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Social Business Enterprises – Maximising Social Benefits or Maximising Profits? The Case of Grameen-Danone Foods Limited

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Social Business Enterprises – Maximising Social Benefits or Maximising Profits? The Case of Grameen-Danone Foods Limited

Abstract

Where the concepts of *free markets* and *capitalism* have been lauded to bring freedom and choice, they have been held responsible for bringing much worldwide social and economic disparity. Critics have blamed them for widespread crime, corruption and poverty. Wary of such consequences, entrepreneurs have come with an innovative solution: running businesses on a no-loss basis, combined with a social and moral cause. This paper looks at the core concepts that lie at the heart of capitalism and free markets, and redefines the enterprise as an entity that not only operates to maximise profits, but also works towards a righteous cause. The paper discusses the basic features of a social business enterprise (SBE) and provides an illustration of the theoretical framework; the second part of the paper presents the case of Grameen-Danone Foods Limited (GDFL), a social business enterprise. It carries a detailed analysis of its rationale, incorporation, product, operations, and the challenges it currently faces. The paper concludes with a note on the benefits which such a social enterprise brings, and surmises future prospects.

Keywords: Poverty, Free markets, Social enterprise, Food processing, Corporate philanthropy, Rural marketing, Bangladesh

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'If the misery of the poor be caused not by the laws of nature, but by our institutions, great is our sin'
Charles Darwin

1. The free market economy, capitalism and entrepreneurship

The concepts of the *free market* and *capitalism* have come a long way from Adam Smith's 18th century days. The way businesses are conducted today has revolutionised the world of free enterprise and trade. As opposed to other market systems, the free market economy is guided by a free price system – through the mechanism of demand and supply. 'There is no freedom without free enterprise,' states Bartlett (1998), since it gives freedom to producers concerning what to produce, how much to produce, what to charge customers and how much to pay employees, etc. Consumers, on the other hand, are free to choose and it is their behaviour that ultimately influences producers' decisions concerning production and distribution. Capitalism has always grown from strength to strength and the ultimate decline of communism 'opened the door for unrepentant free marketers to boldly espouse market competition as the final solution for global harmony' (Phillips, 2001).

Capitalism centres on the concept of free markets. It flourishes in such markets, where there are no interventions and external restrictions as imposed by other economic systems. Consequently, the freedom to make decisions gives birth to the 'free enterprise', which is led by entrepreneurs: players in the free market, who take vital everyday decisions regarding key issues pertaining to their enterprise. 'Free enterprise is the economic basis for all entrepreneurial activity', states Kuratko (2000). He asserts that the opportunities for entrepreneurs are unlimited, because any individual is free to transform an idea into a business, since 'the constantly changing economic environment provides a continuous flow of potential opportunities if an individual can recognize a profitable idea amid the chaos and cynicism that also permeates such an environment. Thousands of alternatives exist, since every individual creates and develops ideas with a unique frame of reference.'

Although the concepts of free markets and capitalism come with myriad benefits and opportunities for unrestrained growth and unbridled development, they also bring certain detrimental consequences. The most obvious one is what Yunus (2006) refers as the creation of a 'one-dimensional human being', leading to 'conceptual restrictions' imposed on the players in the market. 'This originates from the assumption that entrepreneurs are one-dimensional human beings,' Yunus says, 'who are dedicated to only one mission in their business lives – to maximise profit and ultimately, this interpretation of capitalism insulates entrepreneurs from all political, emotional, social, spiritual and environmental dimensions of their lives.'

Consequently, this narrow interpretation of capitalism leads to the view that all business activities are conducted purely with the exclusive objective of maximising profits (Yunus 2006a).

The World Bank (Deepa *et al.*, 1999) consulted inhabitants in developing nations on a global scale and compiled a comprehensive report, which concluded that a majority of the world's problems stem from poverty and destitution. It attributed desperation, crime, corruption, violence, powerlessness, weakness and insecurity to one root cause: *poverty*. This is because poverty itself leads to a widening social and economic gap between rich and poor people. Such disparities lead to inequalities, which augment and aggravate the situation even further; thereby leading to a cycle that feeds upon itself and exacerbates the situation to inconceivable magnitudes. Clearly things are wrong...either with the economic systems that the world has been following, the way markets function, the way entrepreneurs think, act or perform, or the way nations are governed. Somewhere down the line, the systems have failed the people.

This paper aims to present readers with an understanding of the concepts of free markets and capitalism, and to further expound the rationale and objectives that underlie the formation of a social business enterprise. It elucidates the nature and function of such entities, and employs the case of Grameen-Danone Foods Limited (GDFL) to comprehend how such organisations function in the real world.

