<ul style="list-style-type: none"> • Can test out potential uses of new technologies • Manages a portfolio of tech4good proof of concepts
STUDIOS 	Design human-centred solutions, build and test prototypes and business models Specialises in service design, business design and visual design of digital solutions. Includes Fjord's global network	<ul style="list-style-type: none"> • 30 studios • Thousands of employees • 120+ prototypes developed • 2,700 client visits 	<ul style="list-style-type: none"> • Can design new inclusive business models • Can help to explore the unintended consequences of innovation
DELIVERY CENTRES 	Roll out, manage and continuously improve solutions at global scale Industrialises solutions. Operates them on behalf of clients. Continually improves them through business process optimisation, automation, managing global workforce.	<ul style="list-style-type: none"> • 50+ locations • Hundreds of thousands of employees • 40+ industries • 1,000+ teams 	<ul style="list-style-type: none"> • Can 'industrialise' and scale up inclusive business models beyond pilots
INNOVATION CENTRES 	Create moments of 'breakthrough thinking' with leaders on key questions Engages leadership teams in full day or multi-day experiential sessions to reach moments of breakthrough thinking on their key challenges through a proven approach	<ul style="list-style-type: none"> • 100+ locations • Hundreds of employees • 1,000+ sessions with leadership teams, typically C-Suite / Board 	<ul style="list-style-type: none"> • Can engage C-Suite leaders on strategy choices • Can create buy in for long term investments
THE DOCK 	Bring representatives from all the other elements together in one global hub Multi-disciplinary research and incubation facility, where new ideas are imagined and prototyped in collaboration with clients. Manages a portfolio of 15 – 20 innovation projects at a time, with a focus on social impact and exploring the unintended consequences of innovation. Challenges wider Accenture organisational orthodoxies.	<ul style="list-style-type: none"> • 300+ employees in Dublin near to Google, Airbnb, Facebook, Slack etc. HQs • Cross-functional teams: Human Centred Design specialists + business strategists + technology experts + social scientists • Use agile methods and 100s of innovation techniques 	<ul style="list-style-type: none"> • Can integrate thinking and act as a hub for co-design with clients



THE FIFTH DEMAND SIDE ELEMENT USE OF VENTURING CAPABILITIES

Many companies are now connecting their venturing capabilities with their social impact agenda too. This is sometimes referred to as '[corporate impact venturing](#)'¹⁴ and examples include:

- Danone's [Ecosystem Fund](#)
- Pearson's [Affordable Learning Fund](#)
- Schneider Electric's [Energy Access Fund](#) and [Energy Access Ventures](#)
- ENGIE's [Rassembleurs d'Energies](#)

In addition, some examples of recent strategic investments in inclusive businesses include:

- AXA buying 46 percent of [MicroEnsure](#) in 2016
- ENGIE buying 100 percent of [Fenix International](#) in 2017
- ENGIE buying 100 percent of Mobisol following an insolvency process in 2019
- Shell Technology Ventures investing \$20m into [Husk Power](#) in 2018
- [EDF](#) and Mitsubishi investing in [BBOX](#) in 2018 and 2019
- Total, EDF, GE Ventures and Tesla investing in [Zola Electric](#) in 2018 and 2019
- Google, TenCent and JD.com investing over \$1.2 billion into [Gojek](#) in 2018

Business leaders have learned from experience that it is sometimes easier, cheaper and more effective to **'buy' or 'partner' rather than to 'build'** in the inclusive business space. They are scanning the market for emerging players and deciding when to enter channel partnerships, create joint ventures that share revenue or profits, take strategic minority equity stakes or make complete acquisitions.

This can be a significant short cut to gain exposure to new opportunities in a way that takes much less management time and effort. Having local partners who understand the market at the forefront of business model design and implementation can also help. And from the other perspective, innovators from developing markets can get the 'best of both worlds' by using the brand, reach and resources that multinational companies can provide, but remaining unencumbered by the policies, metrics and cultures that often limit the growth of small-scale internal projects focused on BoP markets.

¹⁴ For more insights on [corporate impact venturing](#) we encourage practitioners to review this new report by Endeavor.



Trends that have transformed the business case in the past decade will continue to accelerate during the 2020s, fueling more competition to capture opportunities in base of pyramid markets.

FAST FACTS:

Today, Bangladesh is exporting \$1 billion of ICT products a year. By 2021, it will export \$5 billion a year. Like many countries, its economy is transitioning rapidly from farming to textiles to services and high technology.

Source: [WEF](#)



What barriers still limit investment today?

Given the improving business case, why hasn't inclusive business grown faster? Because many issues remain. We identified the following five barriers as most significant in limiting investment today:

1. It is hard to get senior buy in for long term investments when short term results are incentivized

Inclusive business models often require atypical long-term investment horizons. Most business leaders get evaluated based on their short-term performance and profits. While some companies seek patient capital investors or reform incentives to encourage longer-term thinking, it is still not the norm. Major technology system upgrades or R&D programs may have ten- to fifteen-year investment horizons, but it takes buy in from the CEO and Board to see BoP investments this way. This greatly limits thinking about opportunities. Even the initiatives that do get off the ground are vulnerable to being cut back whenever profits or share prices fall.

2. It is hard to measure and monetize the benefits created for other stakeholders

Companies often struggle to measure the wider social, environmental and financial benefits that go to individuals, governments and other organizations in the ecosystem as a result of their activities. Skilful (re)design of the business model is required to capture evidence about benefits, 'put a price on them' and get paid by more parties for them over time. When this is not possible, it can be hard to create a compelling business case for ongoing investment.

3. It is hard to get accurate, granular data about people on low incomes

While open data initiatives are growing and sharing data between organizations is increasing, it is hard to know who to target, where they are, how to get new products or services to them, how much to charge, how to win trust and recommendations, who to partner with, or what will make or break take up (for example, pricing, marketing, channels, custom features).

4. It is harder to do business in developing countries

While mix and severity of issues varies between and within countries, frequent issues include: **infrastructure gaps** (for example, limited energy access, connectivity and all-year road access), **skills gaps** (for example, illiteracy or lack of digital skills can prevent many people becoming customers, suppliers or employees for multinational companies), **governance and security** (for example, politics, regulation, rule of law or corruption issues), or **languages and cultures** (for example, local dialects may prevent engagement, or social norms may limit product appeal or require behavior change or customization). In addition, **outdated biases** or **over-simplified global policies** in multinational companies, can limit them from investing in entire countries or regions, instead of objectively re-assessing the situation in specific areas.

5. It is hard for companies designed to serve premium markets to adapt mindsets and capabilities

In addition to external barriers, [intrapreneurs](#)¹⁵ often face equally frustrating internal challenges because the companies within which they are working were not designed to serve people on low incomes. Capabilities, processes and policies from the wider company are not fit for purpose. Everything from business case evaluation to pricing, manufacturing, marketing, sales, distribution and after-sales support can be different. The senior business sponsors often need to come on a long journey to understand the opportunities and challenges, but they frequently change roles – so lots of the founder's time is spent trying to build buy in all over again to mitigate risks of being shut down. Many intrapreneurs get so frustrated or burnt-out with the combination of internal and external challenges that they simply leave, causing nascent business models to collapse or slowly dwindle.

¹⁵ For more insights on how to build a supportive internal environment for [intrapreneurs](#) we encourage practitioners to review this new report by Business Fights Poverty and the League for Intrapreneurs



Why have so many pilots failed to scale up?

In addition, three pain points are slowing down scaling, by blocking key points in the 'pipeline' from idea generation to pilots to scale. To give a sense of the inefficiency of the 'pipeline' today, out of over 1,000 initiatives catalogued by a specialist consultancy working in this area for over a decade, only 150 to 200 had a realistic chance of scaling up and only 50 to 100 eventually succeeded. Out of the over 300 examples we catalogued during our research, less than 30 had scaled up to tens or hundreds of millions of people. The vast majority were engaging less than a million people. Understanding what is blocking ideas from scaling up is critical to improving returns and value for money.¹⁶

1. There is too much reinvention in silos and evidence on what is working is under-utilized

Ideas are frequently being re-invented in silos within companies, between them and across sectors today. Instead of sharing evidence and replicating what works or simply connecting to it and building upon it, the limited investment we see today is being diluted into lots of less profitable, less impactful solutions that mostly do not scale up. Sometimes inclusive business is blurred with CSR and new ideas are tested because it engages employees and creates positive marketing stories, but the ambition is very limited. Online case study repositories, networks of practitioners, coalitions focused on SDGs and specialist consultants are slowly improving this, but these key issues might be transformed with more targeted interventions.


2. Pilots rarely aim to 'fail fast' or 'pivot' until they are ready to scale up

Most pilots do not seek to disprove a few key hypotheses quickly and cheaply, compare very different ways the business model might work, or test if user growth is rapid enough and unit costs are low enough to warrant more investment. As a result, it is very common to 'succeed' in creating a prototype and measuring some impact, while 'failing' to get ready to scale up. When ventures scale up to new locations too quickly without iterating enough, individuals and companies can find themselves wedded to flawed business models for many years, with little prospect of achieving rapid growth or profitability. Sunk costs and marketing benefits can justify limited investment continuing, but the business model can be too difficult to change and the opportunity cost can be diverting energy and investment away from better opportunities.

3. There is not enough support at the critical transition stage beyond pilot to scale

While there is now lots of focus on innovation and pilots, many companies, investors and donors are getting less value than they might from their investments because they are not as focused on scaling. We are not identifying what has worked best out of everything that has been piloted so far, helping those examples to scale up globally and encouraging replication. If we do not balance our focus on innovation and scaling, we will keep taking on lots of risk and cost without getting the benefits. It is also common for ventures to access grants for pilots, but then run into funding problems before they can access mainstream finance (this is often called the 'missing middle'). More specialist coaching is needed to help ventures become 'investment ready' and connect them to the right partners and funders ([Unreasonable Group](#) and [Village Capital](#) provide interesting lessons here). Finally, finding the right 'home' for a model to grow within a company is critical, but this can be full of challenges. If they report into a global business unit, they can be a low priority distraction from short-term profits. On the other hand, if they report into a local business unit, their visibility and funding can be very limited, and they may fail to scale up globally. The transition from pilot to scale is critical, but it is not well supported today.

¹⁶ For more insights on [practical lessons learned](#) we encourage practitioners to review this new report by Hystra.

