

A \$500 Billion Market Opportunity for Real Impact

New Report by Yunus Social Business and Boston Consulting Group
Outlines the Opportunities of Social Procurement

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It may as well be the end of the global supply chain as we know it. The pandemic and geopolitical conflicts have created unprecedented stress and disruptions for global supply chains. In fact, a recent report by the World Economic Forum has 86% of firms self-reporting that they were not prepared for major disruptions like the ones we have been facing.¹ During the COVID pandemic, 71% of supply chain managers were already actively reshaping their supply networks to bolster resilience.² This number is likely to increase due to a perfect storm created by COVID, the Ukraine crisis, and expectable climate disruptions. Global inequalities will further add to the pressure as inflation soars. Governments have been toppled, countries are defaulting, and civil unrest is already sparking in countries such as Sri Lanka or Peru.

Social procurement can be one measure to increase resilience in supply chains, and it could additionally lead to benefits such as price premiums or an improved brand reputation. Social procurement is the practice of buying products or services from ventures that primarily follow an environmental or social impact agenda (social enterprises). Social enterprises can be nonprofit, hybrid, or for-profit organizations. However, part or most of the profit is reinvested in the social or environmental cause. Supply chains provide a unique impact lever for companies, as more than half of the average company's ESG footprint lies with the supplier. Procurement budgets worldwide amount to trillions of dollars. Even a 0.1% spend on social enterprises could achieve a multi-billion-dollar impact.

1. Betti, F. and Hong, P. K., World Economic Forum (2021), "The Resiliency Compass: Navigating Global Value Chain Disruption in an Age of Uncertainty", [available here](#)
2. Moore (2020), "Survey: the impact of the first COVID-19 wave on Supply Chain & Operations", [available here](#), accessed May 2, 2022

Why does Social procurement allow companies to leapfrog the social impact curve?

Social enterprises are typically ...



... responsible

- **75%** tie their impact metrics to the SDGs¹
- Focusing on **decent work conditions, gender equity, poverty**, as well as **environmental goals**
- **>50%** are certified by a third-party



... diverse

- **95%** directly benefit vulnerable or marginalized people
- In the UK, Social Enterprises have **2x** as many Female directors and nearly **3x** higher minority representation than SMEs



... reinvesting in social cause

- Most have a **social mission** reinvesting the majority of profits
- Buy Social UK reinvested **~10%** of the profit to solving social causes (in its first 5 years)

¹Sustainable development goals (UN)

Source: Acumen – 100 Corporate-ready social enterprises report; Buy Social UK

What may have been a niche topic in the past is now starting to spread to renowned companies such as Barclays, EY, IKEA, Johnson & Johnson, Natura, SAP, Suez, Unilever, Wates, Williams Sonoma, and many more. For example, SAP has pledged to direct 5% of its addressable procurement spend to social enterprises and inclusive businesses respectively, by 2025. Alexandra van der Ploeg, SAP's Global Head of Corporate Social Responsibility, highlights the motivation behind the company's engagement, "We are excited by the impact potential of social procurement to support livelihoods around the world—and we also consider it as a potential source of competitive advantage for our clients."

The report by BCG and YSB puts the overall market volume at more than \$2.5 billion today. If this trend continues, the number may well reach \$506 billion over the next decade, according to the research. The potential impact of this growth would be massive for a sector that has been chronically underfunded. IKEA alone has set an ambition to create 95,000 procurement jobs through its collaboration with social enterprises. For example, it sources textile products from the cooperative Rangсутra, supporting thousands of women artisans in rural India.

François Bonnici, Head of Social Innovation at the World Economic Forum expects more and more of these examples to develop: "Years ago, we'd see a few minor cases here and there. But now, we can see more and more collaborations at scale. They make a massive difference for social entrepreneurs and their corporate partners alike." It may well be that this is due to the increasing credibility of social entrepreneurs and the impact that these partnerships have on the corporation itself. In a previous research piece by YSB, 80% of supply chain managers agreed that social enterprises deliver high quality and over 60% agreed that they are able to compete on price alone.