The remainder of the paper is organised as follows: after this brief prologue on the concepts of free markets, capitalism and entrepreneurship, the paper progresses to look at how social entrepreneurs view capitalism as being limited in scale and too narrow in scope. It further examines how the character of capitalism can be transformed radically by re-defining the entrepreneur in a broader sense. This section leads to a discussion on the basic features of a social business enterprise, which is followed by a discourse on the formation and operational structure of GDFL. An in-depth account of the factory is presented, looking at its product, the rationale behind selecting and manufacturing the specific product, its marketing model, consumer behaviour, and the current challenges faced in sales and marketing. Prior to drawing general conclusions in the last section, the paper looks at the plant's revenue generation, profitability and future prospects for its expansion and growth over the medium to long term.

2. Re-defining the entrepreneur and challenging profit maximisation

According to Yunus (2006a), things are not going wrong because of 'market failure', but due to much deeper issues. The foremost of these is the 'conceptualisation failure' regarding the world's ills: the failure to capture the true essence of the human being. Entrepreneurs thus become one-dimensional entities, whose working goal is focused entirely on earning profit and maximising it, and who, in the words of Oscar Wilde (1940) 'know the price of everything and the value of nothing'.

Addressing the 2003 Commonwealth Lecture, Yunus argued that, 'economic theory took the second and most damaging wrong turn when it came to explaining the driving force behind the competition amongst entrepreneurs. It recognizes *profit motive* as the *sole* motive, and maximising profits thus became the battle cry. This explanation occupies such a central position in economic theory, and everything else has been built in such intricate details around it, that no one dares to raise any questions about it.'

Consequently, everyone followed the lead, and they all yearned for more and more profit, blinded by the quest to maximise profit, even if it was at the expense of social, human and environmental values. Prasso (2007) elucidates this thought further: 'to put it simply, Yunus believes *not* that Adam Smith's concept of profit-motivated, free-market capitalism is flawed, but that it is too limited. The conventional thinking that capitalism breeds wealth creators and competitors who spread that wealth by creating jobs and opportunities for the good of societies has not worked out very well for the majority of the world.' Yunus and Weber (2007) illustrate the imbalances in the global distribution of income by quoting figures: 94 percent of world income goes to 40 percent of the people, while the other 60 percent must live on only six percent of the world income. Half of the world lives on US\$2/day or less, while almost a billion people live on less than US\$1/day.

The motivation for profit-making became worse when, as Yunus (2003) expresses 'accepting this as the ultimate truth about capitalism, people who were not interested in making money stayed away from business. For the same reason, people who enjoyed making money headed straight for the market.'

Consequently, the endless, relentless pursuit for maximising profit continued, and still continues to this day. 'Actually Karl Marx once did try to challenge the concept of the free market,' states Prasso (2007), 'but that didn't end well. Yunus isn't calling for capitalism's abolition; but simply its enlightenment.'

Delivering the Nobel Peace Prize Lecture, Yunus (2006) argued that by re-defining the *entrepreneur* in a broader way, 'we can change the character of capitalism radically, and solve many of the unresolved social and economic problems within the scope of the free market. Let's imagine an entrepreneur who, instead of having a single source of motivation (such as, maximising profit), now has two sources of motivation, which are mutually exclusive, but equally compelling – a) maximization of profit and b) doing good to people and the world. Each type of motivation will lead to a separate kind of business. Let us call the first type of business a *profit-maximising business*, and the second type of business as a *social business*.'

The result will be a new world of business where enterprises will be of two kinds:

1. The well known and well established profit maximising kind, which are devoted to making private gains alone (can be called profit maximising enterprises or PME).
2. The *social benefit-maximising* kind, which are created to benefit people, rather than operating with the sole intent of making private gains (can be called social business enterprises or SBE).

The first category is the one with which we are all familiar – the traditional capitalist operating within the realm of the free-market economy, with the sole objective of earning as much profit as possible and amassing material gain in the shortest possible time and at the lowest possible expense. The other is what Yunus (2006) refers to as the ‘social entrepreneur’, described as, ‘anyone who is offering his time, energy and commitment to address any social or economic problem of a group or community. The problem addressed may be a small local problem or a big global issue. The action required may or may not require money, and it may even be a personal campaign for or against something’.

The UK Department for Business, Enterprise and Regulatory Reform (Business Link, 2007), on the other hand, describes an SBE quite comprehensively as ‘a business with primarily social objectives, whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners’.

