

VALUE²

Social Innovation for Business and Society



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IMPACT

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Foreword

Germany is doing well. The economy is booming, wages are rising and unemployment is at a record low. Yet the animated debate on social inequality demonstrates that not everyone is part of this prosperity. The fact that 16 million people in Germany are threatened by poverty and social exclusion is evidence that many people in our society face a multitude of challenges in areas such as health, nutrition, or housing on a daily basis.

France faces a similar situation. This is why the Action Tank Entreprise & Pauvreté was founded in 2009. The initiators, including Emmanuel Faber, CEO of Danone, have recognised that growing inequality has a negative impact on all areas of society and that everyone should contribute to solving this problem.

The idea behind the Action Tank is the Base of the Pyramid (BOP) theory developed by C. K. Prahalad in 2002. It strongly focuses on those at the base of the income pyramid in their role as customers, suppliers or intermediaries, and attempts to improve the long-term situation of the negatively affected sectors of society.

The approach creates added value for society, but also allows businesses to benefit from new customer segments, markets and innovation.

The BOP concept also offers companies the opportunity to further develop their positive societal and corporate impact with regard to the Sustainable Development Goals of the UN. This may also be one reason why this concept is now being replicated beyond France in Belgium and in the Netherlands.

In Germany, too, the BOP concept is a promising approach to addressing numerous societal challenges in an innovative way. That is why Beyond Philanthropy and Social Impact have joined forces to further the idea to Germany. This study, which is supported by the BMW Foundation, is a first step in this effort. The findings will show businesses what potential lies in BOP in Germany and encourage them to create added value².



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EXECUTIVE SUMMARY

Applying the Base of the Pyramid (BOP) concept, businesses address societal challenges and generate both societal and economic added value.

Despite favourable economic developments, Germany still faces a number of societal challenges.



More than 16 million people in Germany (20% of the population) are threatened by poverty or social marginalisation.

Furthermore, poverty is linked to other challenges in sectors such as health, education or housing.

The unemployed, single parents as well as the inadequately educated are particularly affected.

Businesses can use their resources to address social marginalisation using the BOP concept.



As part of the BOP concept, businesses are developing products and services in a user-centred manner that are aimed at bringing long-term improvements to the quality of life of low-income households.

Thereby, disadvantaged groups get access to services and products they did not have access to thus far.

Beyond the dialogue group that has been addressed, BOP approaches also benefit businesses at many levels, e.g. by:



- Enhanced employee loyalty.
- Greater capacity for innovation.
- Development of new markets and customer groups.
- Improved reputation and image perception among different stakeholders.

In other European countries, businesses have already developed business models to specifically target low-income households.



In France, Belgium and the Netherlands, businesses such as Danone, Renault or Colruyt have applied the BOP concept – often explicitly aligning their ventures with the UN Sustainable Development Goals.

The sectors of housing, mobility as well as food and nutrition are particularly well represented.

BOP concepts have great potential in many areas in Germany.

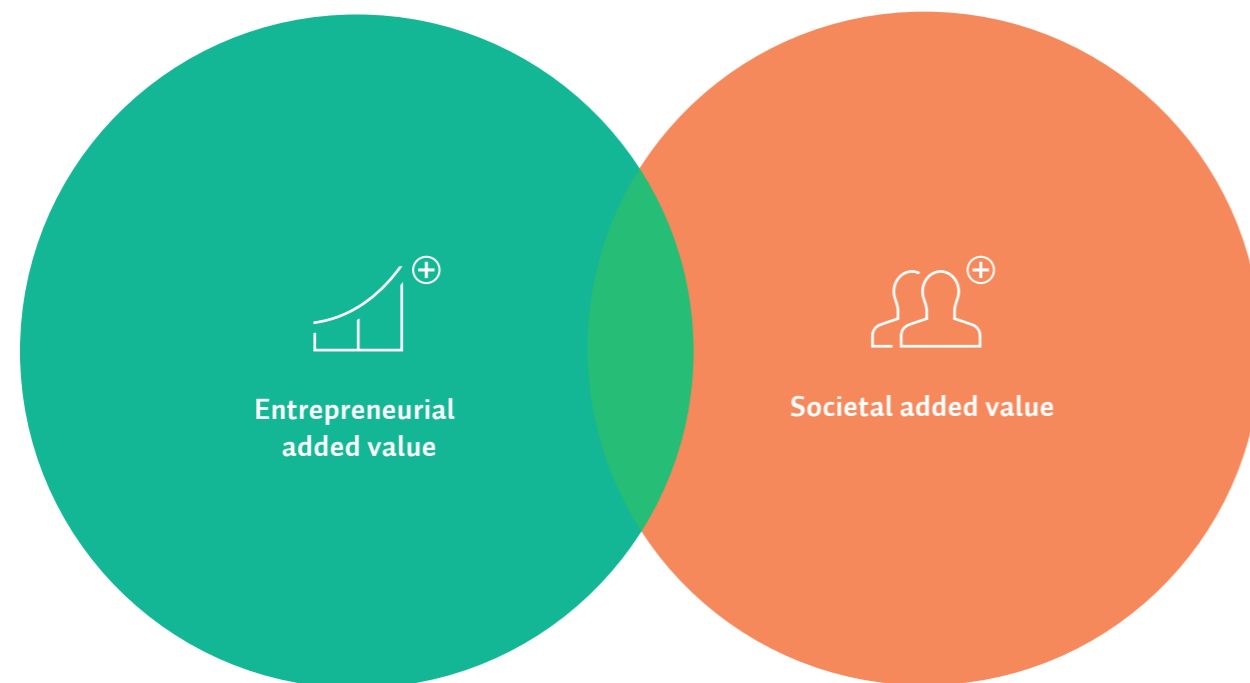


The market for satisfying the basic needs of low-income people is worth 80 to 110 billion euros in total, with particularly high spending for rent and energy, food as well as other consumer goods. Even the proportionally lowest expenses for basic health care exceed 2 billion euros.

All areas of life provide great potential for innovative products and services with a societal and entrepreneurial added value.

INTRODUCING THE BASE OF THE PYRAMID CONCEPT

The Base of the Pyramid concept sees businesses as key actors in integrating low-income groups into their value creation processes.



→ ● TO THE POINT

Based on innovative products and services, the BOP concept allows for the creation of both societal and entrepreneurial added value (e.g. access to markets and technologies as well as enhanced reputation).

Underlying idea

The Base of the Pyramid (BOP) concept, which was developed by C. K. Prahalad in 2002, describes business models of for-profit companies that make a point of integrating low-income groups into their processes of value generation, e.g. as customers, suppliers or intermediates.

The long-term goal of this approach is to create value for low-income households and entrepreneurial success at the same time.

Application

The BOP concept had originally been applied to developing and emerging countries.

A broader understanding of poverty that includes marginalised people unable to afford urgently needed products and services now also makes this concept applicable to industrialised countries.

Focus

This publication focuses on that part of the BOP concept that primarily sees low-income households as potential customers.

That involves the development and provision of target group-appropriate products and services by companies to which the target group previously had no access.

2002

C. K. Prahalad and S. T. Hart publish the first academic paper on the BOP concept.

Unilever initiates the programme Swasthya Chetna to educate the Indian public on hygiene.

2004-2005

Prahalad publishes his book "The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits" (2004).

Danone and other companies develop BOP strategies for developing and emerging countries.

