



Enabling Impactful Private Sector Collaboration in Low-Income Markets

Position Paper #4

People living in low-income markets lack access to essential goods and services, and face challenges linked to waste, sanitation, water and pollution, among others. This presents the private sector with a lucrative opportunity to create a sustainable impact in these markets while generating fair profits. Ennovent works with corporations to forge beneficial partnerships with startups operating in these rural, underserved markets. Through venture partnerships, we offer a flexible and lean model to address the challenges inherent to a corporate-startup partnership and seamlessly implement collaborative solutions.

BACKGROUND

Globally, 4.5 billion people live in low-income markets with combined spending of \$5 trillion (International Finance Corporation, 2014). However, these people often access lower-quality products and services at higher costs. Much of the technology used is also environmentally and financially unsustainable. Usually, mid- and large-sized corporations work mainly in high- and middle-income markets. Since their business model is geared towards tapping into the opportunities in these markets, many do not see the opportunities available in low-income markets. Inclusive business models which target low-income markets impact the bottom line of the corporations and also help people in these markets to access better quality goods and services, solve developmental challenges and improve their overall quality of life (Kim and Castillejos-Petalcorin, 2020).

KEY CHALLENGES

Corporations find it challenging to penetrate low-income markets because of the nature of these markets and the operational methods that corporations typically use.

- **Financial Constraints:** Consumers in low-income markets have limited purchasing power and inconsistent cash flows, thereby being unable to spend widely on new products or services (Monitor Deloitte, 2017).
- **Remote Markets:** Low-income markets lack the basic infrastructure needed to access their incumbents, and existing corporate value chains seldom reach them (Lang et al., 2018).
- **Consumer Behaviour:** For low-income market consumers, product familiarity is a key factor informing their purchase decision, which creates an underlying need to affect behaviour change (Roy et al., 2021).
- **Small Margins:** Product pricing also plays a substantial role in buyer behaviour, creating a requirement to compensate for lower margins with higher volumes to be profitable (Roy et al., 2021).

CURRENT APPROACHES

Corporations, while increasingly drawn to low-income markets, have often relied on conventional wisdom and business models to access these markets. Some of the predominant models currently employed include:

- **Internal Innovation:** Corporations often open up opportunities for internal innovation among their employees and support them with testing their ideas (Willis Towers Watson, 2020). Haier started its innovation journey with the Rendanheyi model, where they sourced innovations in-house from their staff.

- **Corporate Incubators:** The popular Incubator model involves corporations supporting startups by providing resources, expertise and funding (Denysiuk, 2021). Unilever's Foundry is one such platform, where they address the biggest business challenges through product and capability innovation.
- **Strategic Investments:** Corporations also strategically invest in smaller companies and startups that support their area of operation while impacting society at large (World Economic Forum, 2018). For example, Salesforce Ventures invests in cloud startups which also have a social mission.

Despite the existence of these models, collaborations are often not seamlessly implemented due to differences in the sizes of the organisations, resource constraints, diverging goals and issues linked to communication between them. With these discrepancies in mind, successful collaboration calls for a careful consideration of the risks and challenges involved in order to address them appropriately.

OUR SOLUTION

Ennovent uses venture projects to catalyse business ventures with sustainable solutions for low-income markets. Venture projects that enable collaboration between corporations and startups are one avenue to creating a fair profit and lasting sustainable impact in these rural, underserved markets. This specific brand of venture partnerships is tailored to meet the needs and objectives of both corporations and startups. It is flexibly implemented along a light-to-deep continuum depending on the level of engagement sought by both parties.

Through Ennovent's model, corporations and startups can reach a shared understanding of each other's visions and goals and identify the most effective form of collaboration. Once aligned, both parties can implement a fruitful partnership with the support of Ennovent, who plays both a guiding and catalytic role through the diagnostic, co-creation and incubation stages of the collaboration. The result is that the business partners can foster innovation that improves their competitiveness and revenue-generating potential in low-income markets.

The process underpinning Ennovent's model for collaboration between corporations and startups, while flexible, utilises a tried and tested framework built from previous success stories. It employs open innovation and lean startup methodologies to disrupt jaded internal processes and rapid-test new business models, products or services on the ground. Equally important is the emphasis on nurturing much-needed reflection, trust and communication between both parties, which are critical to successful relationship building.