3. Beyond a hypothetical model to the ground realities: The basic features of a social business enterprise

Any enterprise set up and operating for social benefit adheres to certain principles and incorporates particular features that enable it to perform in a manner that befits the rationale and motive of doing ‘social good’ to people, society or the environment. Although SBEs may come in varying forms that are congruent with their objectives, given below are certain broad features, outlined by Yunus (2006), which distinguish them from enterprises set up with the sole objective of earning and maximising profit.

1. An SBE is designed and operated as a business enterprise to pass on all the benefits to the customers. It reverses the *profit maximisation* principle by adhering to the *benefit maximisation* principle. In an SBE, benefits of the business are passed on to the target group, rather than being translated into profit for the investors.
2. SBEs are non-loss-non-dividend companies. The bottom line for them is to operate without incurring losses, while serving the people – particularly disadvantaged people – and the planet, in the best possible manner.
3. SBEs will operate in the same market place as the profit maximising enterprises, compete with them, and try to outmanoeuvre them, for their market shares. Not only will SBEs compete with PMEs, they will also compete with other SBEs to push each other to improve their efficiency, in order to serve the people and the planet better.
4. Profit-making by SBEs will be perfectly legitimate. The only condition is that investors will not receive any dividends, or will receive only token dividends.
 - SBEs should generate enough surplus to pay back the invested capital to the investors as early as possible. It is up to the investors to decide how quickly they want their money back. They may get their money back to reinvest in other SBEs, or in PMEs. They may decide to reinvest the surplus in the same SBE which generated the profit.
 - SBEs should generate surplus for expansion, improvement of quality, increasing efficiency, introducing new technology, innovative marketing to reach the deeper layers of low-income

people, particularly women, children and disadvantaged communities, and for undertaking research and experimentation, to improve and diversify products and services.

5. Investors will invest in an SBE for a return much broader than their immediate gain in dollars and cents. They invest in an SBE because they feel an urge to make a difference, and share their lives with other people. They invest because they feel that they can contribute their creativity, innovativeness and entrepreneurial abilities to solve intricate social and economic problems around them. By doing that, they can improve the living conditions of all living beings, including their own. They do not see an SBE as a vehicle for making private gains.
6. If an investor wants to withdraw their investment from an SBE at any point, they may do so, provided they sell their shares to the existing shareholders, or to a new shareholder who accepts the philosophy, practice and conventions of an SBE.

What makes these attributes particularly interesting is that, despite the fact that they are formed with the motive of maximising benefits rather than profits, these enterprises tend not only to compete with regular PMEs (as stated in the third point above) but also endeavour to outmanoeuvre them, by inculcating fresh thinking into age-old business principles. Drayton (2007) summarises the idea as follows: 'Social entrepreneurs are not content just to give a fish, or teach how to fish. *They will not rest until they have revolutionized the fishing industry.*'

Based on the principles of an enterprise established for social benefit, Grameen Bank has initiated two projects. The first project is Grameen-Danone Foods Limited (GDFL), a joint venture with Groupe Danone, a leading French food company. This is a milk-processing plant that produces fortified yoghurt, with a view to bringing nutrition to malnourished children of Bangladesh. The other project, Grameen Healthcare Services, Ltd. (GHS), still in the early phases of development, is a chain of eye-care hospitals aiming to perform around 10,000 cataract surgeries per annum at differentiated prices for the rich and poor. As a social business, it will recover its invested capital from the operations, but will not receive any dividend (Yunus and Weber, 2007).

This paper explores GDFL in detail, in order to exemplify the rationale behind its establishment. It critically examines how GDFL helps to serve society, what challenges it faces, and what plans it has for future growth and expansion.

4. Formation and operational structure of Grameen-Danone Foods Ltd.

The idea of forming a joint venture originated at an informal meeting in France between Frank Riboud, Chairman and CEO of Groupe Danone, and Professor Muhammad Yunus, Chairman of Grameen Bank, in October 2005. Grameen Danone Foods Limited was established, as the world's first consciously designed multinational social business, on 16 March 2006, following the signing of a memorandum of understanding between Groupe Danone of France and four Grameen companies (i.e. Grameen Business Promotion Services, Grameen Welfare, Grameen Energy and Grameen Telecom). Following the inauguration in November 2006, the plant started production in April 2007.

Since GDFL was established with a view to conduct social business, it operates without the sole objective of maximising profit, but rather operates on a no-loss basis. This means that no shareholder should lose money from their participation in the business model; the business model should be profitable for each party and any profits (beyond the cost of capital) generated by the company will be re-invested in the growth and development of the business, in a manner that is mutually agreed upon by both parties to the contract.

