

## The Problem

The poverty rate in Bangladesh is extremely high. Both women and men are disproportionately affected by long-term unemployment, with limited access to education and economic opportunities (BoPinc, 2018). Research by the World Bank shows that the employment rate of women is only 36% (Chowdhury & Hossain, 2018). As the formal distribution channels have limited reach, rural communities in these markets do not have easy access to essential products, such as nutritious food or hygiene products. This lack of access can exacerbate poverty by increasing the risk of diseases that put pressure on families' resources and hinder their ability to work. Expanding existing distribution networks is challenging in rural contexts, where data is scarce, examples of success are limited, and companies lack understanding of consumer needs and preferences. As a result, communities living in these areas have limited access to high-quality, affordable, and sometimes even life-saving products (BoPinc, 2018). While this is a major problem in Bangladesh, it also presents great opportunities for businesses not only to make a profit, but also to contribute to the fight against poverty. According to former Unilever CEO Paul Polman, companies play a vital role in addressing challenges facing the world. He argues that societal challenges offer enormous business opportunities and that it is no longer possible to run a strong company in a world of growing inequality, poverty and climate change. According to Polman, sustainability is essential to stimulate the growth of companies (Schwab, 2017).

"It's very simple: stronger alignment of business with societal interest and planning for the long-term is the only way to guarantee sustained success and longevity, for our business, and for our planet." – Paul Polman

## Inclusive Business: How is Unilever Improving the Lives of the Bottom of the Pyramid in Bangladesh?



## The SDGs

With the implementation of the SDGs, societal challenges are converted into opportunities for shared value creation. The Ministry of Foreign Affairs (MFA) emphasizes the importance of cooperation between the private sector and the government in achieving the SDGs (BoPinc, 2018). The Unilever and BoPinc project is in line with various MFA objectives and contributes to a sustainable future by:

- Decreasing poverty through creating employment opportunities (SDG 1)
- Improving the position of woman and girls and therefore supporting gender equality (SDG 5)
- Improving overall health and wellbeing (SDG 3)
- Offering increased access to essential hygiene products (SDG 6)
- Reducing environmental impact by reducing, reusing and recycling on waste and packaging and encouraging consumers to do the same (SDG 12)



## Project Activities



Project activities (BoPinc, 2018).

## The Solution

Businesses must be drivers of sustainable development and become agents of change. A model that strives for development impact as well as commercial goals is inclusive business. With inclusive business models, companies aspire to incorporate social and environmental considerations into their business. For instance, by including low-income communities in the core operations of the company and by creating shared value, inclusive businesses benefit low-income communities (Lijfering & Van Tulder, 2020). According to Prahalad, communities at the Bottom of the Pyramid (BoP) should be seen as more than just the victims of globalization in need of help. Instead, they should be recognized as creative entrepreneurs and value-conscious consumers (Prahalad, 2004). In fact, 50% of all consumer spending in emerging economies comes from the BoP (Graafland, 2007).

The central idea of the BoP approach is that large companies can develop new business opportunities by adapting their products and services, marketing and distribution systems to poor communities in developing countries. In addition to making a profit, companies can thus make an important contribution to the fight against poverty in developing countries.



## The Case

To help address the issue of poverty Bangladesh, a multifaceted approach is needed. Therefore, business models that include new methods for collaborating with the private sector for the development and promotion of hygiene-related products are eligible. Unilever and BoP Innovation Center (BoPinc) are fulfilling a collaboration in the project 'Testing Innovations for Scaling Inclusive Distribution in Bangladesh', where they focus on promoting livelihoods through creating job opportunities and developing inclusive business models that target the BoP-consumer market. The partnership strives to investigate, develop and scale inclusive distribution models to address needs and deliver deep social impact in Bangladesh. The aim of the project is to improve access to essential personal and household products through inclusive distribution channels. Additionally, the project provides both men and women with income generating opportunities. By combining BoPinc's expertise in rural marketing and distribution with Unilever's product portfolio and global reach, they will help develop and scale the distribution networks of micro-entrepreneurs in rural markets (BoPinc, 2018).

