

SPOTLIGHT

on Inclusive Business

Understanding impacts at the Base of the Pyramid: Going beyond 'numbers reached'

There is little doubt that when it comes to measuring impacts at the Base of the Pyramid (BoP), the headline numbers matter: how many people are reached? Arguably the "more the merrier" applies as, ultimately, reaching scale is a core objective of most inclusive businesses and certainly of the development organisations that support them.

For the Business Innovation Facility (BIF), "BoP reach" across different beneficiary groups is one of our universal indicators, tracked across all projects. It is easy to track, compare and aggregate – at least in theory. "BoP reach" is the number of people at the BoP directly engaging with a business, as consumers, producers, entrepreneurs or employees.

However, it was clear from the start that simply maximising the number of BoP people reached is not the only indication of development success. Success is partly about *who* you reach: women and more 'hard to reach' excluded groups may count as a greater development success than the mid-pyramid urban workers. And it matters *how* they

benefit: with access to life-saving opportunities or fast-moving consumer goods. Hence, in order to get a holistic picture about BoP impacts, we also need to understand *who* exactly benefits from an inclusive business venture and *how* their lives are impacted.

At the start of the BIF pilot, our measurement also focused on income: additional income for BoP producers supplying inclusive businesses, and income saved for BoP consumers. It has developed into something that is:

- more comprehensive – by looking beyond numbers and income
- more simplistic – by moving away from tracking specific income figures due to lack of available data.

Business Innovation Facility focus:

- 1. Who benefits?** Consumers of products/services or producers and entrepreneurs who earn income? Are they low-income? Are women included?
- 2. How do they benefit?** What is the significance of a product or service? Which dimensions of BoP impact are most relevant?
- 3. How many people at the BoP benefit** now and potentially in the future?



Mrs Bose Anifowoshe, shop manager for Oando LPG gas stove, Nigeria

Inclusive Business Spotlights shed light on specific topics concerned with the development of inclusive business. They are generated from the project and advisory work of the Business Innovation Facility and Innovations Against Poverty.

Who benefits?

Most companies define their BoP beneficiaries in terms of who they are, what they do, where they live, or most importantly, what they lack. They lack access to markets, they lack bank accounts, they lack advice on fertiliser, they have no electricity connection. Very rarely is there income data to confirm whether or not they actually fall under a national or international poverty line. Our perception is that the smallholder farmers involved in BIF businesses have household incomes that would put them squarely under such poverty lines. For example, farmers supplying cassava to Universal Industries fall into poor or extremely poor categories, as they have not been growing cash crops before.

Consumers' poverty levels seem more varied, particularly where they are urban. Residents of Lagos purchasing Oando stoves, or residents of slums accessing Saraplast toilets may well have access to a TV and may have incomes that match poverty lines, but live with challenges that rule them firmly out of any middle class. We consider businesses such as LaFarge, Oando, and Dala foods to be reaching families (with cement, stoves and a nutritious drink respectively) that are below the middle class but at the upper end of the working poor.

In some cases, such as iSchool, the BoP are a sub-section of consumers, alongside mid-pyramid clients. Businesses selling products and services to farmers are more clearly targeted at a rural and general poor smallholder segment (for example, Cropserve selling agricultural inputs to smallholders or mKrishi offering mobile information services for farmers).

We ask every business what percentage of their beneficiaries are women. A few are truly targeted at women, and these are some of our businesses with largest reach to date: JITA which employs rural women and Oando which sells LPG stoves.

Across the portfolio, with the exception of JITA who specifically target destitute women, there are no beneficiaries that we would consider as particularly vulnerable (e.g. specific groups within a population

such as marginalised, excluded or destitute people) when compared to others living in the local population.

One of the key findings is that most BoP people reached by these inclusive businesses are those who certainly lack access to essential goods, services, and are excluded from key markets but, in some cases, they may fall into the 'next billion' up from the internationally defined poor, or the next billion down from the middle class.

How do they benefit?

When the BoP gain as consumers, we look at the significance of the product. Is it life-saving healthcare or clean water? Is it transformative (for example, the first source of electricity in the village (MEGA))? Is it a social

good, such as nutritious food? Is it a higher quality version of what they had – cleaner fuel, better education? We tried, but struggled, to categorise the goods and services as high, medium and low in their significance to the consumer. Products such as HUL's water filter (Pureit), iSchool's educational resource, Oando's clean stove, mKRISHI's personalised advice for crop management do not transform life immediately, but clean water, good education, reduced indoor pollution and higher crop yields can have major ramifications over time. The boundary between medium and high blurs, and very little can be scored low.