The company was established with an authorised capital of US\$3.67 million and a paid-up capital of US\$ 1.103 million, and is registered under the Companies (Bangladesh) Act, 1994. The legal ownership is shared on a 50:50 basis between Group Danone and four companies of the Grameen Bank group.

Danone will take out only its initial cost of capital (US\$500,000) after three years, and any surplus revenues after this return of capital will be reinvested in the joint venture. Even after the capital amount is paid back, GDFL will pay a one percent dividend annually to the shareholders.

4.1. The strength behind the enterprise: A merger of the values of Grameen Bank and Danone Foods

The underlying business values and ethics of practice of the founding partners of GDFL, Grameen Bank and Groupe Danone have always centred on sustainable human development. Such motives provide the drive to form and run an organisation purely for social benefit.

Groupe Danone is a world leading French food company, a global leader in fresh dairy products and a joint leader in the bottled water, biscuits and cereal products market. Its strong market presence has been made possible through prominent household names and brands, including Danone, Volvic, Evian and LU. The company dominates the food market, with a global presence of over 200 facilities located across more than 120 countries, and employs over 90,000 staff. In 2006 its consolidated turnover was above US\$16 billion. Ever since its incorporation, Groupe Danone has built its growth and reputation on its ability to offer consumer products that combine health and wellbeing (Sultan 2006).

Grameen Bank is represented by the following four companies:

- (a) Grameen Business Promotion Services
- (b) Grameen Welfare
- (c) Grameen Energy
- (d) Grameen Telecom.

Grameen Business Promotion Services: This organisation was established to promote micro and small enterprises for low and lower-middle income families, through financial and technical support. It has established its approach on the basis of a progressive, resourceful and pro-poor micro-enterprise development framework.

Grameen Welfare: Grameen Welfare is dedicated to welfare activities for Grameen Bank beneficiaries and employees, and to extending support to the various Grameen group of companies. This company concentrates on providing health-related services to the rural poor, through a range of preventive and promotional healthcare services with particular emphasis on family planning, maternal and child health.

Grameen Energy: A not-for-profit company, created to develop and popularise renewable energy and technologies in remote areas. Its two main programmes are Solar PV Technology and Biogas Technology. Grameen Energy is one of the first companies that successfully developed a market-based approach to serve the energy needs of the rural people through Solar PV Technology.

Grameen Telecom: As a not-for-profit company, Grameen Telecom was established to improve the standard of living, eradicate poverty, and promote ICT-based services in rural Bangladesh. Under its Village Phone Programme, it provides members of Grameen Bank access to mobile telephones for generating income by selling ICT services to the rural population.

4.2. The factory and its product

The first, and currently the only, manufacturing unit has been established on 800 m² of land in Banani Betgari, an area close to Bogra town, some 220 km north-west of the capital, Dhaka. The 7,500 ft² factory currently processes around 6,000 litres of milk on a daily basis to produce 3,000 kg of yoghurt. It aims to increase production up to 10,000 kg/day by the third year and beyond. The facility is manned by a total of 35 staff. The primary raw material, milk, is obtained from a variety of sources, collected by specially

refrigerated vehicles that operate across various collection centres. Premium quality full-cream milk is supplied to these centres by individuals who are borrowers from the bank and who raise cows mostly by obtaining micro-loans from Grameen Bank. Staff at the collection centres tests the quality of milk with lactometers and if the minimum quality standards are met, payments are made at a pre-agreed rate (currently at Tk20/litre). The milk is then transported and processed at the plant, into fortified yoghurt, which is currently being offered in one flavour, and is packaged in 80 gm plastic cups, priced at Tk5/cup (approximately seven cents), and marketed under the name 'Shakti Doi' (Energy yoghurt).