A photograph of a narrow, dimly lit alleyway in a slum. The alleyway is flanked by multi-story buildings with corrugated metal shutters. The ceiling is a complex network of metal beams and pipes, with some wires hanging down. The ground is dirt and littered with some trash. The lighting is dramatic, with strong shadows and highlights, creating a sense of depth and perspective as the alleyway recedes into the distance.

Inherent challenges still limit investment and many pilots are still failing to scale up, so we aren't getting the full value and impact out of the cost and risk being incurred. By understanding the barriers and pain points holding us back, business leaders, investors and donors can address them more systematically.



FIGURE 16. BARRIERS AND ENABLERS WHAT'S WORKING AND WHAT'S HOLDING US BACK?

ENABLERS

What's transforming the business case?

Five supply-side elements creating more and better opportunities:

<p>New technology combinations</p>	<p>New business model features (ecosystems, PAYG, blended finance, PPPs, SEZs etc.)</p>	<p>Falling unit costs</p>	<p>Network effects – especially in identity, payments, supply chains</p>	<p>Macro economic and demographic trends</p>
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Five demand-side elements making opportunities relatively more attractive:

<p>Market saturation</p>	<p>Rapid shifts in expectations (of employees, customers, regulators and investors)</p>	<p>X-sector convergence</p>	<p>Use of innovation capabilities</p>	<p>Use of venturing capabilities</p>
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BARRIERS

What's holding us back?

Five main barriers limiting investment:

<p>Buy in for long term investments</p>	<p>Monetising benefits</p>	<p>Data and insights on BoP markets</p>	<p>Infrastructure, skills, security, governance</p>	<p>BAU capabilities are not-fit-for purpose – e.g. marketing, distribution</p>
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Three main pain points preventing many pilots scaling up:

<p>Reinvention in silos, lack of evidence sharing</p>	<p>Pilots rarely fail fast or pivot until ready to scale</p>	<p>Not enough support for transition beyond pilot</p>
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THE FUTURE: WHERE ARE WE GOING?

In this section, we highlight that all design decisions and all business models have consequences: intended and unintended, good and bad. Many business leaders, innovators and investors tend to focus only on the intended positive consequences and rush ahead in pursuit of these. The design process for new business models is typically so fast-moving and resource constrained that there is little time and space deliberately carved out to pause, ask the right questions and identify possible unintended consequences. Even when they are identified, it is ad hoc and there's no overall approach in place to decide how to handle them.

Identifying and responding to consequences skilfully is very complicated because many consequences are counter-intuitive, involve trade-offs or cannot be avoided.



We are moving faster, but are we ready for the consequences?

It is now tempting to focus on a simple positive narrative: more companies are using innovation to help more people lift themselves out of poverty faster. But upon deeper reflection the world is already filled with well-intentioned people grappling with the unintended consequences of their own success. We are now moving so fast, we rarely anticipate the [risks and trade-offs inherent](#) in our design choices.

We should still be asking how we might speed up replication and launch more new inclusive business models faster, but that is only half of our challenge if we want to truly ‘reimagine’ inclusive business. It is equally important to ask what kind of future economy and society we are creating. Innovation is now so fast and so disruptive that its social impacts can often be partly amazing and partly terrifying.

FIGURE 17. EXAMPLES OF INNOVATION IN INCLUSIVE BUSINESS CONSEQUENCES THAT ARE BOTH AMAZING AND TERRIFYING

EXAMPLE	WHAT'S AMAZING?	WHAT'S TERRIFYING?
VEHICLE SHARING AND GIG ECONOMY PLATFORMS	Creating hundreds of millions of flexible jobs for people in developing countries	Making workers dependent on finding a patchwork of odd jobs every week, with intense competition, unsustainable working hours, unreliable earnings and no protection from job losses triggered by automation
VERTICAL FARMS AND GENE EDITING	Helping us to solve the global food crisis	Could eventually be so much cheaper than traditional methods they could undercut the incomes of millions of small farmers
DIGITAL IDENTITY AND ADDRESSING INITIATIVES	Acting as game changers for financial inclusion, education, health and e-commerce	Laying down new foundations for mass surveillance and control of individual citizen's behaviour in developing countries with repressive political systems
ATTENTION MONETISATION AND DATA COLLECTION	Giving billions more people access to digital services with no upfront cost	Fundamentally eroding our concepts of privacy and rights with very little enforcement of protections for people in developing countries
ARTIFICIAL INTELLIGENCE	Rapidly modernising developing economies and benefiting every industry and sector	Algorithms are eroding human agency and could lead to job losses, new digital harms and greatly increased inequality within and between countries



Below, we provide further examples of the **unintended negative consequences** of innovation in inclusive business. We have grouped them under five broad categories because we have seen these recurring across many examples. This is not an exhaustive list, but it gives a sense of the complexity of the choices and issues that are involved in business model design but are often being overlooked today.



CONSEQUENCE 1: CLIMATE AND ECOLOGICAL CRISES

As a global society, we simply cannot include another four billion people into the same unsustainable lifestyles that the richest billion people in the world live today. We need to design fundamentally different business models, that can inspire change and be adopted across all countries. Inclusive business models that involve physical products or services like transport have the most obvious environmental trade-offs, such as greater **plastic pollution or greenhouse gas (GHG) emissions**.

For example, consumer goods companies found that selling products like shampoos in very small amounts in **single use plastic** sachets was a great innovation to reach price points that worked for BoP customers. But without effective rubbish collection or recycling infrastructure, the unintended consequence was that they also contributed to plastic pollution in developing countries. We can use sustainable packaging and adopt 'circular economy' principles at the design stage to avoid this.

Another prime example is energy access. In the past decade, governments, businesses, investors and donors have collaborated to increase **coal and gas power generation** and extend grid connections to hundreds of millions globally. But this has also locked them into a path of higher GHG emissions for many more years to come. Only recently have we seen [greater moves towards divestment](#) (from investors) and donors). We are now at an exciting point where off grid renewables have become [cheaper than fossil fueled grid power](#), making it essential to adapt grids to phase out all future fossil fuel related investment as quickly as possible.

Most broadly, from **driving and flying to manufacturing, food production and diets**, the GHG intensity of our existing business models across all sectors must be challenged. As we face [overwhelming evidence](#) that we are on a path towards irreversible [tipping points](#), collapse of existing global economic and social systems and [mass migration](#), companies, donors and governments need to create GHG neutral economies. How quickly we do this will depend on thousands of individuals making key decisions. From how quickly vehicle sharing platforms move to electric vehicles, to how quickly customers and retailers adopt meat replacements, to how quickly consumer goods producers reduce single use packaging.



CONSEQUENCE 2: WORKERS' PROTECTIONS AND CONDITIONS

Vehicle sharing and **gig economy platforms** have provided new incomes for millions globally, but the flexible workforces they have created have quickly eroded the obligations placed on employers to protect workers even further. We now have millions of people officially in work but getting too few hours to meet their basic needs while millions more are forced to work too many hours without being entitled to any sick pay or holidays. In the United States, the average income for vehicle sharing drivers [dropped by 53 percent](#) between 2013 – 2017 as competition for the jobs intensified. Vulnerable people are being included into the global economy with precariously little bargaining power or fit-for-purpose protection from legislation or unions. For example, when self-driving cars become mainstream, the major vehicle sharing platforms may simply intend to accept making millions of drivers unemployed as an unintended consequence. Such complex trade-offs present tremendous potential for good and bad outcomes.

Looking at worker protections and conditions from another angle, globalized **supply chains and outsourcing** to networks of sub-contractors have been growing for decades. They have enabled multinational companies to greatly reduce costs and created millions of jobs in developing countries. However, they have also made it much harder for companies to monitor and control working conditions where their products are made. Leading consumer electronics and fashion brands regularly face backlash from media, customers and employees because of terrible conditions and abuses that workers endure in some factories in developing countries. Supplier standards and legislation are often incomplete and inadequately enforced. Issues like modern slavery continue to plague supply chains, especially in certain materials (for example artisanal mining of rare metals for mobile phones). Many businesses have launched initiatives to prevent abuses, but the risks are often inherent in their business models. By thinking about issues like these earlier in design we have more scope to explore solutions.

Finally, we highlight the severe consequences of inadequate workers protections and very poor conditions for marginalized populations when there are very few or no other ways to make money. High suicide rates are reported amongst gig economy workers who took on debts they couldn't repay, small holder farmers who were ruined by commodity price volatility and factory workers who endure sustained terrible working conditions. When multinational companies design business models to engage vulnerable populations as full-time workers, temporary contractors or even 'arm's length' suppliers, it is critical to recognize their responsibilities for the welfare of people and communities.



CONSEQUENCE 3: INEQUALITY AND DISTRIBUTIONAL EFFECTS

As the [digital divide](#) widens, automation accelerates and the labor market continues to change, inequality between countries and within them will increase. Despite all the efforts of aid agencies and the impression of the developing world ‘catching up’, the per capita income gap between the Global North and South has tripled since the 1960s. Globalization is raising incomes for billions of people, but by far the biggest gains are disproportionately going to the top because of our current global trade and taxation systems. For every \$1 that countries in the Global South get given in aid from the Global North, it has been estimated that they send back \$24 in [illicit financial flows](#) because of trade mis-invoicing and capital flight into tax havens. These effects will be compounded as wealth generation is digitized and gaps in education and healthcare standards between and within countries widen. Contributing to inequality may be a negative unintended consequence of many inclusive business models, but there is often nothing that can be done about it. We may simply choose to accept this, but it is worth at least asking if there are ways to refine or redesign the model to help address inequality.

For example, in the coming decades, the global food production system is set to be revolutionized by genetic editing, robotics, sensors and AI that can control temperature, light and nutrients (along with many other innovations). We may be able to grow more food cheaper and solve the global food crisis, but the unintended consequence could be that we **substitute demand for food production from traditional farms**. The incomes of millions of already desperately poor small holder farmers could be further eroded, driving faster rural depopulation and contributing further to the migration crisis. How we design the business models behind vertical farms is an interesting case study. Decisions about who the customers are, where to locate production and what kinds of crops to grow will all have consequences for small holder farmers, which can be explored early and ultimately lead to a better model design. This can help investors to avoid backlash and win backing from media, customers and government later.