2006

Muhammad Yunus and the Grameen Bank are awarded the Nobel Peace Prize for their market-oriented approach to the eradication of poverty.

2007-2017

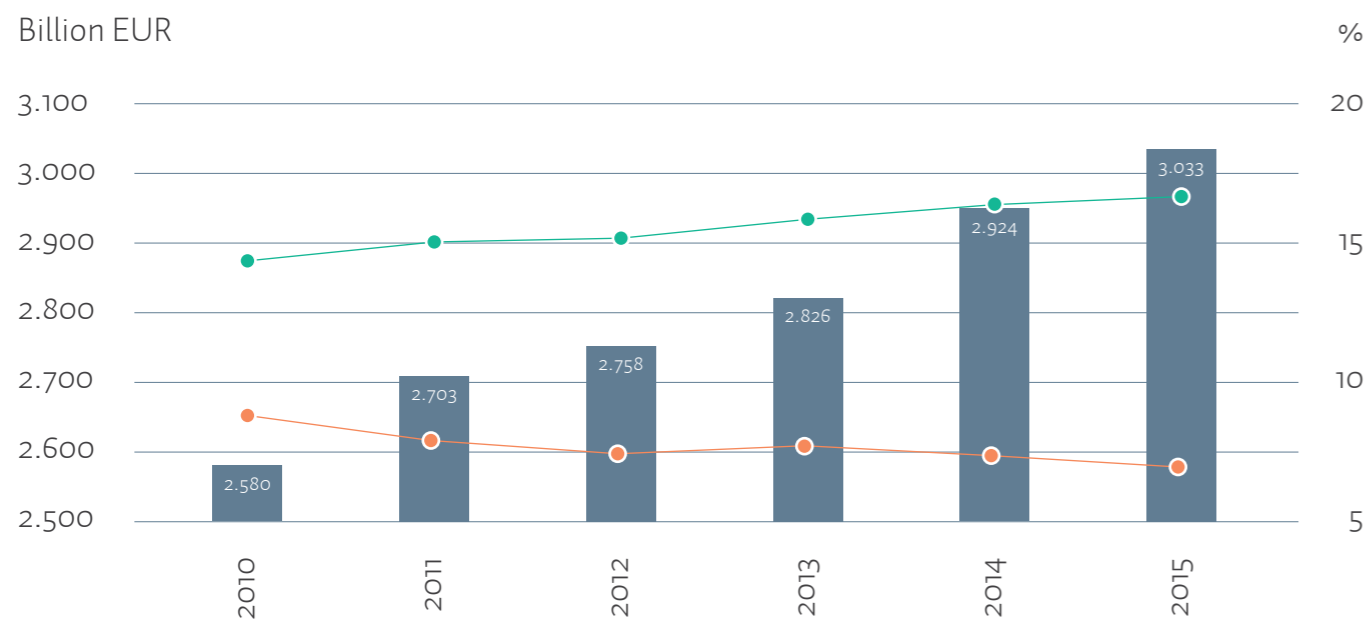
Many more companies develop BOP strategies and engage in a global dialogue on different approaches.

POVERTY AND BOP IN GERMANY

In spite of favourable economic developments in Germany, poverty continues to be a major challenge – approximately 20% of the population are threatened by poverty or social exclusion.

Poverty and economic development between 2010 and 2015

● GDP ● At-risk-of-poverty rate ● Unemployment rate



Every fifth person in Germany is threatened by poverty

In 2015, 15.7% of the population, i.e. 12.9 million people were threatened by monetary poverty.

Thus, and in spite of a positive economic development and decreasing unemployment, the risk of poverty has risen to a new high (BMAS, 2017; Der Paritätische, 2017). If social marginalisation is also taken into account, the percentage of those affected comes out at 20% – 16.1 million people (Destatis, 2016). Compared to the rest of Europe (17.3% or 23.7% according to Eurostat 2017), Germany is marginally below average.

→ ● TO THE POINT:

A person is threatened with poverty or social marginalisation if at least one of the three following life situations applies:

- Income is below the at-risk-of-poverty line (monetary poverty).
- The household is seriously deprived of material resources¹ (material poverty).
- The person lives in a household with a very limited labour force participation.

Who is considered poor?

For the definition of the Base of the Pyramid (BOP) in developing and emerging countries, the concept of absolute poverty is used, i.e. the situation in which people cannot satisfy their basic needs such as food and health care. Prahalad defines the poverty line at a purchasing power parity² of 2 dollars per day, the World Bank considers the limit for extreme poverty at 1.90 dollars per day.

In industrialised countries, the concept of relative poverty is primarily applied: people are affected by relative poverty if, compared to the rest of society, they can afford significantly less.

The European Union (EU) defines the relative poverty line for people with less than 60% of the median of the net income (in Germany 942 euros per month for a single person without children). As this definition only covers monetary poverty, the EU has further broadened the definition to include social exclusion.

16,1



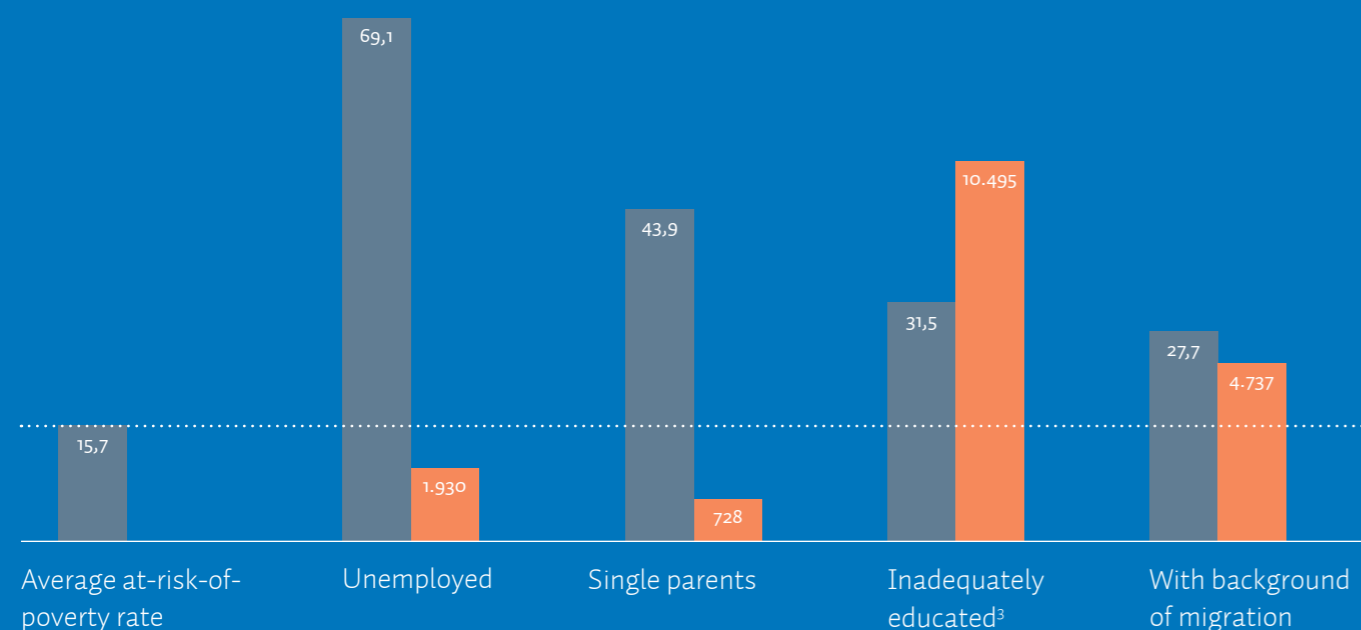
million people are threatened by poverty in Germany

GROUPS AFFECTED BY POVERTY IN GERMANY

The unemployed, single parents as well as the inadequately educated or people with a background of migration are particularly affected by poverty and social marginalisation in Germany.