Table 1: Highlights of Grameen-Danone Foods Limited¹

First plant	At Bogra, a northern district of Bangladesh, 220 km from Dhaka, the capital of the country.
Inauguration of first plant	The plant was inaugurated on 7 November 2007 by football icon Zinedine Zidane.
Plant size	Spread over 800 m ² of land and 7,500 ft ² of factory building.
Present product	Yoghurt from fresh milk that includes cornstarch, date molasses, sugar and micro nutrients (vitamins, iron, protein, iodine, zinc, calcium, etc.). A single 80g cup provides 30 percent of a child's daily requirements of vitamins, iron, zinc and iodine.
Production capacity	3,000 kg of yoghurt/day initially, increasing to a maximum of 10,000 kg/day from the third year and beyond.
Product brand	'Shokti Doi' – means 'Energy yoghurt'.
Cost of the plant	US\$ one million approximately.
Product selling	The Product is currently being sold through Grameen Bank's female borrowers and tiny shops in rural areas.
Cost of product	Seven cents/80g cup. Sold locally at Tk5/80g cup.
Milk supply	The company is actively considering developing about 500 mini dairy farms, with around three to five cows each. Such farms will be supported with micro credit by various Grameen companies and the Grameen Bank itself.
Production	Production and marketing are under way on a trial basis.
Short-term plan	Two more plants to be established by 2008.
Long-term plan	Fifty more factories to be set up in the next 10 years in various remote areas across the country.

At the moment most of the milk comes from the Grameen livestock and fisheries farms and from various local villagers who raise cows. Over the longer term, however, GDFL is actively considering developing about 500 mini dairy farms. Farmers will be financed with micro loans by Grameen Bank. Such measures will lead to an augmentation in employment and business opportunities for all stakeholders.

4.3. GDFL as an eco-friendly facility

Out of the eight Millennium Development Goals (MDGs) set forth in 2000 by the United Nations (UN 2008) and targeted for completion by 2015, the seventh Goal: 'ensure environmental sustainability', pertains primarily to the integration of the principles of sustainable development into country policies and programmes, and to taking action towards reversal of the loss of environmental resources. An organisation that has been established as a social enterprise will fail to fulfil its purpose if it does not have any inherent eco-friendly features. Discussed below are some of the features of the GDFL facility, which aim to make it as environmentally friendly as possible.

¹ Adapted from Sultan (2006)

Water used in the plant is treated by means of special water-treatment equipment, which purifies both incoming and outgoing water. This ensures that all water used in the plant is treated both before and after use. Such treatment helps to meet water safety standards before being used, and subsequently ensures that the water returned to the environment is clean and safe (Yunus and Weber, 2007; Sarkar, 2007). Harvested rain water is also sanitised and used in certain parts of the plant. Solar panels generate renewable energy that is used in the facility, while a biogas plant supplies energy to meet any natural gas demands, such as to illuminate the perimeter fencing of the factory.

The containers in which the yoghurt is dispensed are made of cornstarch. These are biodegradable and, if buried, are transformed by naturally accumulating pressure and heat into a nutrient-rich substance suitable for fertiliser, which works just like compost for fertilising soil. The Bogra plant has a specially prepared pit for recycling used containers (Yunus and Weber, 2007). The GDFL team is currently trying to design edible containers. These cups would offer extra nutrition, the problem of trash disposal would be completely eliminated, and recycling would not be necessary.

4.4. Poverty, health and the rationale behind producing yoghurt

The underlying motive and the rationale behind producing yoghurt for a social cause lie in the irrefutable relationship that exists between poverty and health. A report by the WHO and UNICEF (EHPA, 2006) warns that the vicious cycle of ill health and poverty could defeat human development efforts, with children being the first to suffer. The report further warns that a global trend towards urbanisation is marginalising the rural poor, and putting a huge strain on basic services in cities. As a result, families living in rural areas and urban slums are being trapped in a continuous, never-ending cycle of ill health and poverty. Children are always the first to suffer from diseases caused by dirty water and poor hygiene, while the wider impact of unhygienic environments drags back economic progress.

Poverty is not all about having meagre income. It is multidimensional in nature, and according to Haines et.al. (2000) its causes may range from lack of education, inadequate housing and social exclusion to unemployment, environmental degradation and low income. The authors argue that economic indicators focus primarily on income poverty alone, whereas health indicators provide a measure of the multidimensional nature of poverty. For this reason, health should be the pre-eminent measure of the success or failure of development policies in the next century.

Wagstaff (2002) argues that poverty and ill health are intertwined. According to him, 'poor countries tend to have worse health outcomes than better-off countries, and within countries, poor people have worse health outcomes than better-off people. This association reflects causality running in both directions: poverty breeds ill health and ill health keeps poor people poor.' A report by the World Health Organisation (WHO, 2002) deduces that poverty has always been and will continue to be a major obstacle to health development in any country. The report reiterates that poverty brings with it severe health consequences, trapping the poor into a vicious cycle of sickness and penury. High costs of health services make poor people even poorer.