E-commerce platforms are another major example. They are taking off in every region of the world and creating many new jobs throughout supply chains that are becoming increasingly formalized and efficient. However, the unintended consequence is that they are **putting local producers and retailers out of business** or reducing their sales. The collapse of many high street retailers who couldn’t adapt quickly enough to the digital age is well advanced in developed countries, but it is being mirrored in developing countries. This is another complex case where companies, investors and donors may be able to refine some models to mitigate this, or they may choose to simply accept it as a trade-off.

Similarly, tourism and accommodation sharing platforms are bringing more money into developing countries and giving people who can rent out their property higher incomes. But the unintended consequence of this is **increasing rents for locals**, making housing in certain areas unaffordable and displacing people from their homes. This scenario is playing out in hundreds of tourist hotspots worldwide, but with vulnerable populations, the consequences can be especially severe as even small rises in rent can cause great distress and informal housing settlements may be forcibly cleared by speculators and governments. Regulators and companies can face complicated choices here.

Finally, we note that digital platforms and ecosystem business models often create anti-competitive monopolies. As companies collect and utilize ever more data on billions of people, we are living through the greatest era of value creation in history. But because our global institutions have not agreed on modernizing [reform to the taxation, accounting and competition rules](#), the benefits are shared very unequally and many cases of excessive market power are tolerated, we are therefore also living through one of the greatest eras of wealth extraction, accumulation and speculation in history. Changing this dynamic is critical because the path of polarization we are on cannot continue indefinitely. By the 2040s, it is likely we will see the emergence of a [new class of trillionaires](#). By this time, we could also be seeing 200 – 500 million people globally displaced by the climate crisis. There is even a growing credible risk that [gene editing, senolytics, AI and other new technologies will lead to a species divide](#) if richer people begin to use them to enhance themselves and their children. It is essential for wider reforms and regulation to combat such trends towards extreme inequality as companies creating inclusive business will not be able to address these issues on their own and may make them far worse.



CONSEQUENCE 4: UNREGULATED DIGITAL HARMS

Billions of people are now [incentivized with complex behavioral tricks](#) to spend as much time as possible on screen, targeted with ads (about people, products and ideas) and exposed to disinformation (deliberate ‘fake news’) and misinformation (inaccuracies in public information). Their data has been used to build personality profiles not just for advertising products, but micro-targeting political messages and selling insights to many organizations about preferences they may not even be aware they have. There are indications that [over 100 elections](#) in over 30 countries (many in the developing world) have been influenced through data mining and targeted advertising like this and the author Shoshana Zuboff has argued that we are entering a new era of [‘surveillance capitalism.’](#)

Because so many unintended consequences like **constant distraction, downgrading attention spans, undermining democratic elections and isolating people into echo chambers** for opinions are so deeply embedded in their business models but they make so much money as a result, it is very difficult for people with genuine good intentions at all levels of these companies to change them now. But the gradual erosion of trust and loss of social license to operate is making further growth much harder. For instance, in 2019, a large alliance of companies championed the creation of Libra as a new global digital cryptocurrency. While the [potential benefits for people at the BoP](#) were touted, the public and media reaction was overshadowed by concerns about data protection, security, privacy, abuse of trust and market power. Billions of dollars have been wiped off the share prices of social media giants as they may miss out on future opportunities and face increasing regulatory hostility because they have failed to effectively identify and respond to unintended consequences in the past.

Digital identity and addressing initiatives are a related example. Multiple initiatives are being designed and rolled out by governments, NGOs and companies worldwide today. They will be game changers for financial inclusion, education and health, bringing many benefits for people on low incomes. However, without strong governance, they are also laying the foundations for **mass surveillance, anti-democratic influences and the rise of new systems of political oppression** in some cases. Unless we actively design to negate or mitigate these risks by putting control of identity in the hands of individual citizens themselves, these developments can expose citizens to unanticipated new harms.

Finally, Artificial Intelligence presents both our greatest opportunity and our greatest potential source of new digital harms in the long run. We are only at an embryonic stage here, but we are learning that AI can [reinforce existing bias](#), make decisions that are not even [‘explainable’](#) to us and [erode human agency](#) because it will know us better than we know ourselves. Because of the vast social implications of AI, some leading commentators have even suggested that all programmers and digital designers should start receiving mandatory ongoing ethics training and swear the equivalent of a [‘Hippocratic oath’](#) (i.e. to refuse to implement digital solutions that have the potential for doing harm). Issues like **algorithmic bias, explainable AI and the removal of agency** are highly relevant to many new inclusive business models. As more and more medical, financial and personal data is gathered on under-served populations, companies will need to evolve a deep sense of responsibility to use this data ethically, protect privacy and digital rights and prevent unintended harms. They will also need new monitoring and regulation and new engagement with other sectors to manage these risks effectively.



CONSEQUENCE 5: FINANCIAL STRESS AND OVER-EXTENSION

Inclusive business models that involve micro-finance or payments need to be sensitive to many pressures that vulnerable and marginalized people on insecure incomes can face, as well as many systematic risks that could build up over time. People on low incomes can be **put under duress to take loans or make payments** by their own relatives or powerful figures in their communities. They can also apply for loans due to urgent needs or over-optimistic assumptions (for example, how much money they can make as a taxi driver) and experience great **stress when making repayments**. This can be especially prevalent when the repayments are the same every week or month, but their incomes are very irregular (for example, when they follow seasonal harvests or work patterns). Others argue that some micro-finance **does not help** people lift themselves out of poverty and charges high interest.

Customers at the BoP often **lack formal credit histories and identity documentation**, so lending often happens with alternative credit scoring – making Know Your Customer checks and accurate risk assessment very difficult. This can lead to the gradual build-up of systematic risks for companies or industries unless it is managed carefully. On a wider level again, household and government debt levels in some developing countries have also been rising so fast that some analysts fear **new credit crises fueled by over-extension**, with **little resilience or reform of global regulation** to prevent them.

This is a highly complex space with many more risks and issues that are specific to business models and countries. But if we anticipate consequences, we can respond to them. For example, if we identify fixed repayment schedules creating stress as an unintended negative consequence, we might counter this by using AI to forecast individual income patterns, predict when they are most likely to face cash flow issues and **personalize their repayment schedules** based on this. Considering consequences can help us design better models that are more successful for people on low incomes and for companies.



Innovation involves disruption and the consequences are too often negative and unintended. Anticipating risks upfront is easier and cheaper than changing models after they have scaled up, incurred unnecessary costs or become reliant on problematic income sources.

FAST FACTS:

New business models present complex opportunities and risks to manage. For example, the ride hailing platform Grab has provided an income to over 9 million people across South East Asia. 31% of them had no prior income and 1.7 million of them opened a bank account for the first time as a result. However, as they scale globally, vehicle sharing platforms are also sparking concerns about responsible lending, environmental impacts, worker's rights and potential future automation of their fleets.

Source: [WEF](#)

The global gig economy is now worth over \$50 billion a year. White collar jobs are being broken down into tasks and allocated via platforms to a “human cloud” in developing countries.

Source (and [video](#)): The Economist, 2019



We are including many, but who is being left behind?

It is very important to note that the kind of innovative, inclusive business models and rapid growth that we have been painting a picture of is by no means universal. It is happening very selectively in 'hotspots' that are mostly **concentrated in a few parts of a few developing countries**.

Some nations like China, India, Indonesia, South Africa, Nigeria, Ghana, Kenya, Ethiopia and Rwanda are achieving varied success building up digital start-up scenes or powerful domestic companies pioneering inclusive business. However, many other countries (and especially fragile and conflict states) see comparatively little investment and innovation. For example, of [45 African start-ups that raised more than \\$1m](#) in the first half of 2019, twelve came from Nigeria and eight from Kenya. However, perhaps most importantly, there were 20 to 30 other countries which attracted none of this kind of investment at all during the period.

India is a great example of a country that has emerged as global powerhouses for inclusive business. Thousands of successful start-ups and hundreds of large companies are engaging a vast domestic BoP market there. However, its immediate neighbor, Nepal, has a far smaller domestic market, which is relatively less attractive for investors, produces far fewer digitally skilled graduates and has fewer start-ups or connections to large global companies. Similarly, we can look at some fantastic innovation in Rwanda, such as building the world's first droneport, becoming the first African country to [launch its own cryptocurrency](#), setting up factories for the continent's first ["Made in Africa" smartphones](#), rolling out [mobile healthcare](#) nationwide and attracting growing [investment from China and India](#). On the other hand, neighboring Democratic Republic of Congo (DRC) has long been grappling with political instability and security risks, lack of basic infrastructure and energy access and protracted health and humanitarian crises. Beyond select industries like mining, it is therefore much harder to attract investment into DRC and inclusive business innovation is far less common. Rwanda can offer an interesting example to other countries, having emerged from a terrible period of crisis in the 1990s to build up the economic and technological platform to attract business and encourage innovation, but the most important point is that many people today are being 'left behind' simply because they live in **scores of countries which are still relatively unattractive to international investors**.

But it is not just people in certain countries who are being left behind, it is most of the people living outside of the hotspots even in countries that do attract a lot of investment. For example, Nairobi in Kenya has many start-ups and links to multinational companies and donor grants, so there are lots of pilots there. However, the rural regions of Kenya have far less innovative inclusive business or multinational investment. It is typically the **better educated, richer, safer, more urban areas with attractive regulation, privileged market access and economic incentives** (for example, Special Economic Zones or Free Ports) that become investment hubs. Local people who live nearer to them (or at least those own phones) often benefit from the **critical mass and network effects** as an ecosystem of new inclusive business models forms. Meanwhile, the people who are most in need get left behind (for example, in slums, refugee camps, off grid rural areas and fragile states).



Inclusive business is not a magic bullet to solve poverty. We are leaving behind the poorest and least educated people in the most remote and fragile places with the most urgent needs.

FAST FACTS:

Over four billion people worldwide are still offline and 781 million of them are illiterate. 820 million do not have enough food to live a healthy, active life and 70 million have been forced from their homes.