Most heavily affected groups of people¹ (as of 2015)

● At-risk-of-poverty rate in% ● People affected by poverty (in thousand)



1

The **unemployed** are most affected by poverty, despite basic public security. In no other EU member state are the unemployed so often confronted with poverty.

2

Single parents are the second worst affected by poverty. Compared to 2005, the at-risk-of-poverty rate has risen by 11.5%. This has implications for child poverty - about half of all children living in poverty are raised in single parent homes.

3

For the **inadequately educated**, the at-risk-of-poverty rate has risen steadily over the past 10 years. At 31.5% (2015), it is more than 8 percentage points higher than the 2005 level of 23.1%.

4

People with a migration background respective of age, level of education or employment status, are increasingly more threatened by poverty than people without a background of migration.

5

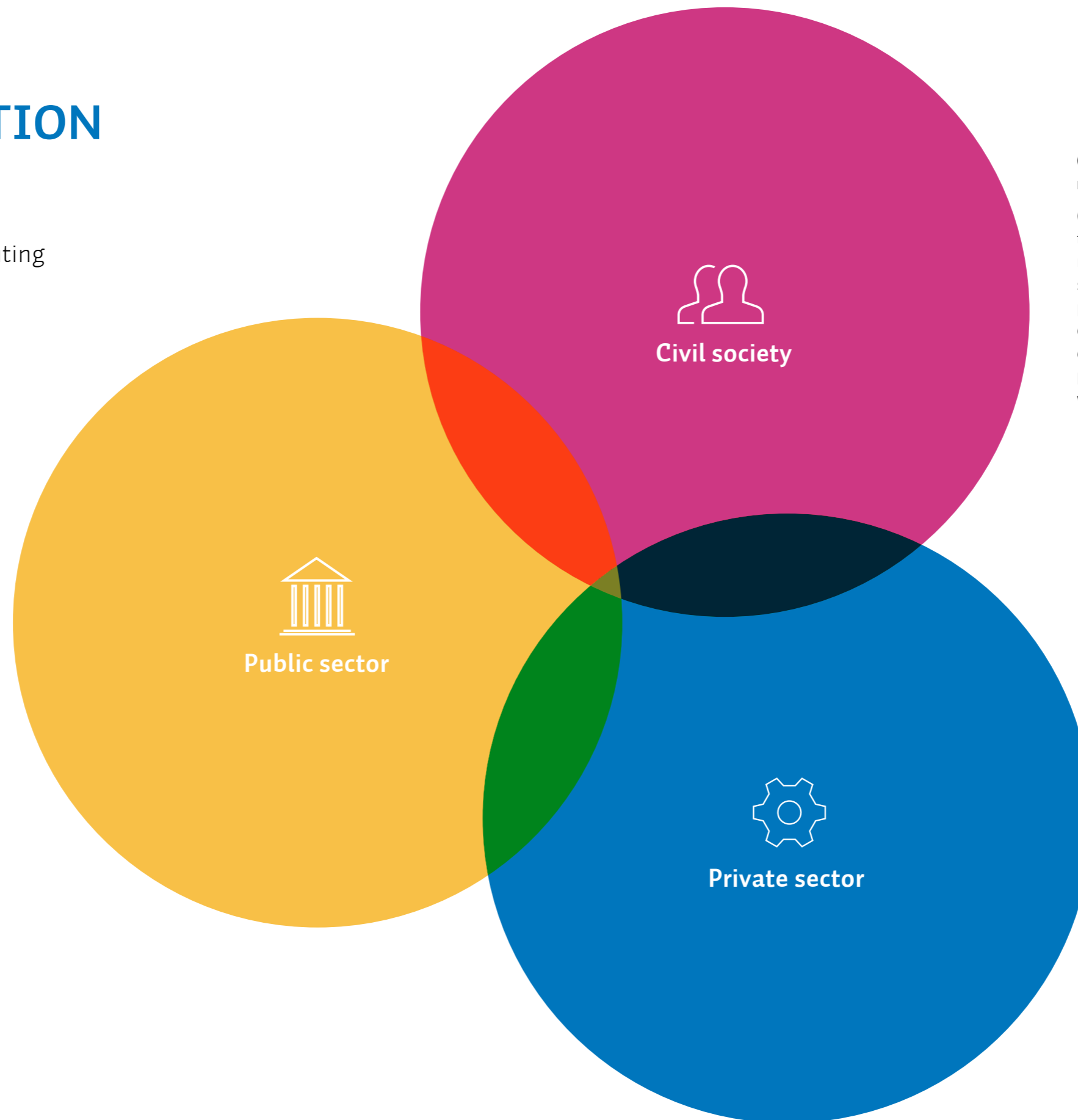
Other groups particularly affected by poverty worse than the average: refugees, the elderly, people with disabilities, nursing relatives, children, adolescents and young adults, people with mental illnesses and families with three or more children.

AGENTS IN POVERTY REDUCTION

In Germany the public sector, civil society as well as the private sector are all contributing to the fight against poverty.

Fighting poverty and social marginalisation is one of the main objectives of the welfare state principle enshrined in the German constitution (GG, art. 20 para. 1).

In addition to a progressive tax system, social security benefits and social assistance, the public education system (e. g. free schools) or the health system (e. g. statutory health insurance) are examples of preventive measures against poverty that take the causes of poverty into account.



Civil society has two important roles to play in poverty alleviation:

On the one hand, it puts pressure on the public and private sectors and makes demands as well as offers solutions. On the other hand, it provides services (e.g. caring for children, young people and the elderly as well as welfare educational programmes) that complement what the state provides.

Businesses have a variety of ways of addressing poverty:

In addition to their economic activities (e.g. job creation and paying wages) and legal obligations (e.g. taxes), they contribute to the alleviation of poverty through philanthropic engagement, corporate citizenship and inclusive business models.

see next page



THE ROLE OF BUSINESSES IN SOCIETY

Businesses can take action to alleviate poverty that go beyond their legal obligations. Inclusive business models and the BOP approach in particular present great opportunities.

Legal obligations and taxation

Complying with the law in all corporate activities, paying taxes on generated income and thereby contributing to the creation of societal value.

Classic philanthropy

Corporate societal involvement that goes beyond the legal obligations, albeit not strategically integrated into business activities. This relates to short-term donations.