This cyclical function is exhibited in Figure 1 below. Ill health leads to a fall in productivity and output, which translates into lower income. Consequently, health-related expenditure rises, which drains savings and increases debt. This may lead to depression, anxiety and even an increase in alcohol and drug abuse. As ill health becomes chronic, productivity falls still further, which may cause expenditure to rise even more than before. As a result the vicious cycle of ill health and poverty continues to feed upon itself. The WHO (2002), reports that it is now clear and evident that there is a strong link between poverty and ill health, each exacerbating the effect of the other.

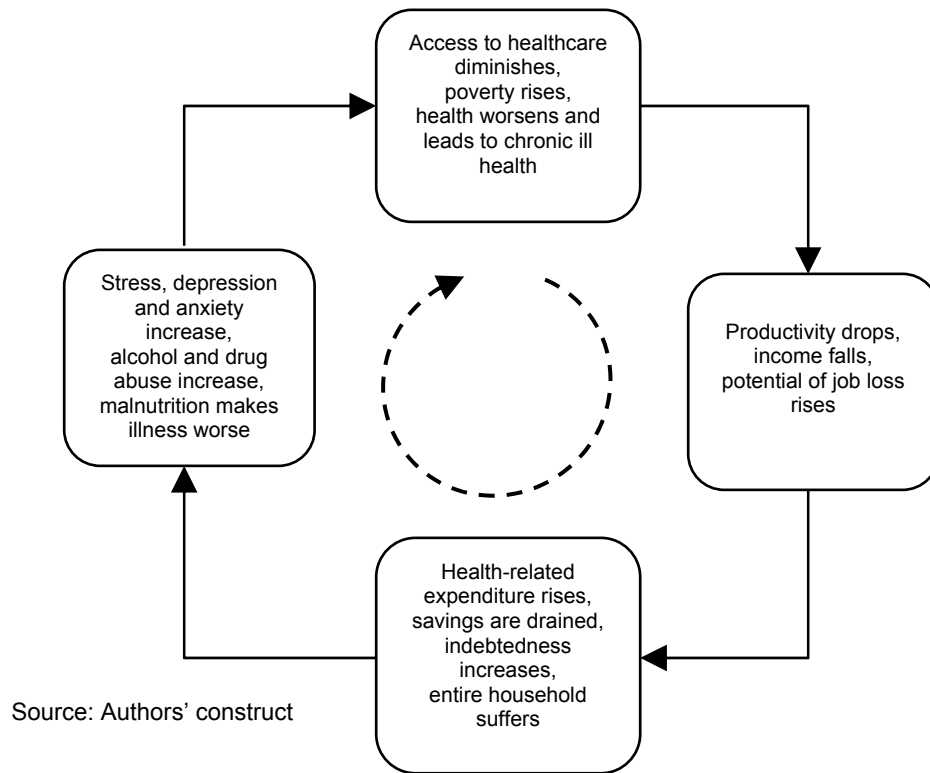


Figure 1: The vicious cycle of ill health and poverty

As the discussion above shows, ill health leads to the initiation of a cycle that makes the poor fall deeper and deeper into poverty. Since GDFL was created for social benefit as opposed to material gains, it targets a number of issues, the foremost of them being ill health, especially that which is nutrition-related. The initial idea was to introduce some form of food for babies, weaning food, which would help them during the transition from milk to solid food. The survey and research carried out by nutrition experts from Danone, the Bangladeshi Ministry of Health and Family Welfare (MOHFW) and experts from relevant UN agencies concluded that baby food would be too risky to begin with at this stage, since 'babies are very vulnerable to disease, and baby food therefore requires a very strict standard of hygiene' (Yunus and Weber, 2007). The fundamental motivation of providing healthy, nutritious food for children finally led to an agreement that yoghurt should be manufactured as a launching product.

'As a dairy product, yoghurt contains many healthful nutrients. The active cultures in yoghurt are also beneficial because they promote good intestinal health and reduce the effects of diarrhoea, a deadly scourge in the developing world' (Yunus and Weber, 2007). 'The yoghurt that we manufacture at the plant is fortified in order to curb malnutrition,' explains Sarkar (2007): 'by being produced from fresh and pure whole-cream milk, containing an average of 3.5 percent fat, and by additives such as cornstarch, date molasses, sugar and micro-nutrients (vitamins, iron, protein, iodine, zinc, calcium, etc.). Vitamin A was added to the formula specifically, since it's beneficial for the eyes, while iodine helps maintain normal thyroid function. The formula is so rich that a single 80-gram cup provides 30 percent of a child's daily requirements of vitamin, iron, zinc and iodine.'

In order to ensure adherence to premium quality standards, all other ingredients (apart from milk and date molasses), such as cornstarch and micro nutrients (vitamin, iron, protein, iodine, zinc, calcium, etc.), are imported and supplied by Groupe Danone itself. (Sarkar, 2007.)