Sources: UN, UNESCO

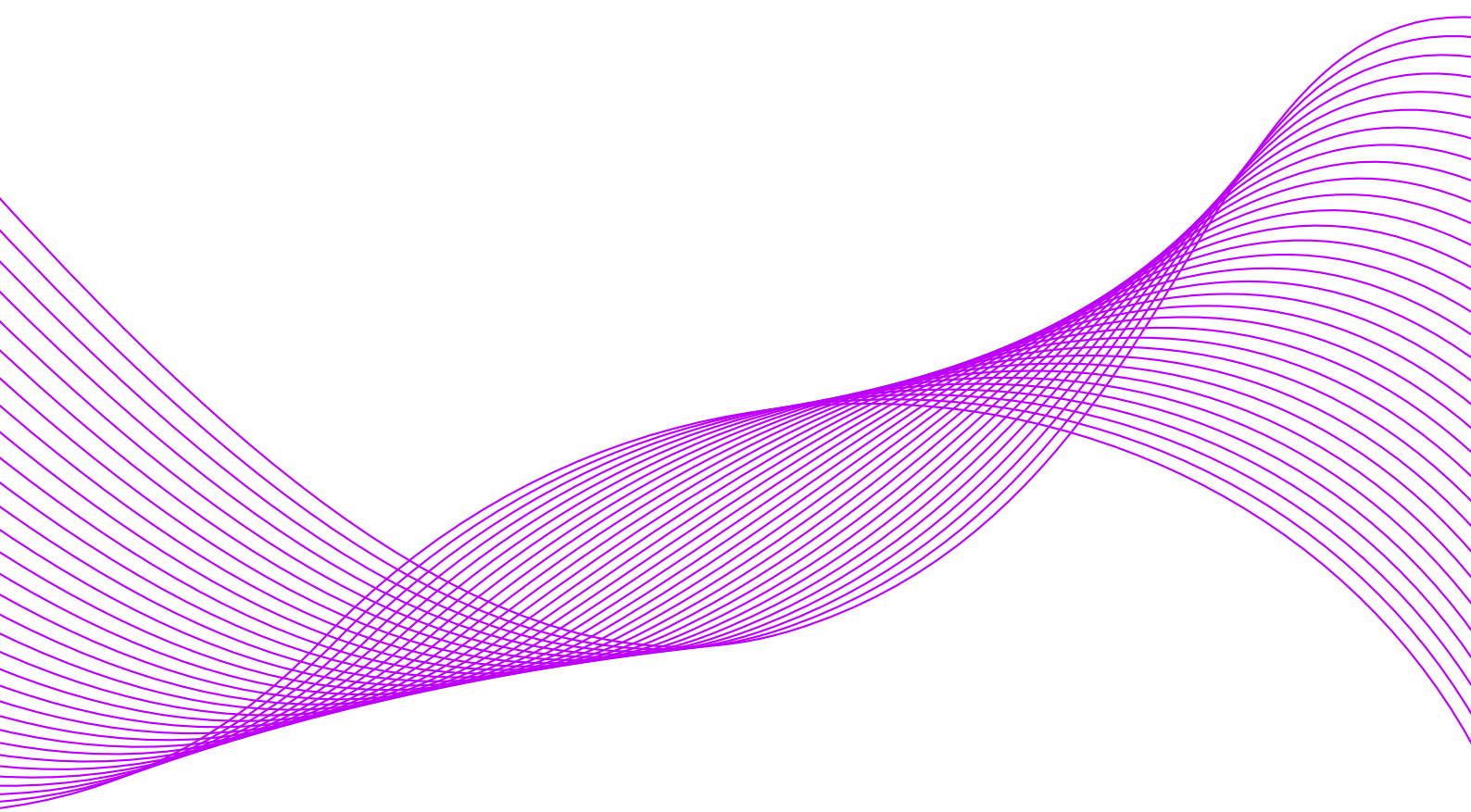


Inclusive business rarely benefits the one billion people with the greatest unmet needs living below \$2 a day, because they are the hardest to profitably engage.¹⁷ They live in more remote, underserved, unsafe areas. They speak more diverse languages. They are far more often offline and illiterate. It is important we keep them front of mind when thinking about who inclusive business benefits.

Ensuring [no one is left behind](#) is a cornerstone of the '2030 agenda' but the complex and difficult reality of inclusive business is that this is happening far too much today, while billions of people on only very slightly higher incomes are benefiting from better mobile phones, digital literacy, loans and insurance, legal, identity and data rights, new job prospects, transport, educational and healthcare opportunities. The only way to truly reverse this by bringing together the leading global public, private and non-profit organizations to **fund ambitious global safety nets and proactive inclusion initiatives**.

It is important to see **digital as an enabler, not as a solution** and to look at inclusive business as just one part of a bigger development puzzle, which only cross-sector collaboration can solve. We need to figure out how to fit together many pieces of this complex puzzle, including programs that provide emergency humanitarian aid and address the root causes of poverty (for example, improving health, nutrition or education). We also need to consider the role of market systems changes, global trade, accounting, tax and supply chain regulations, cash transfers and women's empowerment initiatives (to name just a few of many initiatives).

However, companies, NGOs and donors now have many exciting new opportunities to **integrate public services with development programs and inclusive business models**. If people can be given access to the right products and services in the right ways at the right stages, it might greatly accelerate their journey out of extreme poverty. We can explore new possibilities to share data, infrastructure, on the ground presence, expertise and insights across sectors with this idea in mind.



¹⁷ Please see this report from the Institute of Development Studies on the [challenges of digital inclusion](#) for detail



To fight global inequality in the long term, we need to integrate public services and development programs with ambitious new inclusive business models, global safety nets and wider reforms to trade, tax, migration, workers' rights and digital rights.

FAST FACTS:

While billions have been lifted out of poverty in recent decades, the dominant narrative that the gap between the rich and poor has been closing globally is questionable. In the fifty years since 1960, the per capita income gap between the US and regions like Latin America, South Asia and Sub Saharan Africa has roughly doubled, while the gap between the richest and poorest countries in the world has tripled.

Source: [Hickel, J., 2017](#)



How might we design better inclusive business models?

We feel it is increasingly critical for innovators and business leaders to pay deliberate attention to the **unintended consequences of innovation**. Given how socially disruptive the accelerating pace of change has become, an added layer of sustainable, responsible and ethical accountability needs to be embedded in our innovation approaches globally. When we are designing business models that will engage vulnerable, marginalized populations in developing countries, ensuring we do this properly is even more important and urgent.

But identifying and responding to unintended consequences is not about using one simple prescriptive method. There is a need for **widespread adoption of a new ethos**. Accenture have traditionally defined innovation as “a new way of doing things that adds value”. But today we need to think beyond implicitly reading ‘value’ as shorthand for ‘shareholder value’ and ask how we might create value in a wider sense **for all stakeholders**. Through practice, we can become more skilled at targeting and creating value in this wider sense, while identifying and responding to unintended consequences.

Working together with clients at our global innovation hub ([‘the Dock’ in Dublin](#)), we have developed a **four-stage process** we are using to embed this new ethos into our own business model design approach:

1. **Understand** the need to explore consequences – bring everyone onboard with the costs and risks of not doing this properly and the potential benefits of doing this well.
2. **Identify** what consequences matter most and why – explore, name and prioritize them

Note: the **‘tree of consequences’** (Figure 18) is just one of many possible frameworks, tools and activities we can use to explore consequences. It helps us to name them and to categorize them as good or bad, intended or unintended. Once they have categorized consequences, we can use a simple matrix or other activity to prioritize them based on likelihood and impact.

3. **Respond** – once we have categorized consequences and decided which are the most important ones, we can start to explore what actions we might take to manage them.

Note: the **‘CARE’ framework** makes four basic options to respond to any consequence more easily memorable. We emphasize that this is just one example of many possible frameworks, tools and activities we can use to help us decide how to respond to consequences.

Counter – we can tweak the design slightly to mitigate and reduce the impact of likelihood of the consequence

Accept – we can decide to take no further action (for example, if the consequences are intrinsic to the design and we feel the trade-offs are worthwhile)

Redesign – we can seek to go back in the design process to completely negate or eliminate a consequence prior to proceeding if it is very likely and impactful

Exploit – we can view the consequence as a new opportunity that we can investigate further and potentially take advantage of

4. **Iterate** – follow up on actions and keep refining the solution over time as the situation changes.



We encourage cross-sector leaders and innovators to adopt a new ethos towards innovation by embedding more reflection on value creation in a wider sense and more focus on unintended consequences.

However, the frameworks and example tools we provide here are not intended to be prescriptive. We customize a wide variety of methods to suit individual situations and needs with our clients in practice and we encourage others to explore what works best for themselves.



FIGURE 18. TREE OF CONSEQUENCES WORKED EXAMPLE

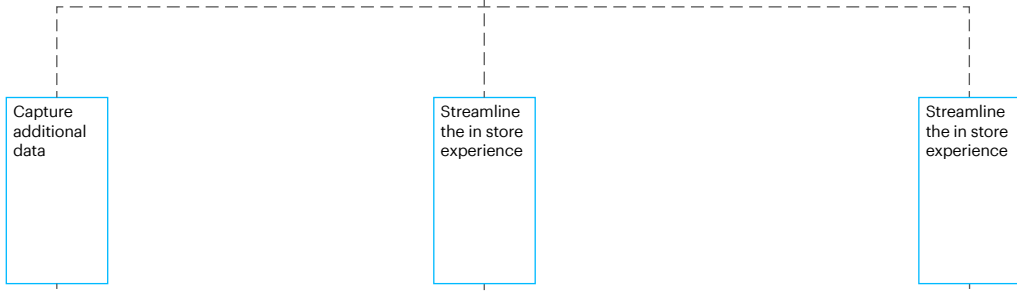
Note: while we typically focus on the initial goal and first order consequences, unintended second and third order consequences can have major negative impacts at scale, which can be costly or even impossible to change once they are embedded in the design

INITIAL GOAL What are we trying to achieve?