Corporate citizenship

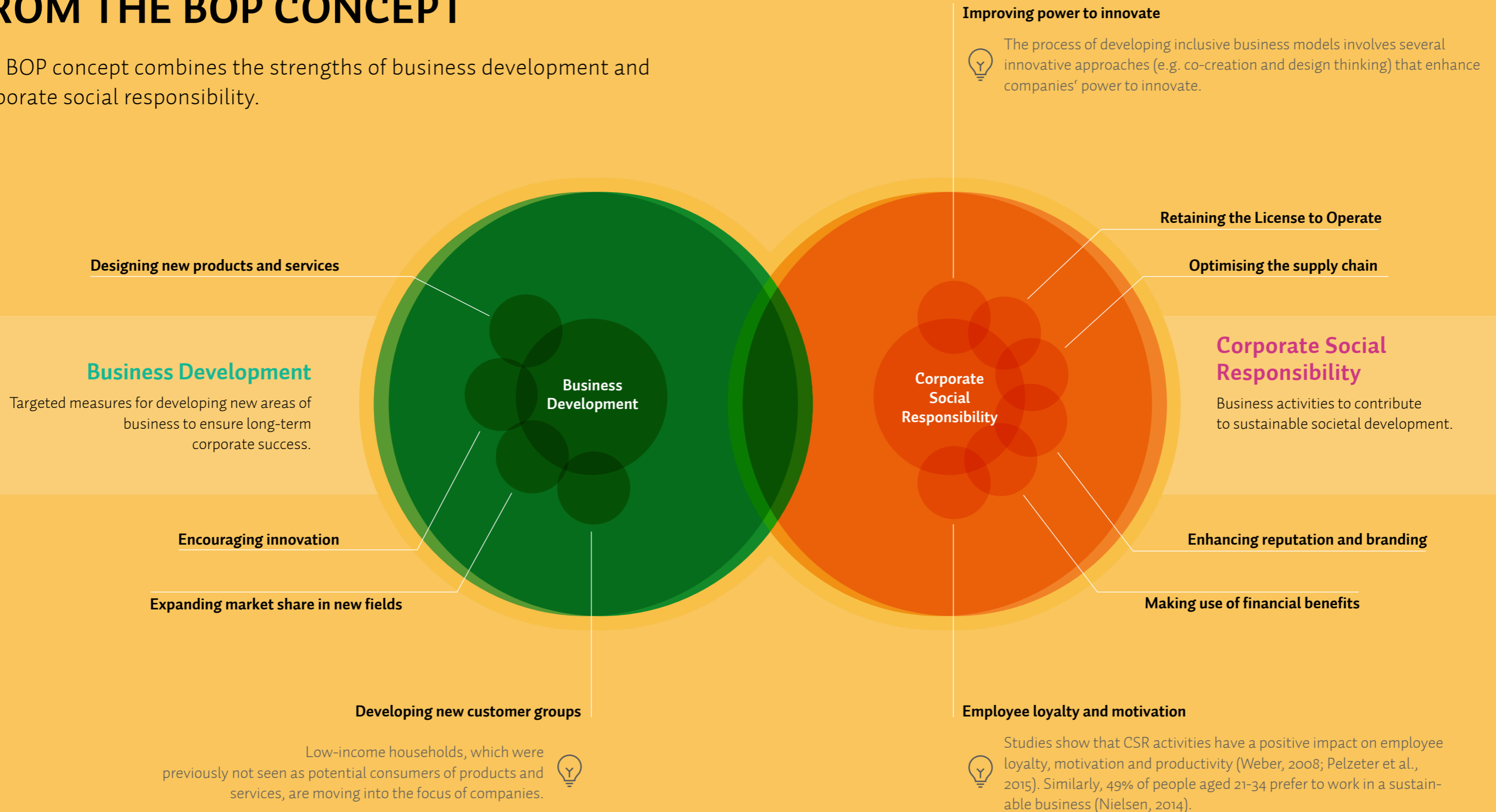
Contributions of a company to the welfare of society resulting from a combination of core business activities, social investments, philanthropy and participation in the social process (WEF, 2002). In contrast to classical philanthropy, these contributions are more firmly integrated into the core business.

Inclusive business models and BOP concepts

Entrepreneurial approaches aimed at meeting societal challenges in addition to economic success. Among other things, this strengthens the potential for innovation as well as developing new customer groups and market segments.

OPPORTUNITIES FOR BUSINESSES FROM THE BOP CONCEPT

The BOP concept combines the strengths of business development and corporate social responsibility.



MARKET BARRIERS

Various market barriers help to explain why businesses have thus far been reluctant to develop inclusive business models for people of low income.

Low returns



Due to the low margins, investments pay off late (e.g. in residential construction).

Shared benefit/ free riders



Measures that allow people of low income to become potential business customers (e.g. education, health care schemes, etc.) can also benefit competing companies.

Lack of willingness to cooperate



In developing solutions, businesses have to rely on previously unfamiliar partners such as non-profit organisations, which increases uncertainty and risk.

Complexity of the problem



Poverty cannot be reduced to a lack of financial resources, but encompasses the societal environment, the level of education and other factors that have implications for product design and marketing.

Lack of awareness



Due to a lack of awareness of the challenges facing those affected, no suitable services are developed (e.g. apartments for rent, insurance).

A lack of awareness of the purchasing behaviour of those affected by poverty results in a lack of financing options (e.g. leasing offers).

Insufficient framework conditions



Innovations are difficult to implement due to the complexity of coordination and regulation.

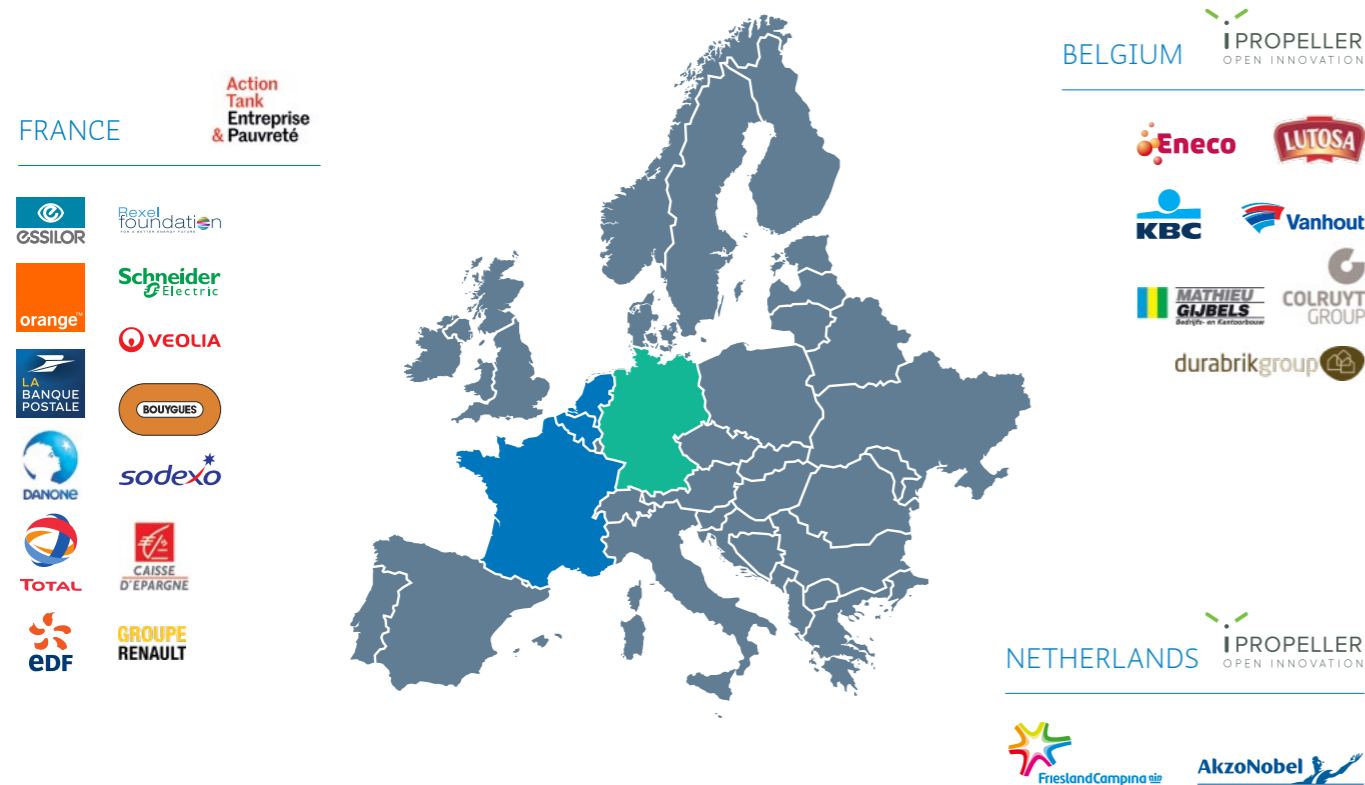
There are still no established framework conditions and advocates for the promotion and development of social innovations in the corporate environment.

