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## Value<sup>2</sup> - Social Innovation for Business and Society

### Executive Summary

Beyond Philanthropy and Social Impact, supported by the BMW Foundation Herbert Quandt, conducted the study “Value<sup>2</sup> - Social Innovation for Business and Society” analyzing the potential of the so called Base of the Pyramid (BOP) concept in Germany. Developed in 2002 by C.K. Prahalad, the BOP concept is based on the idea that businesses integrate low income households as customers, suppliers or intermediaries in their value chain.

The concept was originally conceived for emerging markets and developing countries. However, over the last couple of years, several European countries, such as France, Belgium and the Netherlands, have begun to use the BOP as well.

Given the fact that there are also more than 16 million people threatened by poverty and social exclusion in Germany, exploring how the BOP concept can create societal and corporate value in Europe’s largest economy is at the center of Value<sup>2</sup>.

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Despite the steady positive economic development in Germany, numerous societal challenges persist.



Over 16 million people in Germany (20% of the population) are in danger of poverty or social exclusion.

Research shows that, among others, single parent households, unemployed and people with little to no formal education are affected the most by poverty and social exclusion.

For the purpose of this study, poverty and social exclusion are considered proxies for the numerous and diverse societal challenges in areas such as health, education, mobility or housing.

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Corporates leverage their wide range of resources to develop their individual BOP concept that addresses poverty and social exclusion.



Within the BOP concept, corporates design user centric products and services, which aim to improve the quality of life for low-income households. Based on these innovative products and services, new and better opportunities become available and affordable.

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Apart from creating societal value, corporates also benefit from a range of corporate returns to its business.



- Higher degree of employee engagement
- Greater capability to innovate
- Accessing new or lost client segments
- Improving the reputation and credibility

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In other European countries some companies have already put BOP-business models into practice.



In France, Belgium and the Netherlands companies like Danone, Renault and Colruyt have successfully implemented BOP-concepts in the areas of housing, mobility and nutrition.

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Across different sectors, the potential for BOP-concepts in Germany is large



For Germany, this study reveals, that low income households spend approximately 80-110 billion EUR per year to cover their basic needs. The potential for the sectors housing and energy (40-49 bn. EUR), nutrition (16-20 bn. EUR), as well consumer goods (13-21 bn. EUR) are especially high. In comparison, even the potential for the smallest sector, health, exceeds 2 bn. EUR.

Based on this analysis, all sectors hold vast potential for corporates to develop innovative products and services with societal and corporate value.

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