

Study of Social Entrepreneurship and Innovation Ecosystems in the Latin American Pacific Alliance Countries

Case Study: Late, Chile

Fundación Ecología y Desarrollo

Office of the Multilateral
Investment Fund

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Study of Social Entrepreneurship and Innovation Ecosystems in the Latin American Pacific Alliance Countries

LATE!, CHILE

**Multilateral Investment Fund (IADB) ·
Fundación Ecología y Desarrollo**

July 2016



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Pedro Traverso, Founder, Late!

Maria Trinidad Vicuña, Coordinadora Alianza Empresas, Fundación Nuestros Hijos

1. Introduction

Name: Late!	
Description	Private company owned by a non-profit foundation that sells basic commodity products and donates 100% of the profits to recognized children's charities in Chile and Peru.
Founded	2008 (Limited Company), 2009 (Foundation), Santiago, Chile.
Legal format	Non-profit foundation and limited company in Chile, non-profit association in Peru.
Num. employees/volunteers	5 in Chile, 1 in Peru with the founder as a volunteer.
Geographical reach	Chile, Peru.
Certifications/ awards	B Corp and Chilean social development prize, (<i>Sello Más por Chile</i>) (2012), Best for the World B Corp Prize (2014, 2015, 2106), Mercurio prize for Social Entrepreneur of the Year (2015).
Social innovation variables	
1. Innovation type	Chile's first business to donate 100% of profits to charity. Late! operates an innovative symbiotic relationship with beneficiaries who help the company attract new clients and boost sales.
2.Social impact	23 social organizations in Chile and 2 in Peru have received donations, a total of 1 million USD has been donated to charities.
3. Financial sustainability	The profit maximization strategy includes austerity in operations as well as multiple partnerships with key suppliers to receive services at zero cost, such as marketing and legal services.
4. Key Partners and Support ecosystem players	Key partners are the beneficiaries (via Community of Social Organizations) and clients who operate in a multi-platform relationship: beneficiaries attract new clients and promote sales.
5. Scalability and Replicability	Two strategies for growth; 1) diversify product base and 2) replicate the model in different countries while maintaining governance from the founding Chilean enterprise.
References	www.late.cl and www.late.pe

2. Local Social Issue and the Challenge

Late! set out to resolve two key challenges in Chile; first, the financial strain under which many social organizations across the country operate and second, the lack of ethical consumption options to empower consumers to influence corporate practices to be more responsible, equitable and sustainable.

Financial struggles for NGO sector

The first challenge is the lack of financial resources that many social organizations, foundations and NGOs face, making it very difficult to implement their social mission effectively. Many social organizations in Chile have been created under a donations-based model, however struggle to make ends meet, as both government and private support is limited. On one hand, the public budget for social development tends to be only channeled towards specific public social programs for dealing with poverty and exclusion. On the other hand, the corporate philanthropy sector is in its early stages in Chile. The third challenge for these organizations is the sheer volume of organizations in the country, the community for social organizations in Chile has 130 members and they all compete for the same resources. There are also many NGOs that are not members of the community. As a result a common pattern is to seek individual donations through membership arrangements as well as organize large-scale fundraising events, such as the Telethon, a televised fundraising event to raise money for a worthy cause.

Lack of ethical consumption

For Late! the lack of consumer power to influence more responsible corporate practices in Chile is seen as both a challenge and an opportunity. As for many Latin American countries the ethical consumption market is still very small in Chile, with very few day-to-day products being produced according to ethical, environmental or social criteria, and far fewer are certified by a recognized external standard. While there is a growing sector of environmentally friendly products emerging in the market, with eco-labeling a relatively new phenomenon; aside from the sporadic instances of fair trade there are very few products that have been produced with specific social criteria. The challenge for Late! is that the culture of ethical consumption is very incipient, as the majority of consumers are unaware of their potential political power through purchasing practice. The opportunity for Late! is to pioneer a transformation of the market to influence corporate behavior through consumer power.

Collusion culture

In the last few years Chile has suffered from practices of unfair competition from large corporates across different sectors, notably commodity products (e.g. chicken, toilet paper). The dominating players for certain products have gained unfair advantage through malpractice such as making agreements to limit open competition, dividing markets, setting prices or limiting production. In 2015 there was a recent case of collusion where leading brands of toilet paper decided to raise their prices, and for this reason one of Late!'s most recent products is toilet paper.