→ ● TO THE POINT

Despite the mentioned challenges, a broad number of companies from various countries and sectors have overcome market barriers and implemented inclusive business models. See next page →

BOP APPROACHES IN EUROPE 1/2

In France, Belgium and the Netherlands the BOP concept has been successfully implemented, and is now poised to be realised in Germany as well.

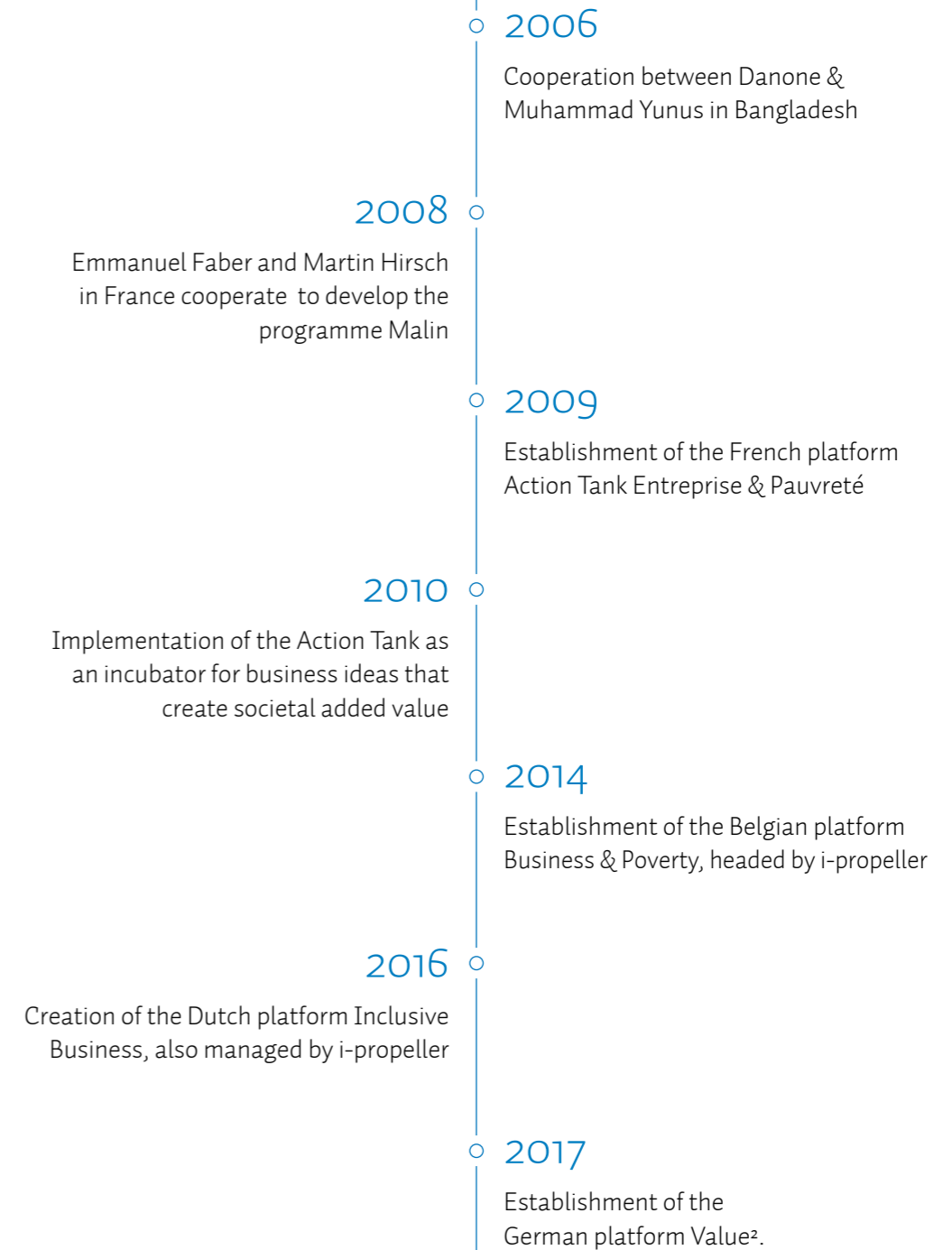


France was the first country in Europe to implement the BOP concept.

Once Danone had developed a business model for low-income families together with Muhammad Yunus in 2006, in Bangladesh, Emanuel Faber, Managing Director of Danone, and French politician Martin Hirsch brought the idea to France in 2008.

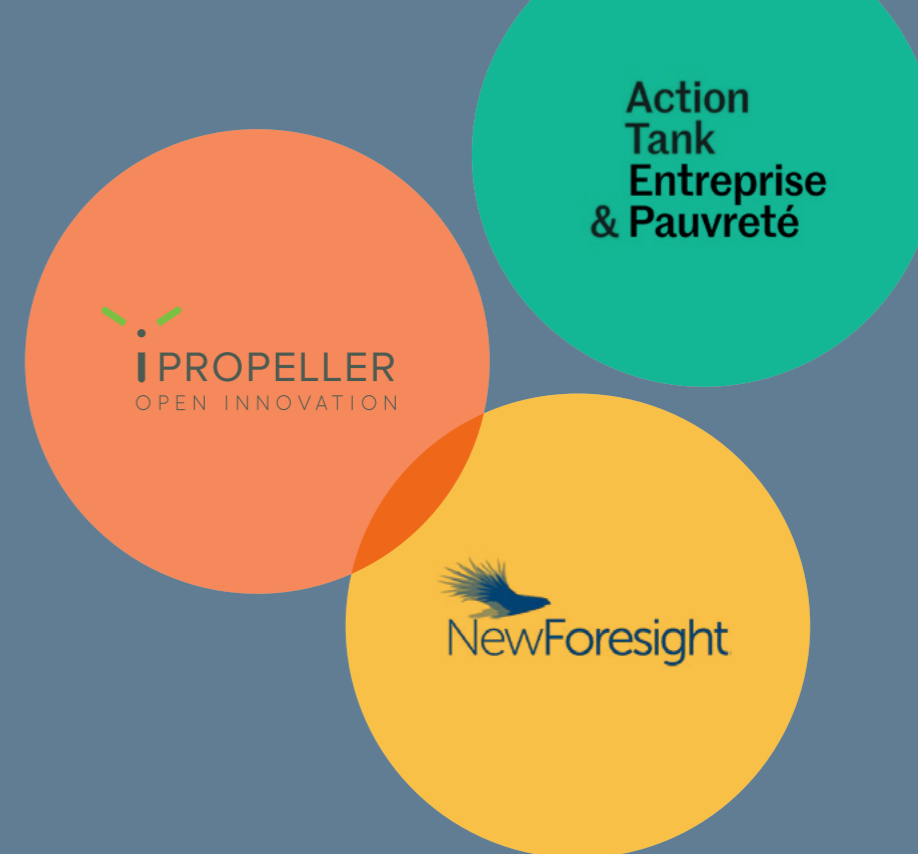
In 2009, the platform Action Tank Entreprise & Pauvreté was established, which is regarded as a pioneer for other platforms in Belgium and the Netherlands. The platform in Germany has been launched in 2017.