Building inclusive distribution channels is an effective approach to:

- Promote economic opportunity
- Decrease inequality and improve access to essential products such as nutritious food and sanitation products for BoP communities
- Make it possible for micro-entrepreneurs to get access to the preferences of their target consumers, enabling them to tailor their basket of goods accordingly to ensure that they offer demanded products. In this way, they strengthen the viability of their enterprise

## Business Model Canvas +



Canvas Plus Model Unilever's Inclusive Business Model Project "Testing Innovations for Scaling Inclusive Distribution in Bangladesh"

## Four Tiers of the Inclusive Business Model

1. **Design, Create and Capture value:** Unilever designs value through designing small packages of essential products that BoP consumers are able to buy and through the formation of purpose-driven brands. Unilever creates value by creating consumer benefits by selling products that improve livelihoods and by optimizing skills of micro-entrepreneurs. Unilever captures value through high margins of the untouched BoP customer base. Moreover, value is captured by capturing and sharing lessons learned from the project to generate successful replications in other markets
2. **Negative Externalities:** First, there is a risk of local adversary to the implementation of unfamiliar project elements. Next, the unstable context can delay or fail production and supply and the weak network infrastructure can cause connectivity problems in ICT systems. Moreover, the sustainability of the project is debatable, as Unilever will no longer be able to support and fund certain activities after the project ends. Lastly, the introduction of new market structures could lead to crowding out of existing entrepreneurs.
3. **Positive Externalities:** The expansion of the inclusive business project improves the well-being at the BoP (SDG 3) by improving healthy consumer behaviors and access to essential and sanitary products (SDG 6). The project creates job opportunities (SDG 1) and improves sales of products by extending product portfolios and improving skills of micro-entrepreneurs. By encouraging women to become micro-entrepreneurs, Unilever supports gender equality (SDG 5). In addition, the project inspires industry players to come up with alternative business models that fulfill a purpose while being profitable. To conclude, Unilever reduces their ecological footprint by sourcing 100% of their agricultural footprint sustainably (SDG 12) (Unilever, 2020).
4. **Net Impact of Holistic Organization:** Unilever is a positive force in the industry by taking societal responsibility and acting proactively in the fight against poverty. With the inclusive business project, Unilever benefits from consumers and micro-entrepreneurs on the BoP, while expanding its consumer reach and making profit.

## Challenges for Unilever

- Underdeveloped marketing channels make it costly to reach rural customers. This requires innovative ways to effectively deliver marketing and messaging.
- Limited product portfolio to sell does not offer enough revenue for micro-entrepreneurs and profit to make procedures quickly feasible for Unilever. This requires partnerships with a variety of product suppliers.
- Awareness of basic health behavior is inadequate. This commands for Unilever to create demanding behavioral change activities to improve understanding of cause-and-effect.
- Women are constrained by outdated social norms not allowing them to have their own business and own bank accounts. The inclusive business project should support women to overcome these barriers.
- Low levels of education, literacy and occupational competencies of micro-entrepreneurs. This requires Unilever to improve the skills of micro-entrepreneurs and integrate frequent follow-up (BoPinc, 2018).

## Recommendations

Unilever's inclusive business model project is very promising, despite some internal difficulties. First, it is important to involve existing micro-entrepreneurs in Unilever's project activities to reduce the risk of crowding out local entrepreneurs. Next, to reduce the risk of local adversaries in the implementation of project elements, local associations should be involved in the early stages of development and implementation of innovations. Moreover, with the objectives of the inclusive business model project, Unilever is committed to improve the health and wellbeing of BoP communities in Bangladesh. However, the long-term sustainability of the project after implementation is debatable: when support and funding for this project ends, certain activities cannot be sustained (BoPinc, 2018). Therefore, in order to realize Unilever's long-term ambitions, micro-entrepreneurs must be trained to continue doing their work after the project has been implemented. To scale up, make improvements and continue to reduce poverty in Bangladesh after the program ends, Unilever could collaborate with local private sector partners. With the help of local management initiatives and Unilever's continued involvement as a private partner, the inclusive business model project can be taken to the next sustainable level.