Another framework has proved useful for thinking through different dimensions of consumer benefit:

Consumer focused projects offering products and services to the BoP can benefit livelihoods by improving people's:

Access to goods and services

Being the first private operated micro-hydro power supply operation in Malawi, MEGA, brings locally-generated electricity to Malawian communities that have never had electric power.

Quality of goods and services

Oando's gas cooking stove "O-Gas" enables low-income households to upgrade from wood or kerosene to liquid petroleum gas (LPG) for cooking, which is not only quicker and cleaner but significantly reduces air pollution in the kitchen, tackling a major killer in Africa.

Affordability of goods and services

With its Affordable Housing Initiative, Lafarge aims to address the large deficit in affordable housing for medium to low-income Zambian families. The venture aims to support prospective buyers through a microfinance and loan scheme.



Pupils using iSchool's laptops and curriculum are achieving above average results in literacy, numeracy and critical thinking compared to control groups

While there is strong overlap between all three (it would be meaningless to offer access to a new product if it were not also of sufficient quality and affordable), the framework still provides an illustration of where the emphasis lies. Looking across the portfolio, offering better quality products or services features strongest across the portfolio, affordability is the least prominent area of intervention.

Where the BoP gain as producers, they normally gain access to a new or expanded market and an opportunity to earn additional income. While the amount of extra income earned is a key result, it is not the only one. For producers we also look at whether they have gained security (less risk), or have gained more choice and chance to diversify.

Looking across all the producer-focused projects we find:

- Nearly all have a strong income generating focus. It is the aspect that features strongest across the three categories we looked at (Security, Income, Choice)
- Expansion of people's choices of income generating strategies is inherent in many because it is a new and additional income stream that is being promoted (e.g. Sylva Foods offering market access for indigenous fruits and vegetables that previously were not sold)
- "Security" features moderately across the portfolio but is most important in (contract) farming models.

How many people benefit?

This is a much harder question than it may seem. Companies usually know the volumes of what they purchase (e.g. mT of cassava) or of what they sell (e.g. number of solar lamps sold) or number of transactions (e.g. toilet visits per day). But that does not always equate to numbers of individuals reached. Even if the calculation can be made from units to people, is it per year or cumulative, is one customer a beneficiary, or every member of his/her family? One of the major findings of our monitoring and evaluation system is just how much effort and technical detail needs to be applied to truly track numbers of BoP reached in any way that is robust or comparable.

Another lesson we are seeing from the portfolio review, is that the numbers reached so far are dwarfed by estimates of future scale. Broadly speaking, the portfolio of businesses expect total reach to increase from around 100,000 to over 5 million at the BoP. How we measure BoP has a big influence on the total reach of the BIF portfolio. Whether they go to scale will have an even bigger influence.

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This Spotlight was created by Carolin Schramm and Caroline Ashley, Business Innovation Facility.

Producer-focused projects integrating producers, suppliers and/or distributors into a value chain improve livelihoods by increasing their:

Income level In Bangladesh, rural women can earn around \$30 per month by working as aparajita's, or rural sales women for JITA compared to previous income of \$12.50 when being recruited.

Security of income Contract farming models like ACI or Shiblee Farms decrease risk and income vulnerability for farmers by offering them guaranteed sales at of agreed volumes and prices. However, models with loans for inputs can also increase risk.

Choice of livelihood option Malawi Mangoes is the first fruit pulp processing company in Malawi. By sourcing mangoes from smallholder farmers it offers a new cash crop opportunity for low income producers, which is in addition to their current livelihood.

Additional Resources:

The detailed 2012 BIF Portfolio Review:
<http://bit.ly/portfolio-review-full-yr2>

A Spotlight which looks at the ways in which farmers and companies can benefit from inclusive agri business: <http://businessinnovationfacility.org/forum/topics/spotlight-agribusiness-impacts>

A Spotlight which explains how BIF tracks results and our approach to the monitoring and evaluation of inclusive business projects:
<http://bit.ly/BIFresultstracking>



➔ **For further information and to view other Spotlights, go to:**
Practitioner Hub on Inclusive Business: www.businessinnovationfacility.org

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