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As the retail sector takes advantage of this festive season to make money, Lien Centre for Social Innovation's executive director says social entrepreneurs need to learn how to hustle.



SINGAPORE: Recently, I attended the President's Challenge Social Enterprise Award at the Istana, organised by the Singapore Centre for Social Enterprise, and was delighted to see amazing social enterprises receive accolades from President Halimah Yacob and Minister for Social and Family Development Desmond Lee.

The biggest prize of the evening went to a local coffee house and roastery Betr Barista. It's a great achievement for a venture that seeks to improve the lives of marginalised women through lifelong training and development. The best part about Betr Barista is that its coffee is really tasty and its service is excellent.

CANNOT RELY ON SOB STORIES

Often social enterprises seek to increase sales and revenues by pitching heartfelt stories of their beneficiaries to the general public. But the reality is that business models that only rely on sob stories soon find it hard to scale. Let me put it this way: How many of us walked into an Apple store thinking, "I feel sorry for Apple. I will spend my hardearned money to buy their latest phone so they can stay afloat." I say the answer is next to zero.

What usually happens in the case of a social enterprise is that consumers feel affected by the sob stories, so they open their wallet just that one time to buy "something" to feel good about themselves and to offer support. But then they quickly realise that the products are not good, end up not using them, and won't recommend them to their family and friends.

This one-off purchase phenomenon is a key reason why some social enterprises remain small and shut down their business after a short time. They incur a very high consumer acquisition cost. In order to successfully scale a venture, an entrepreneur needs to understand the forces that drive consumer spending habits.

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Average customers tend to buy products that are priced reasonably, are of good quality and durability. I say priced reasonably because I have encountered instances in which social entrepreneurs believe that because they run a social enterprise, they can charge a higher price solely for that reason. This is a wishful thinking!

BUSINESS, NOT CHARITY

Like other businesses, social enterprises rely on recommendation, word of mouth and customer loyalty. When it comes to messaging, customers learn to build a tolerance to emotional stories. Shopping should be joyful - and the sense of well-being one gets from contributing to a good cause tends to fade with time.

Successful social entrepreneurs develop quality products and services, while maintaining commitment to social impact.

One example is The Mustard Tree, a gift shop that employs special needs artisans. The store is quick to point out on its website that it wants to be recognised for its quality designs and good cause. By structuring its organisation as a business, not a charity, The Mustard Tree works hard to earn the business of each customer.

Another way to build a loyal customer base is to make consumers feel included in the growth and social impact of a social enterprise.

For instance, by regularly purchasing handicrafts from the Mother+Child Project - which provides retail training and home-based sewing work to disadvantaged women - consumers can receive high quality products while empowering single mothers and women recovering from psychiatric conditions and giving them financial independence and opportunities to learn new skills.



GET HUSTLING

Understanding consumer spending behavior is one thing, another is to understand the concept of hustling. Being a hustler means you work hard and grind all day and all night because you don't have resources. Your back is against the wall, and the only way to succeed is to put the time and effort to make the business happen.

When I mentor aspiring entrepreneurs, or consider investing in an enterprise, I look for that fire – something that drives the founders, something that assures me these entrepreneurs won't quit the minute they encounter challenges. Social entrepreneurs have to know how to leverage their personal connections and social capital they have built over the years.

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Social entrepreneurs should also be careful not to spend all of their time and energy chasing grants from various entities and business plan competitions. I am not saying they shouldn't do it at all but that they need to be strategic because these grants and business plan competitions consume a lot of time.

Time that otherwise can be spent on running and growing the business. People like to get grants because it's free money, with no strings attached, That's true but I also highly encourage social entrepreneurs to seek money from impact investors and venture capital firms.

Yes, you will need to give away equity stake to your investors, but the right investors come with connections, mentorships and management insights. They also demand entrepreneurs to be more business-minded, which is needed to scale a business.

Some of these skills and knowledge can be picked up by enrolling in courses, attending workshops, or even by getting a degree. But beyond these educational channels, having the right partners, mentors and investors will be useful for the growth of your businesses.

As the year draws to a close, I urge social entrepreneurs to consider new methods of connecting with their customers in more sustainable and meaningful ways. And as consumers, let's do something different. Let's buy some of our holiday gifts from local social enterprises that are committed to both high quality products and social impact. Give them a chance to make a difference, and you might be surprised to find the hidden gems.

Jonathan Chang is executive director of the Lien Centre for Social Innovation at the Singapore Management University.