4.5 Market infiltration, consumer behaviour and the challenges faced in sales and marketing

GDFL has adopted the unique 'proximity business model', thus bringing the supply of raw materials, food production, storage, distribution, retailing and consumption as close to one another as possible. Employing such a model has a twofold benefit. First, given the underlying rationale of creating a social business enterprise, it becomes necessary to ensure that local communities, milk producers and vendors benefit, and second, in order to maintain taste and acidity levels, it becomes necessary to keep yoghurt cool until consumption. Since refrigerated storage and transport would not have been possible in rural areas, all production, distribution and consumption had to be kept in close proximity. According to Yunus and Weber (2007):

our distribution system had to be designed in such a way that it ensured a quick turnaround from factory to consumer, with yoghurt leaving the production line in the morning and ending up in children's stomachs within 48 hours. This would be the only way to ensure that the flavour, texture, and acid content of our yoghurt would be consistent.

The marketing campaign targets the low-income, nutritionally deprived population within a 25km radius of the facility. It utilises both Grameen Bank borrowers and non-borrowers to run the sales, marketing and distribution channels. The product cannot be sold through regular village grocery shops, since most of the vendors do not have refrigeration facilities. According to Sarkar (2007), it is currently being sold through distribution to around 1,600 micro-vendors – women in villages within the 25km radius. It is supplied to them directly from the plant, in specially designed chilled and insulated bags. These women then sell the cups on a door-to-door basis, retailed at Tk5.00/cup and earning Tk0.5/cup. On average, each vendor sells around 60-70 cups per day. Through experience, they have come to learn how much stock they can turn over every day, and thus order accordingly, to minimise wastage. In order to keep costs to a minimum, each vendor is supplied with her required number of cups at her house, in insulated and chilled boxes, usually on a daily basis.

Sultan (2007), the Managing Director of the establishment, underscores that despite all efforts, GDFL is facing a range of challenges in the sales, distribution and marketing cycles. Amongst others he mentions certain dilemmas that the organisation is currently facing, such as:

- The campaign originally began with over 100 sales persons, a figure which has now started to dwindle. The profit margin is only Tk0.5/cup, which is a low monetary incentive, considering the turnover rates of the product.
- The product is particularly difficult to distribute and market, due to its perishable nature. It has a thick consistency when cooled, but starts to become runny as it is removed from a chilled atmosphere. This acts as a major impediment in its distribution. It has to be refrigerated to maintain its thick consistency, and most of the women involved in sales do not have refrigerators and thus have to make regular trips to the plant, or wait for the delivery at their doorsteps. Although the nutrition and the quality are not affected instantly, consumers have an aversion to the yoghurt in a runny state, which makes it even more difficult to sell.
- Advertising is currently being done primarily by word of mouth, through centre meetings, and the branch network. Such campaigns are both cost-effective and produce a powerful impact, since a majority of the rural population cannot read and write and do not have access to televisions. On the flipside, however, the campaigns have failed to cover large areas of the population, since health benefits cannot be fully conveyed through means such as these.
- Another major predicament is that there is a dire lack of professionalism amongst those involved in the sales cycle. Most of the door-to-door sales people are poor and uneducated rural women. They are not committed enough to going out and selling the yoghurt on a daily basis, but merely use it as a part-time source of income.

- GDFL has not yet conducted an independent study of the health benefits of the yoghurt. The Global Alliance for Improved Nutrition (GAIN) has been cooperating with the company ever since its inception, and also working closely to develop proximity marketing. GAIN is planning to conduct an independent study, and in the event of positive conclusions, it will boost GDFL's claims that the yoghurt can act as supplementary food for young children and will help in disease prevention.
- The product has not been released into the urban market. Sales figures have the potential to increase manifold if it is marketed at the urban level, so that it can cover a wider segment of the population.

4.6 Revenue generation, profitability and prospects for expansion

After almost a year into operations, GDFL is still struggling to make enough profits to cover costs. The only source of revenue being sale of yoghurt, profit margins are low and the price cannot be increased, otherwise it will become unaffordable for the intended consumers. Sultan (2007) attributes this predicament to the limited marketing campaign being run at the moment. The board, according to him, is looking into the possibility of replacing the current limited rural experimental marketing strategy with such a drive that will cover a much wider area and target a larger population. For this, however, GDFL will have to break into the urban market. By doing so, it intends to achieve economies of scale, by offering the product in larger packs and raising the price. The ensuing profits can subsequently be utilised to subsidise prices of smaller packs being sold exclusively in the rural markets.