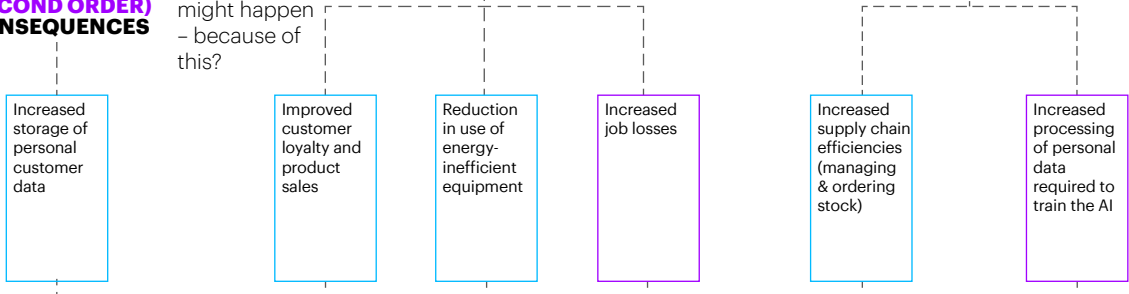
Design a seamless in store customer experience using AI and automation

- Positive impact
- Negative impact

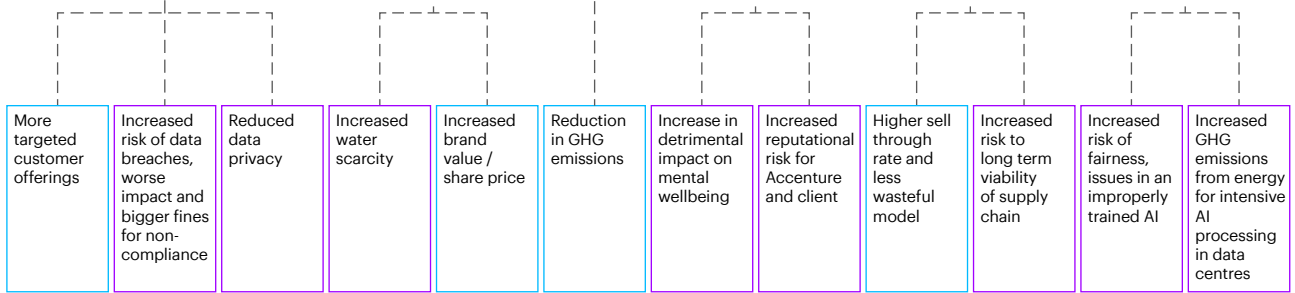
UNINTENDED (FIRST ORDER) CONSEQUENCES What do we expect to happen?



UNINTENDED (SECOND ORDER) CONSEQUENCES But what else might happen – because of this?



UNINTENDED (THIRD ORDER) CONSEQUENCES What's the ultimate impact of this?



Non exhaustive



Across the market, we now see more innovators and business leaders asking themselves:

1. How might we measure value in better ways?

We need to change how we measure success, so we incentivize longer term thinking and value creation for all stakeholders. We need to experiment with new frameworks, standards and tools that help us think beyond near-term profits and encourage us to quantify the potential benefits and costs of our activities for individuals, for organizations across other industries and sectors and for the environment. Some examples include: the [B-Corp Impact Assessment Approach](#), [Total Stakeholder Value](#), [Logical Frameworks](#), [Social Return on Investment](#), the [Evaluating Impact Investing](#) initiative and [UNDP SDG Impact Standards](#).

2. How might we create more value through our activities?

We need to create more value for stakeholders directly or indirectly and capture more of it creatively over time. We need to shift investment from less sustainable, less purposeful legacy activities towards a new vision we build over time. We need to align our core business activities to specific SDGs and collaborate across industries and sectors to engage more customers, suppliers or employees in underserved markets.

Note: Accenture Research have previously written about [four levels of trapped value](#). This is a highly relevant framework for thinking creatively about how to design new inclusive business models in ways that unlock and capture more value in BoP markets. In Figure 19, we illustrate examples of the value created by inclusive business models that is rarely captured today.

3. How might we design better business models and manage their consequences more skilfully?

We need to consider the consequences of our design choices for all stakeholders. We need to adopt new ways of thinking that embed sustainability, responsibility and ethics more deeply into our design processes. Some examples include: [Human Centered Design](#), [Principles for Digital Development](#), [Ethical AI Framework](#).

Business leaders and innovators today need to **pause, reflect and navigate the accelerating pace of innovation with great skill**. It is increasingly harmful to simply develop and scale new business models at breakneck speed without deeper reflection. Ultimately, adopting this new ethos will cost very little, but it can lead to much faster, more sustainable and more responsible growth for everyone.

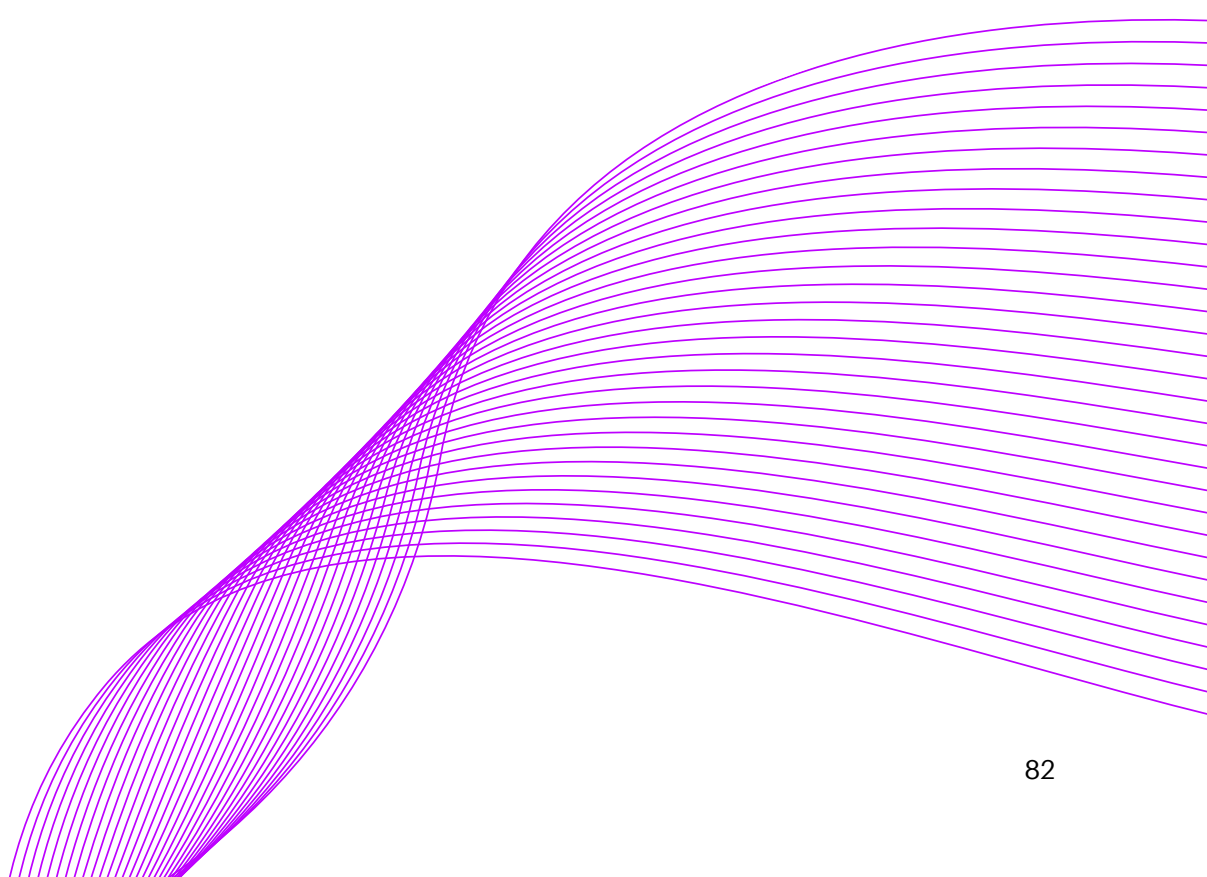




FIGURE 19. INCLUSIVE BUSINESS VALUE DRIVERS EXAMPLES OF POSSIBILITIES TO CREATE AND CAPTURE VALUE

			● Low	● Medium	● High			
STAKE-HOLDERS	VALUE DRIVERS	EXAMPLE	VALUE CREATED			PORTION CAPTURED		
Multi-national company	Short term revenue	Direct payments (based on little beneficiaries can afford)						
		Returns on PAYG lending models	●			●		
		More rarely: 'Pay by Results' schemes involving Governments, donors and impact investors						
	Long term market power	Ecosystem positioning and Government relations						
		Access to new customer base (upsell, cross-sell)		●			●	
		Brand value						
		Insights from data gathering						
	Benefits of purposeful growth	Recruitment, retention and productivity benefits						
		Brand value, customer acquisition and loyalty benefits		●			●	
Improved ESG scores, faster share price growth								
Customer, employee, or supplier	Increased incomes	Creates new jobs and incomes for employees, suppliers						
		Raises incomes for customers due to products or services that improve their productivity (energy, connectivity, education, health, finance, e-commerce etc.),	●			●		
	Intangible benefits	Enhances skills and future earnings prospects						
		Longer, safer, happier lives – long term benefits		●			●	
		Better access to affordable, high quality goods or services						
Society (govt. or citizens)	Avoided costs	Replacement / augmentation of public services						
		Less urgent cases presenting to public services	●			●		
	Increased taxes	Creates new jobs with salaries that increase income tax		●			●	
		Creates new sales that increase value added taxes						
	Intangible benefits	Boosts share of economy that is 'formal', taxed, regulated						
		Wider knock-on economic, social, health benefits (e.g. greater internet use, better education, technology transfer, downstream jobs, products and services)		●			●	
Other industries and sectors (mncs, smes, donors, impact investors)	Market access and data	Better infrastructure and inclusion of BoP in formal economy (e.g. via identity, supply chain, payments) makes it easier for them to sell their own product						
		Data on customers can be used to target other products	●			●		
	Avoided costs	They can copy success, learn from failure and compete or grow in different markets – or partner and 'white label'						
		Reduced reliance on Official Development Assistance (ODA) to fund programmes to achieve similar outcomes		●			●	
	Impact	Intrinsically valuable to donors and certain investors						
		Evidence on what works best and what doesn't		●			●	



How might we increase future investment and returns?

Far more **investors are now expressing preferences to use their money to create social impact** as well as financial returns. Unfortunately, today's mechanisms (ESG metrics, share prices and bonuses) do not harness the capabilities of multinational companies to deliver specific SDGs targets, or offer investors choice along three dimensions: risk, returns and impact. What we need to create is a new range of risk and return options related to impact themes, regions and groups investors care about.

We believe '**markets for outcomes**' could be positioned at the core of a potentially new and exciting vision for the future inclusive business ecosystem (Illustrated in Figure 20). This might involve groups of investors with shared interests pooling money in **public-private investment vehicles for specific impact themes, regions, growth stages** etc. For example: Neglected Tropical Disease elimination, agritech start-ups in Africa, or fintech that empower women. Based on shared interests, they could '**put a price on**' target outcomes in health, education, energy access, connectivity, livelihoods or other areas.