Establishment of the BOP platforms in Europe



BOP APPROACHES IN EUROPE 2/2

The BOP platforms in Belgium and in the Netherlands are based on the approach developed by Action Tank in France.



Action Tank „Entreprise & Pauvreté“

Platform Business & Poverty

Platform Inclusive Business

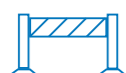
Country	France	Belgium	Netherlands
Initiators	Emmanuel Faber (Danone CEO), Martin Hirsch (French politician), HEC Paris (University), Boston Consulting Group (Strategy Consulting)	i-propeller, a consultancy for social innovation in Belgium	i-propeller; NewForesight, a consultancy for social innovation in the Netherlands
Founding	2009 in Paris	2014 in Brussels	2016 in Brussels & Utrecht
Approach	A consortium of several French businesses to develop innovative business models for poverty reduction. In addition to the range of consulting services, businesses are integrated into a network. This consists of public authorities (e.g. Pôle Emploi), academia (HEC Paris), civil society (e.g. the Red Cross) and other business partners (e.g. BCG, Opinion Way). The Action Tank is financed through membership fees from the respective businesses.	The concept is highly analogous to the French Action Tank. The aim is to support companies in the development of innovative business models for the fight against poverty through consulting services and networking with different actors. In contrast to the Action Tank, the platform is financed through fees paid to specific consulting services.	The concept is analogous to that of the Belgian platform Business & Poverty
Sectors of the businesses involved	Housing (4), Mobility (2), Food (1), Financial services (1), Health care (1), Insurance (1)	Construction (3), Energy (1), Retail (1), Financial services (1), Food (1)	Dyes & chemicals (1), Food (1)
As of 2017	The projects are in various states of implementation and the platform is being expanded further.	The projects are in various states of implementation and the platform is being expanded further. The most successful project is implemented in the retail sector.	The platform is in the process of being established. Projects are currently being developed, with first results to be published in the course of this year.

PRACTICAL EXAMPLE: BLÉDINA AND „PROGRAMME MALIN“



Programme Malin provides low-income families with baby food at discounted prices and gives Blédina, one of the leading producers of baby food, insights into a new customer segment.

Challenges



In France, around 160,000 babies - almost every fifth child - are born into families living below the poverty line. These families are confronted with two challenges: (1) baby food is expensive and (2) socio-economic circumstances of low-income families only play a minor role in product design. However, newborn nutrition within the first 1,000 days is essential for their future health.

Approach



As members of a multi-stakeholder process, the Red Cross, paediatricians and Blédina (market leader in baby food and part of the Danone Group), joined forces in 2015 for Programme Malin. Their goal: supporting pregnant women and mothers in the field of healthy nutrition. Initially, Action Tank is supporting the pilot projects in four regions. In the following years, national scaling and impact assessment is planned.

Partners

- Red Cross: Operational support
- Hospitals, nurseries: Information for families
- Paediatricians: Scientific support
- Action Tank: Support in implementation

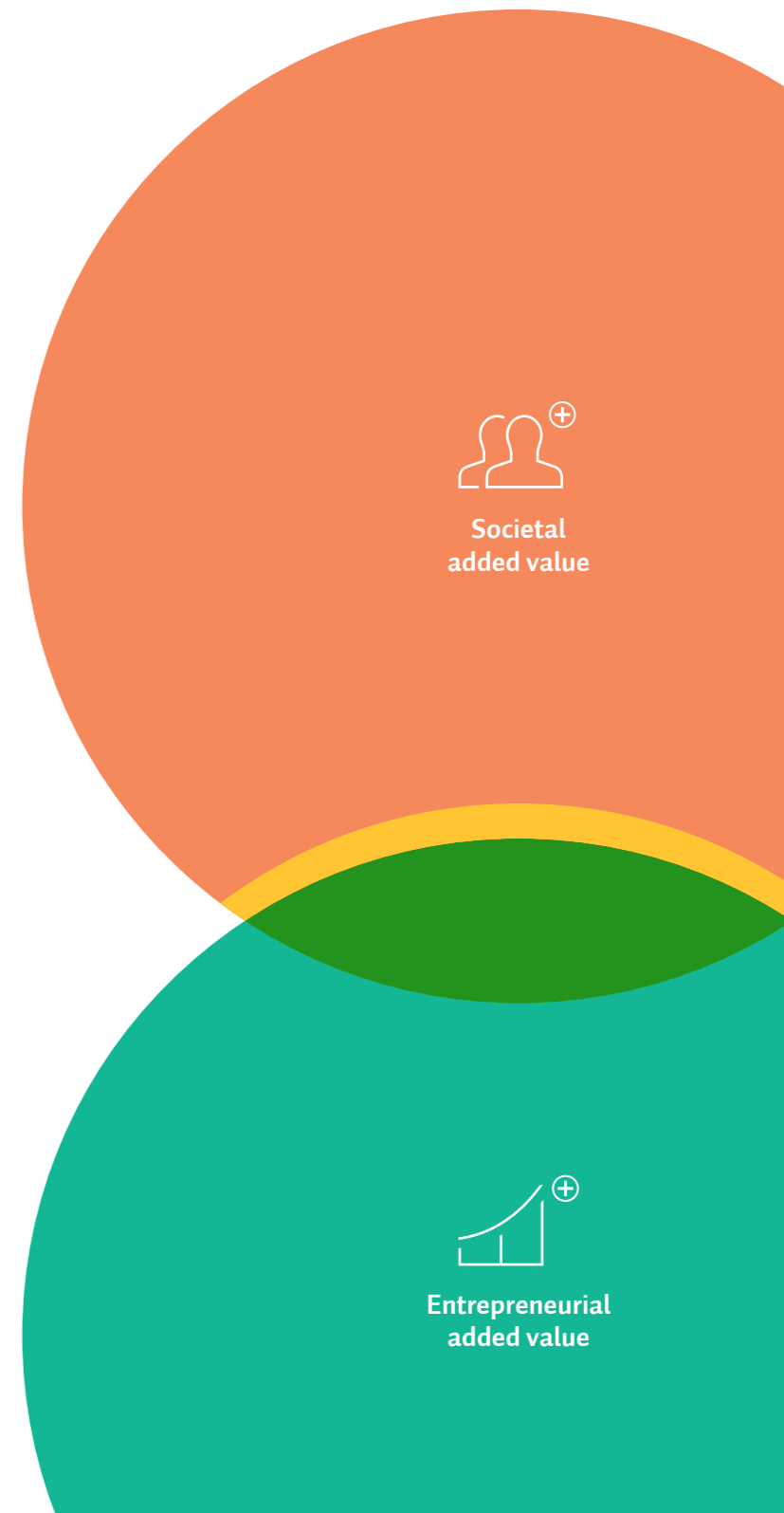
Solution



- More than 4,000 families and 7,000 children participate.
- Discounted access to high-quality food products.
- Free information on infant nutrition.

