

BUYSOCIAL: Why should companies buy from Social enterprises?

Article written by **Angela Achitei, ADV Romania**

Social responsibility has become a crucial element for companies of all sizes and industries in today's world. One area where private companies can make a significant impact is through socially responsible purchases from social enterprises. By supporting social enterprises, businesses can contribute to achieving sustainable development objectives established worldwide, multiplying the good in the community, and making medium to long-term social investments.

By choosing to partner with social enterprises for their procurement needs, private companies can positively influence various aspects of society and the environment.



Social enterprises are businesses that prioritize social and environmental goals above maximizing profits. By purchasing from them, companies can ensure that their supply chain is ethical and sustainable, supporting causes such as fair trade, environmental preservation, and community development.

Moreover, supporting social enterprises aligns with the United Nations Sustainable Development Goals (SDGs), a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030. Through their purchases from social enterprises, private companies can contribute to specific SDGs such as reducing inequality, promoting decent work and economic growth, and fostering sustainable cities and communities.



Additionally, making socially responsible purchases from social enterprises represents a commitment to multiplying good in the community. By investing in products and services provided by social enterprises, private companies can directly impact the lives of marginalized or disadvantaged individuals. These purchases can create economic opportunities, empower communities, and drive positive social change.

In the realm of medium and long-term social investments, partnering with social enterprises presents private companies with the opportunity to make sustainable and impactful contributions. By integrating social enterprises into their supply chains and business operations, companies can create lasting partnerships that benefit both parties and contribute to the betterment of society as a whole.

Private companies can explore innovative ways to support social enterprises beyond traditional procurement relationships. This could involve subcontracting certain parts of their current activities to social enterprises, providing them with valuable business opportunities and fostering collaboration.



Companies could also establish marketplaces, such as online platforms or retail stores, where social enterprises can showcase and sell their products to a broader audience.

THE BUY SOCIAL CAMPAIGN IN ROMANIA: Challenges and results

ADV Romania, in partnership with the Iasi Chamber of Commerce, launched the "Buy Social" campaign to facilitate social enterprises' access to new private markets and, at the same time, to make companies and individuals aware of the benefits of buying products and services with social impact.

International and local companies that have physical or online stores where the products of social enterprises could be listed are not prepared to take this step for several reasons:

- The products of social enterprises are limited in series and cannot cover the supply of the entire chain of stores owned by the retailer.
- The high production cost of social enterprises makes these products uncompetitive on the shelf. Many retail stores have a policy of bringing products to the shelf as cheaply as possible to be competitive in the market. They prefer imports from the mother countries and they are focused on certain products, especially general and term products with large storage/warranty periods.

- Social enterprises do not have the logistical capacity to offer and list in stores. They cannot meet a series of conditions that are imposed equally on all suppliers. Most of the social enterprises cannot pass the auditing process required to be listed in this market.
- Some stores (e.g., IKEA) need the products to be made according to the retailer's design and needs, which requires investing in technology and developing human resources. There is a risk that the social enterprise will become vulnerable in the medium and long term because it only works for a single client who can dictate the purchase price and condition the continuation of the collaboration.
- The reduced access to financing of social enterprises creates for them the risk of running out of cash flow if they are listed in large stores because they must advance money for production in advance and be available to cover an extended payment term (e.g., Kaufland: 90-120 days at least from the time of invoicing). And the invoice can be issued only after at least a shelf listing period that can vary between 30-90 days. In this case, the social enterprise must have sufficient sources of financing to cover an interval between 6-12 months. Given that these social enterprises are not bankable due to the operational model, it is unlikely that they will find alternative sources of financing for an additional cash flow.
- Social enterprises cannot bear the additional costs of listing in stores, such as shelf fees, marketing fees, centralized purchasing services, different types of discounts that they have to give in specific periods, new store opening fees, currency exchange fees, etc.
- Only certain products and services are available for certain physical or online stores. When we talk about restaurants or social cafes, museums or educational centers, they can be listed for example in the benefits platforms owned by Edenred, Pluxee or others. But even here, from the discussions held by these companies, the interest is very low because social enterprises do not have outlets in several localities in the country, and the listing and promotion of a single entity generates costs and is not of interest to a large company.
- Companies still associate the social enterprise sector in Romania with the possibility of delivering products only seasonally during the Christmas or Easter holidays, not understanding that the model of these entities operates throughout the year.
- Poor information and understanding of the social economy sector and the social enterprises that operate in the market both by companies and by their clients.

WHAT WOULD BE THE SOLUTIONS FOR THE PRODUCTS AND SERVICES OF SOCIAL ENTERPRISES TO SUCCESSFULLY REACH THE PRIVATE MARKET?

From the experience of ADV Romania, which is a social enterprise that sells in the B2B market through UtilDeco—its own work integration social enterprise— as well as the experience of implementing the "Buy Social" campaign, there are three directions of collaboration with the private sector:

- Purchases by companies of products and services from social enterprises for their own consumption. This is the most common practice in Romania. Many companies make these purchases because they have included this aspect in their CSR policy, or they can optimize some costs (e.g., they deduct 50% of the purchases from the disability tax because they do not employ disabled people). There are also companies that make purchases of this type because the benefits of the product or service satisfy their current need. In a much smaller percentage, we also meet companies that buy because they resonate with the social mission of the social enterprise. At UtilDeco, we could say that we sell the social story in a percentage of about 3-4% of total sales, and generally, the customers are also social enterprises or NGOs.
- Outsourcing of services to a social enterprise, especially one that focuses on insertion. This practice is less common in Romania, although it is traditional in countries with a developed social economy. In this regard, social enterprises can provide various services such as packaging, labeling, sorting, distribution, or even recycling, becoming part of the production/service supply chain of these companies. This model can have mutual benefits: a company can include this component in its CSR policy, benefit from tax optimizations, or even replace the need for less qualified personnel for operations that cannot be fully automated. On the other hand, a social enterprise can rely on periodic orders, providing a socio-professional insertion solution for its own beneficiaries, who are people from vulnerable groups. Together, both the company and the work integration social enterprise develop the local community by creating opportunities so that no one is left behind.



- Making available to the social enterprise its own markets for the sale of products and services. This model was also tested in the campaign run with Kaufland in four stores in Iași, with the possibility of expanding sales to other stores in the country. At the moment, this model is not functional in the conditions where big retailers treat the social enterprise similarly to a classic supplier that must have logistics capacity, low prices, long payment terms, long warranties on the product, and other criteria that are part of the auditing process. From our perspective, this model could only work under the following conditions:
 - Inclusion of suppliers from the social economy as a separate category in the company's CSR policy, which would involve different elements for auditing logistics and supply capacity, respectively a simpler process of listing in stores.
 - The products and services of social enterprises should not incur other listing costs in stores/platforms as classic suppliers do;
 - The surcharge applied by the retailer should be up to 5% to allow the product that reaches the shelf to have a competitive price;
 - Products from social enterprises to be found in a separate stand, signposted as such and even promoted to encourage buyers to make socially responsible purchases. Alternatively, these products can be included in promotions and the added value that customers receive should also be highlighted.

In conclusion, the importance of socially responsible purchases from social enterprises cannot be overstated. Private companies have a unique opportunity to leverage their influence and resources to support social and environmental causes while also driving positive change in their communities. By embracing partnerships with social enterprises, businesses can play a significant role in advancing sustainable development objectives, multiplying good in the community, and making meaningful social investments for the future.





PARTNERS