3. Solution and Social Impact

Late! sells basic commodity products at competitive prices and donates 100% of its profits to recognized social organizations who work for young people and children at risk across Chile. The company's mission is twofold: first to introduce ethical products into the market, giving consumers in Chile the opportunity to convert the act of consumption into an act of solidarity and second to generate funds for the foundations and NGOs who are dedicated to improve the lives of the most vulnerable in society.

Chile's first social business

In 2008 Pedro Traverso and six others (Guillermo Rolando, Francisco Ruiz, Juan Pablo Larenas and Cristóbal Barros, Paula Margotta and Manuel Matta) set up two organizations: first a private limited company to manage the distribution of the products and second a non-profit foundation to make the donations. The Choose Well Foundation, (in Spanish *Fundación Elige Bien*) owns 99.9% of the private company, with Pedro, the founder, owning a symbolic 0.1%. This hybrid structure was chosen to enable Late! to donate 100% of its profits. In Chile (as is common in many countries) a company can only donate 5% of its profits to charity tax-free. As the first company in Chile to adopt this model, it has frequently been described as the first social company in the country.

Late! currently sells 4 different products: sodium free mineral water in three sizes (500cc bottles, 2 liter bottles and 20 liter water dispensers), as well as 1 liter cartons of pasteurized milk. The majority of Late!'s distribution is direct sales to large organizations including mining companies, hospitals and clinics who use the water for their employees or businesses in the catering sector who sell the water on to their clients. Late! also distributes in several supermarket chains and hardware stores and in 2016 launched a domestic delivery service with direct payments through consumers' bank accounts.

Symbiosis with social organizations

Late! only donates to foundations and NGOs that are members of the umbrella organization Community of Social Organizations in Chile and each company that buys Late!'s products chooses the recipient organization for the profits generated from the bottles they buy. In turn the Foundations and NGOs promote Late!'s product as a way to receive more donations, and in some cases will even bring Late! new clients. This symbiotic relationship not only helps to reduce Late!'s marketing costs but is also an innovative way of generating new clients.

Social impact

Late! has donated 1 million USD to 20 social organizations in Chile to support specific projects that help, protect and safeguard children at risk. In addition the social enterprise has helped inspire both consumers and businesses that companies can create social value. While Late! only has 0.5% of the bottled water market in Chile the company has played a key role in kick-starting the social enterprise movement in the country. Late! was the first company to be certified as a B Corps and a core promoter of the idea of a new legal structure for social business.

4. The Social Entrepreneur



Pedro Traverso, president of the Late! foundation and co-founder of the limited company, has always had an interest in the role of business in solving the world's problems. He grew up as one of seven and went to a progressive school in Chile (*San Juan de Evangelista*) where he was active in extra curricular activities such as the scouts. He then studied agronomy, followed by an MBA at the Catholic University of Chile and finally a Masters in Industrial Engineering at the University of California, Berkley.

It was his time at Berkley that inspired Pedro's curiosity about social business and when he returned to Chile he was set on the idea of a commercial enterprise that could create social value. Pedro's mission was to create a social business by selling a product that is mass produced at low cost and has a low differentiation value such as rice, sugar, water, milk, and donate 100% of the profits to social causes. He tried to find someone to turn his idea into reality and talked to colleagues from an institute where he used to give classes to micro-enterprises (Infocap). He also shared the idea with one of Chile's most renowned foundations *Techo* and to other entrepreneurs. A common reaction was "*Why not donate 50% or 80%?*" and his reply is that even if the business were to donate 99% of profits, there would be a 1% doubt about the company's true motivation.

By 2008 Pedro and five others co-founded Late, and in the first year they had limited success with the bottles stacking up unsold in Pedro's house. Close to losing faith in 2010 Pedro had a stroke of luck and responded to the urgent need for water in an earthquake that year. He made the swift decision to donate bottles of water the day after the earthquake, with a promotion of 1+1, whereby for every bottle of water bought, one would be donated to the earthquake victims. The entire stock he had at the time was donated and this enabled Late! to be the first bottled water to appear on the news as reaching the victims. He rebranded the water as "*The water that makes you do good*" and by 2010 made the first donation to a local children's charity. Since then the company has grown consistently and in 2016 reached its first million USD in donations.

Pedro has been nominated Social Entrepreneur of the Year by the Schwab Foundation and the magazine "*Sábado*" and Late! has become known as Chile's first social enterprise. Pedro is a pragmatist, "*I don't like revolutions,*" and his philosophy is to compete in the market and add social value. Above all his mission is to empower consumers to use their power to change the world through changing business. Pedro is a father of three, runs a private consultancy company, teaches part time at the Catholic University of Chile and is a volunteer at Late!