The management plans to set up two more facilities by the end of 2008 and, in the longer term, they aim to establish at least 50 more factories in the next 10 years in various remote areas across the country. Such expansion will become inevitable if the plan to move into urban markets materialises. Larger set-ups will lead to economies of scale, thus cutting costs and lowering prices.

GDFL aside, the Grameen Foundation is constantly exploring avenues for setting up more such social businesses and has hitherto launched two additional social businesses during the last year. The first one is a financial firm, Grameen Capital India, created in partnership with Citibank India and ICICI Bank, in order to facilitate access to local capital markets for Indian microfinance institutions. The second, Grameen-Jameel Pan Arab Microfinance, was established in partnership with the Abdul Jameel Latif Jameel Group of Saudi Arabia. The objective of this company is to alleviate poverty in the Arab world through microfinance (Yunus and Weber, 2007).

5. Concluding remarks

Social entrepreneurs do not call for the abolition of capitalism altogether; they do not suggest an entirely different business model to run markets; they do not advocate that philanthropy alone can run the world's capital markets. All they call for is 'enlightening' capitalistic thinking (Prasso, 2007), and trying to find solutions that benefit all stakeholders.

The seminal work by Hammond et al. (2007) views capitalism, poverty, and serving the poor, from an entirely different perspective. The authors assert that over four billion low-income people, a majority of the world's population, constitute the 'base of the economic pyramid'. Treated as consumers, their aggregate purchasing power amounts to a staggering estimated US\$5 trillion global consumer market! This implies 'significant opportunities for market-based approaches to better meet their needs, increase their productivity and incomes, and empower their entry into the formal economy.' Advocates of serving 'the bottom billion' (Hammond et al. 2007; Prahalad 2004; Sachs 2006; and Collier 2007) draw on a

series of cases regarding provision of services to the poor, thus enabling their integration into the mainstream regular economy by providing them with services, products and employment opportunities. This paper has seen how communities within the proximity of the Bogra facility, a fraction of the 'bottom billion', have benefited in a number of ways: health, nutrition, employment and 'greener' environment, all with the possibilities of expanding the operations further afield.

The main strength of GDFL lies in the respective strengths of its founding partners. Apart from providing nutrition at affordable prices to the rural population, the joint venture has helped to create independent businesses and several hundred jobs in the farming, food processing, sales, marketing and distribution sectors. The first plant has helped create more than a thousand jobs in the livestock-farming industry alone (Sarkar, 2007). Since the business model is based on proximity, local communities have been engaged and as the initiative expands, due to a multi-local deployment plan on a nationwide scale, local rural populations in a diverse range of sectors will benefit through direct and indirect involvement.

Professor Yunus, while addressing the opening ceremony, hailed it 'a unique opportunity to create a business with a strong social aspect, a company whose ambition is not to maximise profits but rather to act in the interests of the population, but without making losses.' Franck Riboud, CEO of Groupe DANONE, stated, 'I am utterly convinced that our future depends on our ability to explore and invent new businesses and new types of enterprise... [this is] a great opportunity to make progress in that direction and take another huge step towards fulfilling our mission: to bring health through food to as many people as possible.' (Groupe DANONE 2006).

Both parties to the joint venture are renowned authorities in their respective areas of operation. Grameen Bank is renowned the world over for its social service and the economic uplift that it has provided to millions of people, not only in Bangladesh, but now on a global scale through replication programmes. Groupe Danone, on the other hand, has an enormous amount of skill and proficiency to offer, being a world leader in the food industry. Each of the two partners to the agreement offers its unique expertise to serve the core rationale: social (and indirectly, economic) benefit by way of a food product that helps communities within the local area.

According to Sultan (2006), 'Grameen-Danone Foods Limited is a Social Business Enterprise. The aim of this company is to help people, without incurring financial losses. The main objective of this company will not be profit maximisation; rather its objective is to help eradicate poverty by creating opportunities for the poor. The companies that make up GDFL have already agreed not to take out any of the profits of the company, but put the profits generated for innovation and creation of new opportunities for the welfare and development of the people.'

Right from its inception, critics were sceptical about its sustainability. Doubts were raised as to how long it would be able to run operations 'for social benefit' alone, without reaping maximum profits, as in the case of any regular business. It is a business, no doubt, but the underlying principle is what makes it unique. As Franck expressed at the opening ceremony (Groupe DANONE, 2006): 'the strength in its success lies in the fact that it is a business (not a charity), and if it is a business, it is sustainable.'

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