If these prices could be set sufficiently high, they could incentivize many multinational companies, small and medium-sized enterprises and NGOs to **standardize their operations to start measuring these outcomes** and independently verifying their contributions in order to receive payments. Companies whose existing activities create significant impact could be **incentivized to expand to specific regions or populations** by modifying price levels. Others could purpose-design new activities to deliver outcomes, building on best practices, investing in innovation and **competing to deliver impact** as efficiently as possible.

The good news is every one of the four main elements required to deliver this vision is already partially present in today's market, even if they are embryonic. But what has never been done systematically is to understand what organizations could collaborate to deliver specific outcomes most effectively, to equip them with the data they need and to incentivize them to engage with those most in need.

The first element we envisage is a set of **enablers**: (1) evidence sharing on what makes most profit and creates most impact for specific markets; (2) data sharing so companies can more easily enter BoP markets; (3) specialist support to design pilots to fail fast or pivot and become 'investment ready' afterwards; (4) convening complementary organizations across industries and sectors; and (5) improving governance basics to create the right environment for investment.

The second element is **pooled funds**. For example, a group of philanthropists, governments and impact investors might agree to fund a set of health outcomes in a specific region. They could build on experience with 'pay by results' schemes and 'development impact bonds', make a step change in ambition and match money from donors, Governments and impact investors with retail investors' savings and pensions (by offering them [more control over what they get invested in](#)). Other asset managers or VC funds looking for socially themed investment that also offer decent returns might also invest in these funds. Once created, the new funds could be used to offer a mix of grants, direct payments for outcomes, or debt or equity co-investments to companies. Public money plus patient capital could create long enough exit horizons (for example, ten to fifteen years). Investing in a mix of start-ups and larger companies could move the needle on global challenges like extending internet access to populations that are being 'left behind' or shifting towards electric and hydrogen infrastructure so transport for the 'next four billion' can come with reduced climate impacts.

The third element is **financing mechanisms**. Each cross-sector group of investors could define their own mix of instruments to suit their specific outcome challenge. Some might offer a limited pot of grants for innovation and scaling, structure large, long term financing as bonds or subsidized loans, or take equity stakes where there were strategic opportunities and promising returns available.



The fourth and final element is **delivery partners**. For example, a solar panel provider, a mobile phone maker, a mobile network operator and a financial services company might join forces to deliver outcomes for energy access, financial inclusion and livelihoods (income) improvements. Partnering to roll out microgrids and 5G masts in remote regions might reduce costs. Pay-As-You-Go phones, mobile-money and loans, mobile health and mobile education could all be linked in to enhance impact and profitability. Similar consortia could deliver other outcomes. By moving from ad hoc overlapping expansion to strategic coordination, infrastructure co-investment and data sharing, greater impact could be delivered more profitably by groups of cross-sector partners that could vary across countries.

This vision presents many challenges. Many other visions are possible (and they may be simpler, more realistic and more effective). But our aim is 'reimagining inclusive business'. As we move towards the 2020s, **pooling funding sources, pricing outcomes and combining models** offer intriguing possibilities.

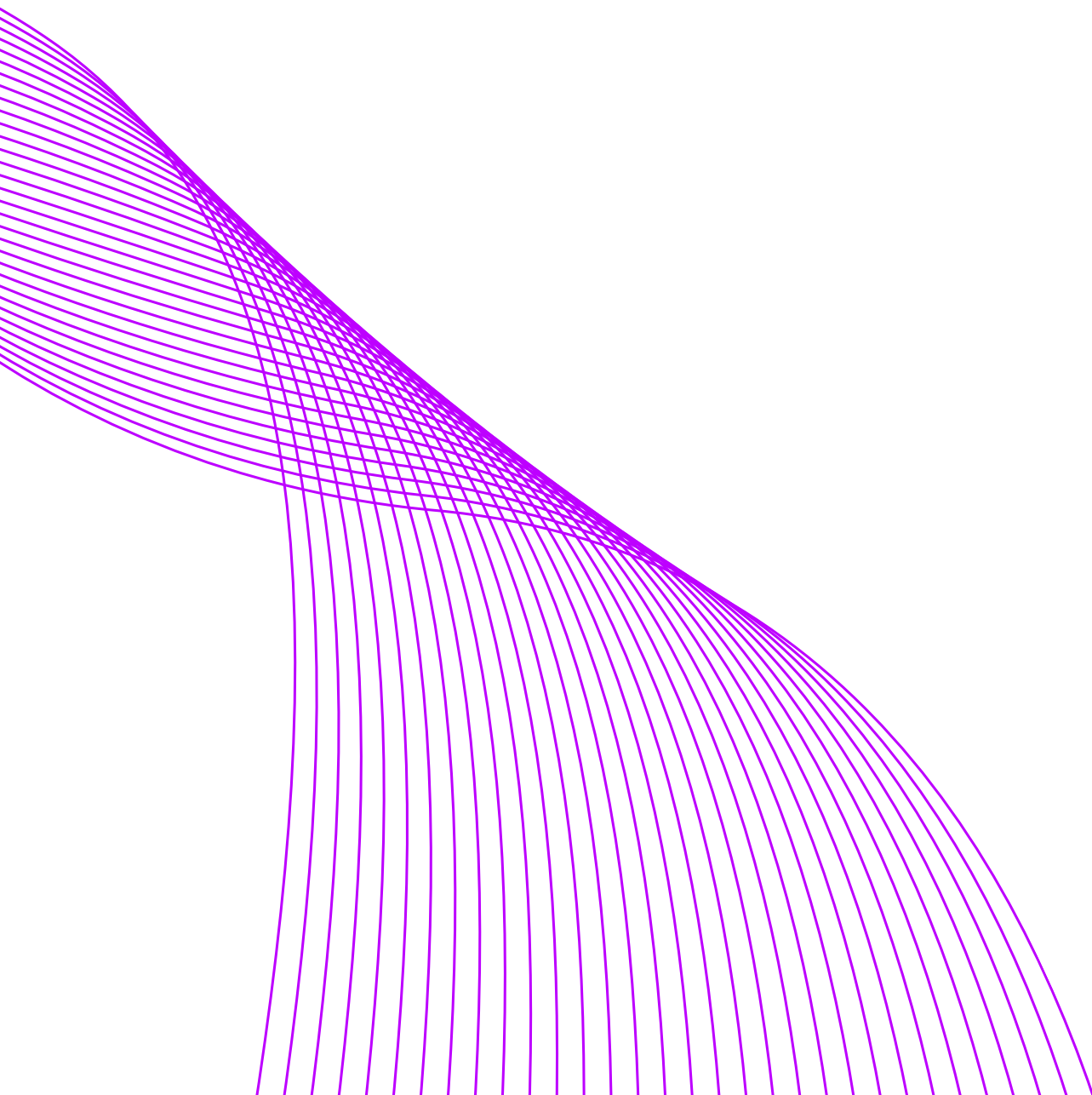




FIGURE 20. INCLUSIVE BUSINESS VISION 'MARKETS FOR OUTCOMES' AT THE CORE

1

ENABLERS

Emerging 'Public Goods', best practices and trends

Create more 'investment ready' inclusive business opportunities

Evidence Sharing Initiatives on Impact and Profitability	Data Sharing Initiatives on BoP Markets	Specialist Support for Innovation & Scaling	Cross-Sector Collaboration & Ecosystem Business Models	Stable & Effective Governance & Regulation
Integration of case study repositories and comparison of profitability and impact metrics to reduce reinvention	Enabling open access to Identity and supply chain data while putting citizens in control of privacy	Structured coaching to shape pilots that fail fast or pivot and can quickly become 'investment ready' afterwards	Orchestrating partners; co-designing new models to enhance the business case and increase impact	Promoting investment and trade; ensuring a significant part of the value created stays in-country

2

POOLED FUNDS

Public and private funders pool capital to co-invest by theme, region, risk level and exit strategy

Match public and private funders to co-create financing strategies

Public - Private Investment Vehicles for Specific Impact Themes, Regions, Growth Stages, Populations					
Philanthropists & Foundations	Government Ministries, Aid Agencies, Multi-Lateral Institutions	Impact Investors	Retail Investors Savings & Pensions	Pension Funds, Asset Managers, Major Institutions	Venture Capital and Private Equity Funds

3

FINANCING MECHANISMS

Key investors agree on shared objectives and the right financing strategy and mix of instruments

Grants nature opportunities; debt and equity provide long term returns

Innovation & Scaling Grants	Loans, Bonds or Guarantees	Patient Capital Equity Stakes
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Markets for Outcomes (examples where we might 'put a price on impact')

Markets for outcomes fund scaling and ensure no one is left behind

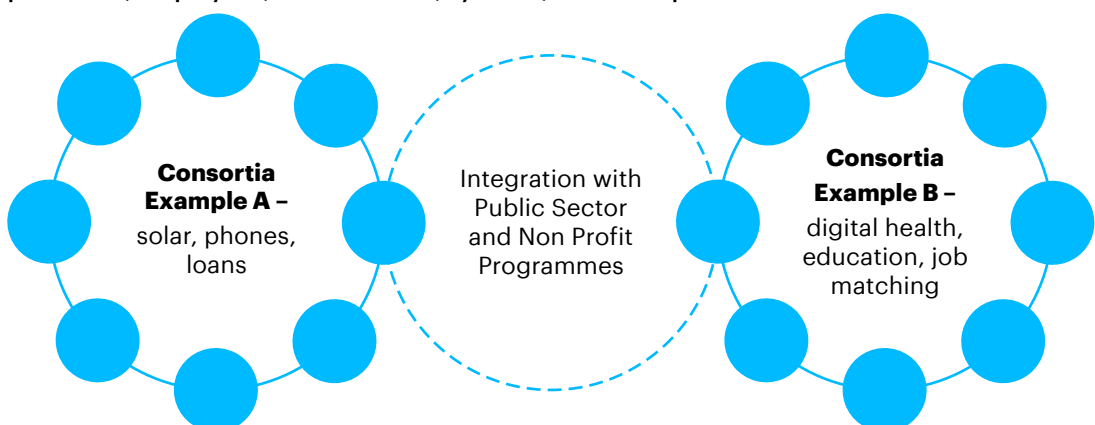
Energy Access & Usage	Internet Access & Usage	Digital Identity (meets ethical standards, protects data, puts citizen in control, enables inclusion)	Healthcare or Education Cost Levels (Verifiable Savings tied to specific activities)	Healthcare or Education Outcomes (Literacy, Numeracy, Disease Prevalence, Morbidity)	BoP Employment Status & Tax Payments (Avoided Costs, Income Tax Gains)
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4

DELIVERY PARTNERS

Consortia bid for funding to deliver inclusion initiatives or impactful services and share data, processes, employees, infrastructure, systems, costs and profits between members

Improve life for people on low incomes on a global scale, with long term investment horizons and measured outcomes





SOLUTIONS: WHAT CAN WE DO TO REALIZE BENEFITS FASTER?

