

*Title:* What makes a Successful Social Enterprise

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# What makes a Successful Social Enterprise?

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At BRAC's social enterprise garment factory near Dhaka, Bangladesh, Oishika paints the woven tops of stools for 42 cents each. Each day she goes home around 6 to a nearby village where she lives with her husband. Although Oishika works seven days a week with 2-3 days off per month, she makes it clear that she is not concerned about vacation time – she just wishes people would buy more stools. Overall, BRAC's brand Aarong employs 65,000 artisans like Oishika who produce a high-end line of socially conscious garments, home decor and craft goods. Profits from the store go to BRAC's other social programs such as their ultra-poor graduation program that provides social, economic and health support to help low-income people get out of poverty. I met Oishika (not her real name) on a study abroad program that studied the Microeconomics of De-

velopment. Before the trip we studied development models and learned about how social enterprises work. One thing that I didn't realize before going to Bangladesh was how important it is for a social enterprise to provide quality goods that are high in demand – especially if they want to become financially solvent. Although social enterprises can be helpful to society whether or not they are financially sustainable, they cannot be scaled up to help more people with a strong dependence on donor money.

A comparison of two different dairy social enterprises: BRAC Dairy and Grameen Danone, illustrates the importance of demand for a product. Grameen Danone is a collaboration between Grameen and Danone Yogurt that buys milk from Bangladeshi farmers and produces nutrient-fortified yogurt. The idea was that selling the yogurt at a high price for high-income people in the cities would help subsidize cheaper prices for low-income individuals in rural areas. However, thus far Grameen Danone has not broken even. Only 5% of its revenue comes from the higher priced yogurt and it's been difficult to convince even low-income people to buy the yogurt at its current price. Part of the problem behind these financial issues is that Grameen Danone produces American-style yogurt that seems weird compared to typical Bangladeshi yogurt. Demand for Danone's yogurt is not high among high-income people in Bangladesh nor is a small yogurt cup an affordable meal option in rural areas.

A different company, BRAC Dairy, also buys milk from local farmers and resells it in the city. Most of its sales are in plain pasteurized milk that is commonly consumed in Bangladesh. Although there is no subsidization of the prod-



Figure 1: Painted and unpainted stools at Oishika's workplace

uct for low-income people or nutritional supplements, BRAC Dairy makes profits and sends them to BRAC's social services, which then uses them to help low-income people. Overall, both BRAC Dairy and Grameen Danone provide some benefits to low-income people. However, because Grameen Danone is not financially solvent, it isn't really a scalable plan or a replicable model without the support of Danone (a French corporation that helped pay for and set up the social enterprise). BRAC Dairy, however, is a financially solvent company that is planning on expanding its product offerings in the future.

Grameen has another social enterprise, the Eye Care Hospital, which is financially solvent. The Eye Care hospital provides excellent medical services to both high-income and low-income people and has successfully become financially sustainable. Because the medical service quality is excellent, high-income people are willing to pay for it and 32-35% of customers pay full price. Services are provided completely free to 10-20% of customers with very low income levels and at varying levels for others. Quality eye care is in high demand and the hospital performs 70-



Figure 2: Embroidery workers at Aarong

80 surgeries each day. A primary difference between this successful price subsidization model and Grameen Danone is that the profit from high-income patients (due to high quality and demand) is enough to cover the price of other surgeries. Although Aarong and BRAC Dairy don't directly subsidize their products in this way, they also successfully make a profit from quality goods that can then be used to help low-income people.

Successful social enterprises help those they employ as well as those who they directly benefit. Oishika the stool-painter used to work at a cigarette factory making around 90 dollars per month. She quit that job to work at Aarong for 54 dollars per month because inhaling nicotine was negatively impacting her health. Aarong might not necessarily be the best financial option, but it's a quality job in other ways – health benefits, relatively safe working conditions and close proximity to her home. Luckily for her, orders for stools will likely continue to increase because of the demand created by Aarong's reputation for socially conscious production and quality products.