- Cost-effective business model.
- Development of a new customer segment.
- Stronger employee motivation, image and reputation.

The Programme Malin primarily consists of two components. 1) Action-oriented measures and materials that connect families with experts and inform them on the issue of infant nutrition. 2) A coupon system in which participating families can buy Blédina baby food at a discount. Blédina offers discounts for each product (between 25% and 40%) that correspond to the per product margin. In urban test regions, the programme has already reached 45% of low-income families. By 2020, this rate is expected to rise up to 50%.

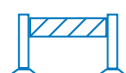


PRACTICAL EXAMPLE: RENAULT AND „MOBILIZ“



Mobiliz offers inexpensive cars and repair services to low-income households, allowing them to be more mobile and have better access to employment opportunities. Renault on the other hand benefits from innovative business model development.

Challenge



More than 8.7 million people in France live below the poverty line. Since housing in large cities is too expensive, many of these people live in rural areas, but are dependent on jobs in big cities, which can only be reached by car. Acquiring and maintaining an automobile is often a financial hurdle. This results in social exclusion – as insufficient mobility is one of the three key causes of unemployment.

Approach



During a pilot phase, the project was successfully tested in three regions and expanded to cover all of France from the end of 2013. The starting phase included the following steps: development of basic knowledge about 'social business'; conducting interviews on the issue of mobility; evaluation of different profit and loss scenarios.

Partners

Non-profit organisations:
Identify affected people who could use the service
La Poste: Provides rental cars
Action Tank: Supports implementation

Solution



Renault now offers discounted repair services for cars in more than 340 garages. The repair services are offered at a cost-covering price which, depending on the type of repair and the type of car, is 30% to 60% cheaper than the standard price. In addition, used and rental cars can be purchased or driven more inexpensively. Renault's goal is to reach 2,000 to 3,000 customers in 2017 and more than triple this number to about 10,000 in the next two to three years.

Increased mobility access for more than 1,000 people

Job seekers were supported in finding new employment



Societal added value

Cost-effective business model.

Development of a new customer segment.

Stronger employee motivation, image and reputation.



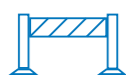
Entrepreneurial added value

PRACTICAL EXAMPLE: COLRUYT AND „A TABLE POUR 1-2-3 EUROS“



In Belgium, the project A Table pour 1-2-3 Euros helps low-income families to eat healthy food and gives the retailer Colruyt access to social innovations and an enhanced image.

Challenge



Studies have shown that children of low-income families have a four times greater risk of health problems because of insufficient nutrition¹. Limited household budgets and associated fears of being unable to afford a healthy diet can result in less balanced food shopping and, therefore, unbalanced nutrition. In the long term, this can have detrimental effects, especially on health.

Approach



In cooperation with i-propeller and non-profit organisations, the project A Table pour 1-2-3 Euros was designed to promote affordable healthy food intake for low-income families. In 2016, the project was successfully piloted with approx. 100 participants living in one city, and has since been expanded to over 80 cities with approx. 1,100 participants. Starting from 3,000 participating families, the programme can cover all costs.

Partners

- Non-profit organisations: Identify participants and offer cooking classes
- University: Support with market analyses
- i-propeller: Support with implementation

Solution



Every two weeks, Colruyt provides low-income families with six healthy and child-friendly recipes, including shopping lists. The families were previously invited to participate in the project by non-profit partner organisations. The ingredients for the recipes can be bought at Colruyt at a total cost of max. 1, 2 or 3 euros per serving. Project participants benefit from a temporary price guarantee, which - if necessary - is taken into account when paying for food products via their regular customer card. The use of the customer card aims to avoid stigmatising project participants. The purchases in connection with the recipes make it easier for families to access healthy and balanced food.

1,100 families have access to healthy food

Skill enhancements: food preparation and household budgeting

Stronger family ties from joint food preparation

Potentially cost-covering and profitable project

Development of a new customer segment

Access to social innovation

Enhanced image and reputation from media coverage



Societal added value



Entrepreneurial added value

GERMAN MARKET POTENTIAL BY SECTOR

The potential of BOP concepts in Germany for different areas of life is very strong – the market for meeting the basic needs of those affected by poverty is worth from 80 to 110 billion euros.

Basic needs

- The German government and international organisations define several basic needs that must be met to ensure an adequate quality of life.
- In total, low-income people in Germany spend about 80 to 110 billion euros per year on meeting these basic needs
- Spending on housing and energy, food and further consumer goods is particularly high.
- Even the proportionally lowest expenditure on basic health care needs exceeds two billion EUR.
- Each of these areas of life offers great potential for products and services.

Market volume: approx. **80 to 110 billion EUR¹**



Housing and Energy



About half of the expenditure of those affected by poverty in Germany is used for housing and energy – nevertheless, they are threatened by a shortage of housing and energy poverty, potentially having their power cut off.

Challenges

Decline in social housing – from 4 million units in 1987 to 1.5 million in 2015.

Rising electricity costs – increased by about 21% from 2010 to 2015

Switching to cheaper energy provider – usually requires creditworthiness.

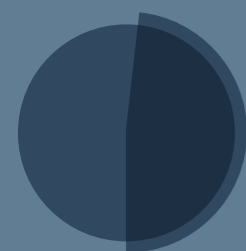
Consequences

Housing shortage – only about 12% of flats in the 100 most populous cities are affordable for poor families.

Financial strain – 51.9% of those affected by poverty spend more than 40% of their household income on housing costs.

Energy poverty – proportion of energy poor¹ households went up from 13.8% in 2008 to 17% in 2011.

Energy provider too expensive – people affected by poverty pay more for electricity than the average household



40 - **49**
billion euros
Market volume

Ideas so far and possible solutions

Innovative products and services

Inexpensive housing by building small but well-equipped houses, e.g. *tiny houses*.

Preventive measures and educational Programmes

Trained energy saving assistants help those affected by poverty with tips on how to save electricity, e.g. *Stromsparcheck*.

New pricing and financing solutions:

Micro loans for young people for furnishing their first flat away from home, e.g. *First place fund for youth*.

Cooperation across industries

Housing estates that take both social and ecological issues into consideration, e.g. *Kronsberg (Hannover)*.

FOOD



Those threatened by poverty spend about 16 to 20 billion euros per year on food – malnutrition does exist in Germany, which has a negative impact on public health.

Challenges

In Germany, malnutrition¹ is widespread among persons of low income. Results of the National Food Consumption Study show that those affected by poverty consume less fibre and vitamins and more fats and sugars.

Causes:

- High cost – impedes a balanced diet.
- Insufficient dietary knowledge – better dietary knowledge eliminates the link between poverty and malnutrition.