This section offers prompts for actions business leaders, investors and donors might take to realize benefits faster. Every organization will have a unique context and be at a different stage of maturity on this topic, so we cannot provide a single roadmap. We encourage readers to adopt ideas that resonate and build on our analysis in their own strategy development.



What can business leaders do?

1. JOIN THE DOTS AND TACKLE THE BIG QUESTIONS

Avoid siloed investment and thinking across your CSR, sustainability, innovation, venturing and core business agendas. Develop a **joined-up strategy on inclusive business** that cuts across all your functions and activities globally. Bring some top-down thinking on drivers, opportunity prioritization, geographic focus, investment principles and evidence sharing that can benefit everyone and reduce dilution of focus and duplication of effort. This can be done as a major strand of your next global strategy review (alongside responsibility and sustainability themes) with a standalone deep-dive exercise to gather inputs and views internally and externally. Having an overall vision can channel the passion of intrapreneurs and connect investments across business units. Some of the big questions to tackle might include:

- What are your **drivers** (for example, market saturation, R&D, ecosystem positioning)? Simply articulating how you define inclusive business and the central thesis for why you are interested in it can bring a lot of alignment and clarity across the whole company
- What **SDGs, opportunities** and **geographies** will you prioritize and what is your **business case**, expected obtainable market size, ROI and payback period?
- Do you need to get CEO or board level buy in for **investments with very long horizons**? They may not be allocated or evaluated through 'business as usual' budgeting processes, but by setting up strategic pots, like major R&D or tech investments. The vision for success in terms of drivers, returns and payback periods should be clear
- Which internal **roles and teams** will be responsible for what to reduce duplication and encourage specialization? How will you enable teaming between global and local level and technical or functional specialists on projects? How will you create a pipeline to hand over projects between teams? For example, a Tech4Good proof of concept might go to an innovation team and local business unit to do a pilot and then to a global business unit or to the venturing team to take the ideas to scale.
- What **performance metrics** will you use to incentivize people to measure and monetize social impact, reduce unit costs and increase growth rates etc.?
- Who should you prioritize **partnering** with across sectors, why and how? For example: distribution partners, cross-sector partners to share data, potential co-investors?
- How much of your **CSR spend** (if any) will you re-allocate into inclusive business? Will you increase focus on a few big opportunities and scale them up globally? Fortune 500 CSR spend today is \$20 billion. If even some of this was reallocated into inclusive business, it could provide a significant stimulus to find and scale the best models. Some CSR initiatives can evolve into scalable models, but they ultimately need the right expertise, funding and home to grow.
- Will you explore ways **employees can invest part of their savings or pensions** into your venturing fund(s)? Can you engage multilateral institutions or impact investors to secure **large scale co-investment** or support based around **collaboration on the SDGs**?



2. FAIL FAST AND SCALE SYSTEMATICALLY

Identify the roles, individuals and assets in different parts of the company involved with this topic from different angles. Bring them together into a global virtual community of practice or center of excellence. This can help provide relevant expertise, assets and data easily, input into strategy development and drive future initiatives. Make it easy for your people to access the right external data sources too (for example, case study repositories to prevent re-invention, open data initiatives, cross industry and cross-sector contacts).

If you already have [innovation and venturing](#) functions, consider how they might be used to develop new opportunities. Expand their mandate to scan the market and explore case study repositories or inspiration. Use your existing capabilities to design profitable, scalable, impactful models and adopt a rigorous portfolio approach to managing them. Engage start-ups and partner with or invest in them (i.e. consider when it is cheaper, faster and more effective to buy instead of building).

Ensure new ideas you invest in are driven to [fail fast or pivot](#) until they are on a path towards generating profit and impact at scale. Exploring new ways to create value and new markets involves taking risks but minimizing the cost of testing hypotheses and improving institutional learning so lessons are not lost with individuals are key areas that can be improved in many organizations.

Provide additional support and focus on finding them the right homes to grow beyond pilots. Help to plan for that transition in detail, so evidence for the business case or next funding application is gathered during the initial pilot. Use central expertise and networks to help secure the required investment for each venture from internal and/or external sources. Learn to manage a portfolio of pilots and ventures at different stages of scaling up in different segments and markets, to allocate more investment into the most promising ones, to kill off the less promising ones and to look outside the organization for collaboration opportunities. Becoming better at managing a pipeline of pilots and transitions to scale are key capabilities that determine your returns and long-term success or failure in this space.

3. EMBED A NEW ETHOS INTO DESIGN

Reimagine where you can now operate, who you can engage and how you can create most value. Explore the [market landscape](#). Look across industries for collaboration opportunities. Consider how you might apply business model features that proved successful for others. Imagine how multiple models can now be integrated and what role you might play there.

Create new ecosystem plays. Build a network of cross-sector organizations to share data. Consider opportunities to share infrastructure or coordinate expansion plans or co-invest in new business models. By nature, many multinational companies make fantastic connectors and can bring together many small and large players, governments and NGOs when incentivized – but it requires great patience, selectivity and efficiency. Picking the right opportunities and partners and investing the time required is critical to realizing value.

Embed new requirements to pause, reflect, identify unintended consequences and decide how to respond to them into the early stage design process for all new business models, especially those in developing countries with vulnerable populations. Go beyond thinking about profits alone and start reimagining how you might estimate costs and benefits for all stakeholders and measure value in new ways. Consider how to capture more benefits over time and iterate existing models to improve them.



What can investors do?

1. BENCHMARK RETURNS AND IMPACT

Decision makers need to understand what is established, profitable and impactful in various spaces, what is less effective and what is new and promising – but there is a real gap and this kind of evidence is not easily accessible today. Investors might therefore consider:

- Commissioning and contributing evidence from their own portfolios towards a new **research agenda** with academics and research institutes to make visible what inclusive business models work better than others for specific SDGs – for example, what is profitable, impactful, growing fast or promising in livelihoods, energy access or health?
- Setting up a private **portfolio benchmarking scheme** where the members could pool evidence between them, without necessarily publishing it. This might involve groups of donors, investors and companies focused on specific SDGs. Some of the richest potential sources for evidence on profitability are likely to be the leading companies and impact investors who have built up large portfolios containing multiple investments over many years. However, this kind of data (or even anonymized analysis) is rarely pooled today. Some may be sensitive towards external data sharing but bringing even a few key sources together could draw out valuable insights and there are clear parallels with cross-industry ‘cost benchmarking’ (which happens even in highly competitive spaces). The benefits this could unlock in terms of creating a virtuous circle of improving returns might be enough to incentivize a gradually increasing membership of investors and companies with a high level of mutual trust.
- Building on and integrating the [many case study repositories that already exist](#) and adding data from new partners over time to create an **online evidence database covering all industries** as global ‘public good’ (this could build on initiatives like [Impact Base](#), [ImpactSpace](#) and [resources from The Case i3 Top Reads](#)). Businesses, investors, donors, government departments, academics, research institutes and consultancies might all contribute and find value in this. Interactive visualizations of the relative scale, growth rates, returns, funding sources, financing mechanisms, payback periods and impact generated for different models could be highly useful to market participants. All current and new ventures that receive grants or investments might be required to contribute data and encouraged to learn from past successes and failures.



2. BE ADVOCATES FOR CHANGE

Encourage key individuals in leadership positions within multinational companies to:

- **Prioritize inclusive business as a strategy theme** – especially where others in their industries have proven opportunities, when the company is facing market saturation or disruption and needs new growth markets or a new vision for its future core activities
- **Develop new capabilities to measure and target value creation in a wider sense** – encourage companies to adopt the same standards, frameworks and tools to align on impact measurement. Work with other investors, donors and specialists to explore ways of moving beyond ESG metrics to co-investment and ‘markets for outcomes’

3. MAKE IT EASIER TO CO-INVEST

Create new products that **enable companies to access patient capital** so that they can top up their own internal funds and make larger long-term strategic bets with ten- to fifteen-year horizons. Harness demand from impact investment funds, asset managers and individual retail investors who want more control over their savings and pensions. Move beyond limiting investors choices to purchasing the equity of parent companies. Move towards **enabling co-investment in inclusive business venturing funds or specific projects in multinational companies.**



What can donors do?

Over four billion people are facing a complex array of unintended consequences as inclusive business accelerates and around a billion on the lowest incomes are being left behind. There's little clarity about what is most profitable or impactful, so investment is limited and fragmented and returns are diluted. The examples used to explain the concept to business leaders are often outdated. Many are unaware or skeptical of the business case. It is common to lose value doing pilots that do not scale up. We need to **step back and reimagine our future role**. How might we improve value for money and additionality?

1. ARTICULATE THE NEW BUSINESS CASE

When engaging business leaders, investors and policy makers, we propose consciously shifting focus away from older examples that have only reached a small scale or are large, but very unlikely to be replicated by others. Focus on newer examples with higher potential **profitability and scalability** that are growing faster and can be more easily replicated by others. Use deep dive collections of examples that are industry relevant. Cut through hype and generalization about inclusive business. Understand the examples and value drivers that can trigger multi-billion-dollar investments. Shape a **new narrative for engaging more business leaders** based around this. Present evidence of rivals making long term big bets, high potential for profitability and examples that have reached tens or hundreds of millions of people or can credibly do so. End the persistent confusion with CSR and impressions that inclusive business still means selling on the ground at very low prices in high volumes or increasing the resilience of farmers.

Encourage more substantive, open dialogue about investment levels and horizons, barriers and solutions. Do not just focus discussion on successes. Investigate **failure rates** across portfolios and share the analysis. Gather evidence on long-term **portfolio level returns**, split by region and model type. Collaborate with academics, think tanks, leading companies and investors to shape a **new research agenda**, centralize this new evidence base and disseminate insights.

2. CREATE HUBS AND NETWORKS FOR REPLICATION

Based on benchmarking impact, returns and additionality, select a few examples to **proactively help to replicate**. For example, analyze if you believe you can create most impact by helping scale up inclusive business models for water purification, malaria protection, solar microgrids with energy storage, electric bikes sharing platforms, AI for healthcare etc.