IN ACTION

The following case study illustrates Ennovent's four-step process to effectively facilitate collaboration between corporations and startups. Veolia, a French transnational company with sustainability at the core of its operations, partnered with Ennovent to launch Pop Up India in 2018 - a unique incubation platform to co-create and pilot sustainable solutions in low-income markets across water, sanitation and waste-to-energy sectors. Ennovent recently successfully concluded the second iteration of Pop Up India.

- **Diagnose:** Ennovent worked with Veolia to run detailed diagnostics to identify challenges in their existing business that offered potential avenues for new market exploration. In the first iteration, gaps were identified in Veolia's water business vertical, and waste management was identified as a new market opportunity. In Pop Up India 2.0, market opportunities in waste-to-energy space were targeted.
- **Source:** Based on the results of the diagnostics, Ennovent used an open innovation, crowdsourcing challenge to identify a long list of startups with mutually aligned priorities and relevant solutions that could work with Veolia to tap into these market opportunities. These were then jointly assessed through a multi-tiered selection process in consort with Veolia.
- **Co-create:** The co-creation process involved designing and undertaking a series of interviews, discussions, and round tables where we outline the goals and objectives of both parties explicitly. Selected startups then presented a plan for a lean pilot with Veolia for feedback. This led to the selection of the final shortlist of potential startup partners.
- **Incubate:** Ennovent subsequently worked with the startups and Veolia to determine the best collaboration model for both to implement the discussed pilot. High-level facilitation support was offered to design and implement the pilot plans. Ennovent is continually monitoring the implementation of the collaboration to keep it on the right path.

KEY BENEFITS

Collaboration between a corporation and a startup must be mutually beneficial for the partnership to lead to its dual goals of fair profits and sustainable impact.

Benefits for Corporations

- **Access to New Markets:** Startups innovate closer to consumer needs and are more in tune with newer developments in the market (World Economic Forum, 2018). With this knowledge, working alongside startups allows corporations to access newer markets, such as low-income markets, and build market competitiveness in existing markets.
- **Lean and Agile Culture:** Working with startups can help build agility into their operation, automatically contributing to innovation (Federspiel, 2018).
- **Innovation Culture:** External innovation with a startup disrupts the corporation's business model, making space for real innovation. (World Economic Forum, 2018). Fostering space for such collaboration also allows corporations to innovate faster and with lesser resource allocation (Denysiuk, 2021).

Benefits for Startups

- **Access to Resources:** Collaboration with a corporation helps startups to not rely on outside investments (World Economic Forum, 2018). Corporations also have advanced technologies and underutilised assets, such as data, which startups can tap into to capitalise on new business opportunities (Denysiuk, 2021).
- **Mentoring Support:** A corporation's experience has long-term benefits for startups. They learn from the corporation's know-how and have access to mentoring and advisory support from top-tier executives, which eventually can guide the development strategy of the startup. (World Economic Forum, 2018)
- **Improved Credibility:** Startups are at a competitive disadvantage in customers' eyes when pitched against an established company or brand. Being associated with a larger corporation automatically brings brand recognition and access to a more extensive customer base (Denysiuk, 2021).
- **Knowledge to Scale:** Collaborating with a corporation allows startups to develop capabilities to rapidly scale their business.

CONCLUSION

Ennovent offers a collaboration framework that addresses risks and challenges inherent to a corporation-startup collaboration to seamlessly implement venture partnerships that are mutually beneficial for both partners. Our framework utilises lean startup methodologies and open innovation approach to rapid-test new business models, products, or services on the ground. Ennovent's presence ensures support from diagnosis to monitoring and keeps in mind benefits for corporations and startups at the core of all partnerships.

ABOUT ENNOVENT

Ennovent is a venture catalyst that takes innovative businesses to unexplored low-income markets in developing countries. We offer customised venture projects to entrepreneurs, corporates, funders and NGOs that provide access to startup expertise, local capacity, diverse funding and global networks. Through fair partnerships, we share the risks and rewards of optimising sustainable impact and profits in low-income markets. Since 2008, Ennovent has catalysed over 240 ventures in 35 countries through 70 projects.

SOURCES

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