At the same time, most supply chain managers agreed that a purely cost-driven business case for these partnerships falls short of its potential. As stakeholder pressure mounts to become more sustainable and inclusive, leading companies that act on these pressures can expect a valuation premium of up to 10%. This is underlined by increasing investor emphasis on ESG, employee demands for a meaningful workplace, and expected taxonomy changes in the EU to include a company's impact on people and planet.

Social Procurement is no longer niche—ever more multinational corporations are starting to invest in this field, creating a competitive advantage

Non-exhaustive

FMCG   	Furniture & Household goods   	Healthcare & Pharma    	Construction & Infrastructure      	Professional services & advisory     
Food & Agriculture     	Fashion   	Technology  	Energy & Utilities  	Financial Services      

This all indicates that social procurement can be expected to grow in relevance. Sectoral challenges remain, such as lack of social and environmental procurement KPIs, ill-designed procurement incentives for impact or a lack of visibility for potential social enterprises to partner with.

However, a group of members of the World Economic Forum's Global Alliance for Social Entrepreneurs, which stood patron for the report together with SAP, is addressing some of these shortfalls. Acumen, for example, has published a list of 100 social entrepreneurs ready for corporate partnerships. The Social Enterprise World Forum has initiated a community of practice for procurement managers. Euclid Network and its members are engaging companies in #BuySocial campaigns in Europe. Moving-Worlds partnered with EY, SAP, and Unilever to launch TRANSFORM, a platform that matches social enterprises and companies. AB InBev is running its 100+ Accelerator to support social entrepreneurs with access to value chains. YSB has initiated the Unusual Partners program to

find relevant social entrepreneurs for corporate partners and educate supply chain managers on the opportunities of social procurement.

All these developments create a fertile ecosystem for social procurement. And companies have a chance to build sustainable competitive advantage through it. As Su Pickerill at the construction company Wates points out, "Ultimately, any of our competitors can build a great building. But it's on the topic of social value where we are able to differentiate: How is your building going to create a legacy? It's how you're going to engage the young people and the community there. That is [where] I think it's a differentiator in the sector."

The full report is scheduled to be launched on the occasion of the Sustainable Development Impact Summit of the World Economic Forum later in 2022. It will feature case studies, statistics and key drivers and barriers for social procurement.

Key hurdles to scale demand to social procurement...

- 1  Lack of clarity how Social Procurement fits into overall sustainability strategy
- 2  Lack of social procurement and impact metrics within ESG rating methodologies
- 3  Lack of centralized, government driven incentives
- 4  Lack of sufficient capacity and understanding within internal teams to work with social enterprises
- 5  Difficulties in identifying social enterprises in specific value chains
- 6  Uncertainty how to initiate partnerships with social enterprises

... and potential ways to address them

Embedding social procurement at the heart of sustainability strategies, with defined goals and internal KPIs

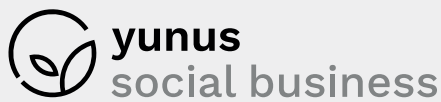
Expanding list of ESG KPIs with metrics directly relates to social impact and social value to incentivize corporates to generate value beyond core operations

Introducing Social Procurement as key evaluation driver for publicly funded expenditure

Design internal education programs among staff and leverage actual social enterprise partners to boost understanding

Leverage existing directories and networks to identify social enterprises within the value chain

Leverage the Yunus Social Business S-S framework to serve as guiding map to scale Social Procurement



About Yunus Social Business (YSB)

[Yunus Social Business \(YSB\)](#) believes in the power of business to end poverty, a model pioneered by co-founder, Nobel Peace Prize Laureate Prof. Muhammad Yunus. YSB has supported over 1,800 social entrepreneurs worldwide to build meaningful social businesses in agriculture, health, education, mobility, clean water, and energy. The company has also accelerated the transformation of corporations into net “people and planet” positive businesses by applying their core competencies to some of the greatest human challenges. Founded in 2011, YSB has headquarters in Berlin and is led by co-founder and CEO Saskia Bruysten. For more information about YSB, follow us on [Facebook](#), [Twitter](#), and [LinkedIn](#), or visit us at <https://www.yunussb.com>.