Convene the right mix of cross-sector partners to replicate them in target regions. Shape ambitious shared visions and help companies access a full range of funding sources and support for pilots and scaling (for example, **grants, debt, equity, technical assistance**). Build hubs of companies, investors and specialists around each space. Provide coaching on working in specific markets, designing better pilots, securing investment and transitioning to growth.

By convening key players and connecting companies to funding, donors can accelerate the growth of inclusive business and **become influential partners in the early design stages** of new inclusive business models. They can bring in valuable perspectives, insights and expertise on BoP populations, political and regulatory challenges and impact measurement and monetization. They can also bring lessons on what has been tried before and reduce reinvention.

Test the hypothesis that cross-sector groups can build stronger business cases together than individually and use complementary capabilities to grow faster in BoP markets by integrating offerings and growth plans, sharing data and resources etc. Consider partnering with impact investors to **pilot 'markets for outcomes'** in these spaces as they mature. Test mechanisms to incentivize the extension of business models to the most marginalized so no one is left behind.



3. LEAD THINKING ON UNINTENDED CONSEQUENCES

Consider where the most important risks and issues are and where it is likely to be harder or easier to drive changes. It may be easier to have influence earlier in design, where your relationships are stronger, or on less sensitive issues. Identify small interventions that could have big effects.

Help companies improve their designs to enhance benefits and reduce harms for people on low incomes. Develop targeted networks of contacts in key spaces. Sign companies up to commitments to embed principles, approaches or targets in design pilots and growth.

While many individual business leaders may want to change unintended consequences, their incentives often push them in other directions, so donors can play valuable roles as **'sounding boards'** and **'critical friends'** to business leaders and innovation units, especially if they are co-designing or co-investing in new models.

Avoid duplication and **build on others' work** in identifying and challenging unintended consequences, engaging businesses, establishing design principles and co-designing better models here, for example:

1. [Institute for Transformative Technologies](#)
2. [World Governance Summit — RegTech initiative](#)
3. [Center for Humane Technology](#)
4. [Future of Humanity Institute](#)
5. [Digital Impact Alliance](#)
6. [Business Call to Action](#)
7. [Business Commission](#)
8. [BMZ & GIZ Lab of Tomorrow](#)
9. [DFID Business Partnerships Fund](#)
10. [CDC Plus](#)
11. [Intelligent Impact](#)



4. ADVANCE INTEGRATION AND WIDER REFORMS

Within donor organizations, explore opportunities to get more value out of your current spend on programs in areas like education, health, financial inclusion, humanitarian response, post-crisis recovery or cash transfers by **integrating them with inclusive business models**. Test the hypothesis that we can accelerate journeys out of poverty by giving people access to the right products and services in the right way at the right stages in development programs.

This could create additional benefits like higher incomes or improved health and education outcomes while encouraging companies to build experience engaging people on even lower incomes and **forging strong cross-sector relationships**. It could involve collaborating on: infrastructure extension, data sharing, on the ground presence, government relations etc.

By assessing the appetite of companies to integrate different models they have with different programs and the costs and benefits for different stakeholders, we could zero in on the most promising potential areas and design pilots there.

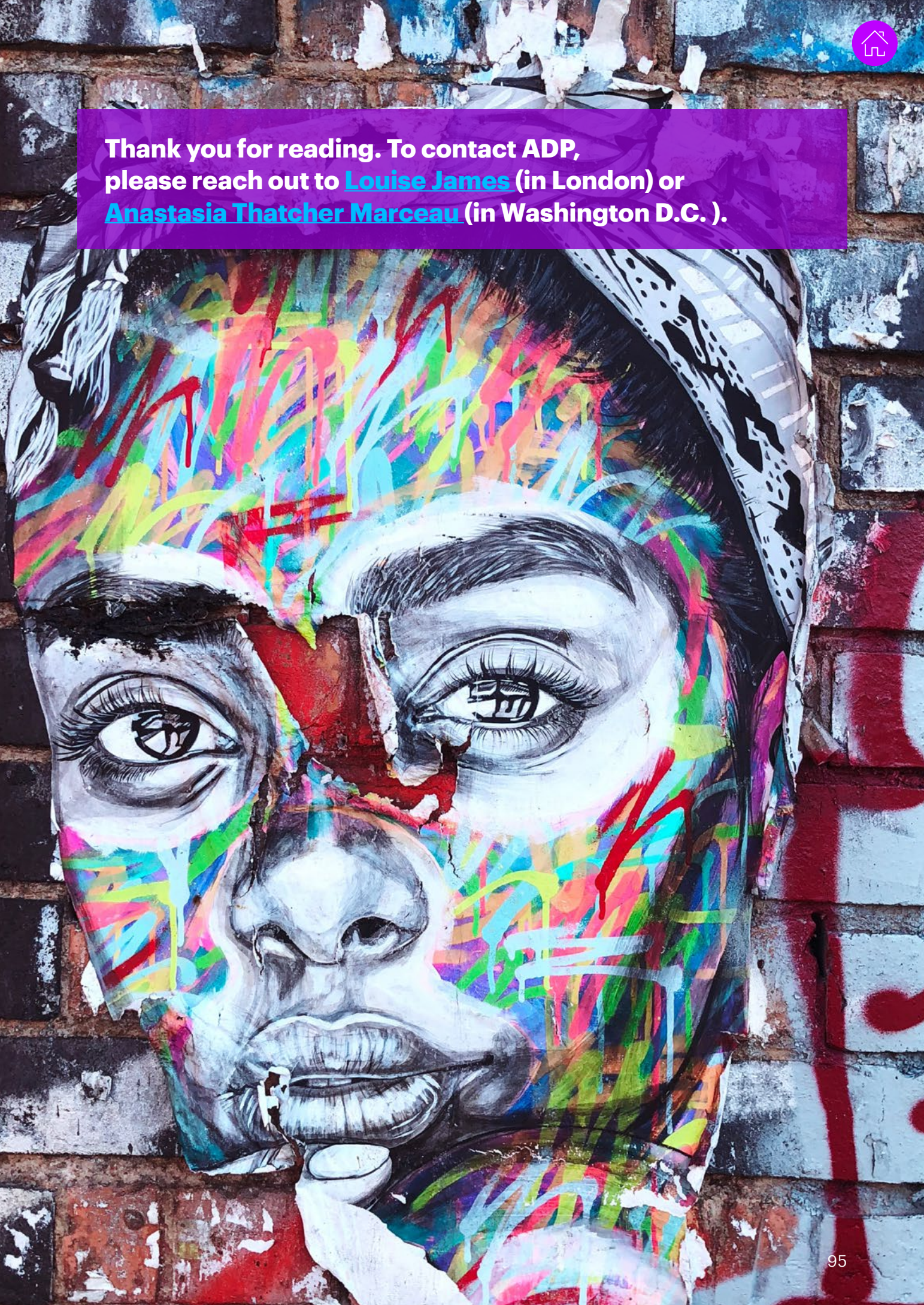
Continue to improve the **connections between aid, trade and investment**. For example, align thinking on what the most profitable and scalable inclusive business examples for each SDG are (building on initiatives like the [Global Commission to End Energy Poverty](#)). Align policies across organizations to bring greater coherence and more consistent focus to funding for replication, as well as innovation. Accelerate efforts to **standardize metrics for impact**, simplify the engagement process for companies and create comparable evidence bases. Promote innovative ways for [retail investors to invest](#) pensions and savings (for example: [Big Exchange](#)).

Work with partners in other organizations to identify, prioritize and decide **how to respond to unintended consequences as policy makers and regulators**. Advocate for new global regulations (for example, on data privacy, single use packaging, working conditions), new inclusion initiatives and new development programs in partnership with others.

Finally, recognize inclusive business is just a part of the wider development jigsaw and promote long-overdue [wider reforms](#) to global tax, accounting and trade rules and multi-lateral institutions that are equally or more important for people to lift themselves out of poverty.



Thank you for reading. To contact ADP,
please reach out to [Louise James](#) (in London) or
[Anastasia Thatcher Marceau](#) (in Washington D.C.).





APPENDIX

How did we arrive at our findings?

Before starting this research, we ensured we were **building upon what had been done before** by reviewing approximately 50 previous research papers and articles and summarizing 20 of them.

During our initial research phase, we tested our hypotheses on the barriers and enablers in **interviews with over 30 market participants**. We interviewed:

- **Business leaders** including the founders or senior leadership of Unilever’s LifeBuoy, Fenix International, Novartis’s Arogya Parivar, Twiga Foods, Ubuntu Power and Reuters Market Light
- **Innovation program leads** including from Unilever’s Purpose Studio, Philips Africa Innovation Hub, M-KOPA Labs, Huawei, Ericsson, and Interface
- **Impact investors and donors** including from Acumen, Unreasonable Group, ENGIE Rassembleurs D’Energies, IFC, DFAT and the Global Innovation Fund
- **Subject matter specialists** from accelerators, think tanks and consultancies including from The Intrapreneurship Lab, WDI, GSMA, Volans, Fjord and Business Fights Poverty

We **developed a new evidence base** by cataloguing over 300 examples of inclusive business and developing case studies for over 120 of them. The categorization system we created after doing this is not exhaustive and can be improved in future research. By building up a zoomed-out, structured view across the market, we arrived at **insights we otherwise would not have noticed or been able to evidence intuitively**.

Who commissioned and contributed to this research?

This research was funded by the UK Department for International Development (DFID), under the [Business Partnerships Fund](#) (BPF). The input of **DFID’s Private Sector Department** and the **Business Partnerships Fund** Technical Lead has been invaluable in shaping our perspectives, helping to interpret evidence and focusing this research.



Where can our partners’ research papers be found?

Four other research papers were commissioned as part of a series by the DFID Business Partnerships Fund during 2018/19.

We are also extremely grateful to our research partners for their collaboration and contributions in helping us to shape the ideas in our report and encourage readers to check out their reports on the [‘Inclusive Business Boost’ website](#).

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Accenture Development Partnerships works with leading international development organizations to address complex social, economic and environmental issues. We have delivered more than 1,500 projects spanning 90 countries over 15 years, empowering our clients with innovative, digital solutions, using the breadth of Accenture’s global capabilities and experience to drive tangible and sustainable results for people in the developing world. Learn more at www.accenture.com/adp

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