Consequences

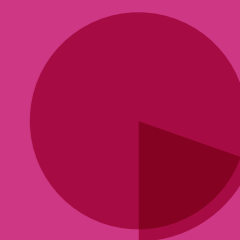
Health consequences:

- Those affected by poverty are more likely to suffer from type 2 diabetes and obesity.
- Compared to the highest income bracket, children from low-income groups are three times more likely to be obese.

Societal consequences:

- Sharing a meal at a restaurant is often impossible.
- Many of those affected by poverty feel ashamed of having to go to a food bank.

16 - **20**
billion euros
Market volume



Ideas so far and possible solutions

Innovative products and services

An app that allows picking up left-over meals at restaurants/café's at a reduced price, e.g. *Too good to go*.

Preventive measures and educational programmes:

Providing recipes and offering cooking classes through partner organisations, e.g. *Colruyt*.

New pricing and financing solutions

Price guarantees to low-income families for certain food products, e.g. *Colruyt*.



Education

Those threatened by poverty spend about five to nine billion euros per year on education – the level of education continues to strongly depend disproportionately on parents and the social background.

Challenges

Compared to the rest of Europe, educational mobility¹ in Germany is below average.

Among the causes are:

- Lack of financial resources – i.e. for nursery fees, school materials and tutoring.
- Structural disadvantages – with equal performance, children from socially disadvantaged homes are up to four times less likely to get an upper secondary school recommendation.

Consequences

Reduced access to education – low-income families are less likely to attend nurseries or informal educational courses.

Learning development – lower secondary school classification has a clearly negative effect on the learning development of children with a high level of cognitive basic skills.



5 – 9
billion euros
Market volume

Ideas so far and possible solutions

Innovative products and services

Online interactive maths tutorials with individual feed-back, e.g. *Bettermarks*.

Preventive measures and educational programmes

Diagnostics tool for early identification of students who refuse to attend school, e.g. *Apeiros*.

New pricing and financing solutions

Leasing scheme for notebooks and laptops in schools with students from low-income households, e.g. *Mobiles Lernen*.



Mobility & Transport

Those threatened by poverty spend about four to eight billion euros per year on mobility – the social and professional participation of those affected by poverty continues to be impeded by the high cost of local and long-distance transport.

Challenges

Cost – public transport is expensive: the monthly transport allowance of 32,90 euros for Hartz-IV recipients is often not enough.

Access – those affected by poverty can rarely afford to live close to the city and therefore have to spend more money on long-distance transport.

Long-distance transport – additional expenses for this are generally not covered by state benefits; discounted services are rare.

Consequences

Limited social participation – participation in social events, leisure and educational activities becomes difficult or impossible.

Career disadvantages – travel expenses stand in the way of job interviews and long commutes make it difficult to choose and pursue a career.

4 – 8
billion euros
Market volume



Ideas so far and possible solutions

Innovative products and services

Low-cost sharing economy solutions, e.g. *Blabla Car*.

Preventive measures and educational programmes

Vehicles that are not in use are made available as low-cost rental cars, e.g. *Renault & La Poste*.

New pricing and financing

Low-cost repair services for low-income households, e.g. *Renault*.



Health

Those threatened by poverty spend about two to three billion euros on health care – lacking financial and social resources result in health problems for people in poverty.

Challenges

Not enough focus on prevention – less focus on health care in view of the urgent challenges of every-day life.

Lack of health knowledge.

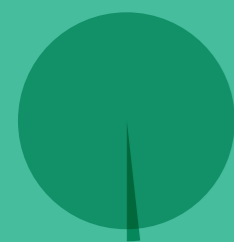
Insufficient access to additional services requiring payment – e.g. dental prosthetics, glasses or hearing aids.

Consequences

Physical illness – people affected by poverty are more likely to suffer from diseases such as cancer, diabetes and chronic lung conditions.

Mental illness – low status groups significantly more frequently suffer from conditions such as depression or substance disorders.

Reduced life expectancy – people living below the poverty line have a lower life expectancy, on average seven to 10 years, compared to people with above-average incomes.



2 - 3
billion euros
Market volume

Ideas so far and possible solutions

Innovative products and services

App based on AI that offers inexpensive online medical consultations, e.g. *Ada Health*.

Preventive measures and educational programmes:

Nurses who address the health care issues of the homeless, e.g. *Street Nurses*.

Cooperation across industries: Joint provision of inexpensive reading glasses for people over 45 affected by poverty, e.g. *Essilor & health insurance companies*.



Other consumer goods

Those threatened by poverty spend about 13 to 21 billion euros on other consumer goods – nevertheless, almost one third of the unemployed and more than 10% of single parents face considerable material austerity.

Challenges

Restricted standard of living – 4.4% of Germans can only afford a maximum of five out of the nine products and services which, according to the EU, are essential for an average standard of living.

Material austerity – almost one third of the unemployed and more than 10% of single parents face considerable material austerity.

Consequences

Inflexible consumption – unexpected expenditures, such as a defective washing machine, can result in great stress for people of low income. Cost savings must be made elsewhere to cover such expenses.

Social marginalisation and isolation – non-ownership, e.g. of a phone or a washing machine, can result in isolation.

13 - 21
billion euros
Market volume



Ideas so far and possible solutions

Innovative products and services: Affordable and varied range of toys through shared-economy approaches, e.g. *Meine Spielzeugkiste*.

New pricing and financing solutions: Leasing scheme for TVs and other household goods, e.g. *easyLeasing*.

AT A GLANCE

The study shows how companies can counteract social marginalisation in Germany through the Base of the Pyramid concept and thereby create both societal and entrepreneurial added value.



This publication shows that, despite a positive economic development in Germany, social marginalisation remains a major challenge.

More than 16 million people in Germany (20% of the population) are threatened by poverty or socially marginalised.

The unemployed, single parents as well as the inadequately educated are particularly affected.



Businesses can use their resources to address social marginalisation using the BOP concept.

Public sector and civil society activities and programmes make specific contributions to poverty reduction.

These are complemented by a growing number of companies that use targeted approaches to make both a social contribution towards poverty reduction while at the same time creating entrepreneurial added value.

In France, Belgium and the Netherlands, companies such as Danone, Renault and Colruyt have adopted the BOP concept.

In addition to the intended target group, BOP approaches also benefit businesses at many levels, for example:



- Enhanced employee loyalty.
- Greater capacity for innovation.
- Development of new markets and customer groups.
- More favourable reputation and image enhancement among different stakeholders.

BOP concepts have significant potential in many areas of life in Germany.



The total market volume for satisfying the basic needs of people affected by poverty is **80 to 110 billion euros**.

→ ● IN A NUTSHELL

Companies in Germany are not yet making strategic use of this potential; the development of business models targeted at low-income groups requires innovative approaches.



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Beyond Philanthropy supports its clients in effectively shaping social change by providing tailor-made consulting services in the areas of research & analysis, strategy design & development and implementation.

With a multidisciplinary team and network of experts, BP has already successfully worked with more than 60 clients on projects in over 30 countries.

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Social Impact is the agency for social innovations. For more than 20 years now, Social Impact has been developing products and services that contribute to ensuring sustainability and social equality. One focus today is on the development of infrastructures to promote social innovation.

Our services: Programmes for Social Start-ups and Social Impact Labs in Germany, Austria & Switzerland, specific start-up consulting for individual target groups and regional development.

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