About Boston Consulting Group

Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we work closely with clients to embrace a transformational approach aimed at benefiting all stakeholders—empowering organizations to grow, build sustainable competitive advantage, and drive positive societal impact.

Our diverse, global teams bring deep industry and functional expertise and a range of perspectives that question the status quo and spark change. BCG delivers solutions through leading-edge management consulting, technology and design, and corporate and digital ventures. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, fueled by the goal of helping our clients thrive and enabling them to make the world a better place.



About the World Economic Forum’s Global Alliance for Social Entrepreneurship

[The Global Response Alliance for Social Entrepreneurship](#) is the largest multistakeholder collaboration in the social innovation sector hosted by an international organization. The Alliance has over 100 members—corporations, investors, philanthropists, governments, researchers, media, and industry actors—who work together to build an engaged ecosystem of key public- and private-sector leaders in support of a social innovation movement that transforms society to be more just, sustainable, and equitable.

In that pursuit, the Alliance mobilizes a trusted community of leaders that acts and learns together, so that social entrepreneurs can flourish.

About the Authors



Daniel Nowack is Managing Director at Yunus Social Business (YSB), working with corporate partners to inspire purpose-driven innovation and transformation of value chains through social business initiatives. Daniel and his team connect social businesses and corporate partners, build new corporate impact ventures and research at the forefront of social innovation.

Aarti Wig is Head of Future Thinking at Yunus Social Business (YSB). She is responsible for research and thought leadership around YSB's corporate social innovation practice. Aarti and her team create tools, frameworks and guides that help companies engage in purpose driven innovation and transformation. Aarti is also co-founder of YSB India, where she set up their corporate social innovation practice and continues to sit on the board of their impact fund for Indian social businesses.



Karol Yearwood is a Project Leader within the BCG Social Impact practice with a focus on Global Development, currently based in Johannesburg, South Africa. Before joining BCG, he helped start the first scaled Microfinance Institution in Ukraine inspired by the Grameen Bank philosophy.

Charlotte Scharr is a consultant at BCG's Munich Office. Before joining BCG she acquired multi-year experience within the industry sector where she gained a deep understanding of corporate procurement processes.

Alexander Baic is a core member of the Social Impact practice at Boston Consulting Group and member of the leadership team of BCG's Social Impact practice area in Germany and Austria. He is responsible for BCG's work in Germany and Austria with nonprofits, government aid organizations, foundations, and social entrepreneurs, as well as BCG's projects in the area of corporate social responsibility.

Dr. Benjamin Grosch is head of BCG's Public Sector practice group and a core member of BCG's Health Care and Insurance practice groups. He is a proven expert in the areas of digital transformation, health insurance, e-health, biopharma and medical technology. He is a member of the management team of BCG Germany and Austria.

Judith Wallenstein leads Boston Consulting Group's CEO Advisory practice in Central Europe, the Middle East, and Africa (CEMA). She is a core member of BCG's Health Care practice, focused on serving clients in the pharmaceutical industry. Judith is also the Social Impact regional practice leader for CEMA, and the Social Impact node in BCG's global Corporate Finance and Strategy practice leadership team.



Alexandra van der Ploeg leads corporate social responsibility at SAP, powering social innovation, and equitable access to education, employment, and the green economy. In this function she oversees SAP's commitment to social procurement, corporate giving and volunteerism, and the development of multi-stakeholder partnership.



Francisco Betti, World Economic Forum
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