5. Business Model

5.1 Characteristics

Late! sells sodium free mineral water and pasteurized milk to businesses and organizations and individuals. The products comply with the highest quality standards and are sold at competitive prices compared to other similar products on the market and are distributed through retail supermarkets and directly to consumers. Like any other commercial enterprise the company has an operational structure organized by administration, finance, commerce, production and distribution.

The company's value proposition has two components. First, it creates profit to donate to recognized social organizations that work specifically with children and young people. Second, it provides the opportunity to convert the act of consumption into an act of solidarity, providing businesses with the opportunity to demonstrate their ethical values by buying the products for their employees or customers as well as strengthening a relationship with a specific social organization, serving in turn to boost their brand and CSR policies.

Key to the business model is the fact that each business chooses a specific organization to support and this means that the organizations themselves are also active in promoting the brand, either by bringing on board new clients or helping to boost sales of Late! products within the business that has already chosen to support them.

"We have two figures, foundations who bring us clients, and on the other hand, clients who choose which foundation they want to support. We try to get the businesses involved with foundations," comments Pedro Traverso.

Products

Late!'s current products are listed below, and the long term vision is to have a suite of basic commodity products to sell both to businesses and directly to consumers.

- 500cc bottles of sodium-free mineral water, (still and sparkling)
- 2 liter bottles of sodium-free mineral water, (still and sparkling)
- 20 liter sodium-free mineral water dispensers with hot and cold facility
- Whole, semi-skimmed and skimmed milk in 1 liter Tetrapack.

Toilet paper is the next product to be offered in 2016 and has been chosen as a basic commodity that between 2015 and 2016 underwent a controversial process of collusion, whereby large companies carried out unfair practices of price setting. The product has been chosen to give consumers the opportunity to opt out of this kind of practice and create a culture of more ethical consumerism in Chile.

"It's a good business model because just as there are green consumers there are also ethical consumers," states Eduardo Castillo, Manager of Late!

5.2 Fee structure or pricing model

Late!'s profits are made from the margin on each bottle sold, which in the case of the 500cc bottled water can be between 10 and 20 cents (USD) per bottle, depending on the distribution through direct sales or retail. The net profits after all operational costs have been covered are then donated to the social organization via the foundation. Distribution is through three main channels:

- B2B, sales to businesses who give the water to their employees or clients (e.g. mines, hospital clinics)
- B2B, sales to businesses who sell the water to their customers (e.g. supermarkets, bars and restaurants, casinos)
- B2C, sales direct to customers on a monthly subscription basis arranged through direct debit

In the early stage of the business Late! sold mainly to supermarket chains, however the conditions of late payments, high commissions and fierce competitions with far better known brands made this very difficult. For this reason the company started selling directly to organizations that use a lot of water, such as mining companies, clinics and other large organizations which now represents around 90% of sales. This has since expanded to organizations of all sectors as shown in Annex 2. However Late! continues to distribute a small percentage of its volume to supermarkets as this is a key part of the long term vision to have a line of ethical basic commodity products that are available on a mass consumer scale to stimulate the development of ethical consumerism in Chile.

Profit maximization

To maximize profits, Late! keeps all operational costs to a minimum, with a small office, many staff who work remotely, with a team of 5 people. The production is outsourced. Key to minimizing costs is that all marketing and communication services are delivered pro-bono from various different communication agencies. For a product that competes only on brand this is a key part of the business strategy, and for Late!'s competitors represents a major cost. As well as pro bono services from the agencies the social organizations themselves also take on a large part of the marketing costs.

In the case of the Children's Foundation (in Spanish *Fundación Nuestros Hijos*) who receives donations from all of the water sold at the multi-national hardware store *SODIMAC* the foundation actually pays for the design, printing and installation of all of the Late! marketing materials in the stores to help boost sales, and works closely with *SODIMAC* on each campaign. (See Annex 2 for examples of publicity material.)

5.3 Target beneficiaries

Late! considers two sets of target beneficiaries, not just the social organizations that work specifically with children and young people but also the companies with an interest in implementing ethical or Corporate Social Responsibility (CSR) policies.

Social Organizations

The Community of Social Organizations is an organization that supports foundations and NGOs in Chile, offering resources, training, lobbying and a space for collaboration. There are 130 member organizations which reach a total of 500,000 beneficiaries, with a total of 17,000 employees and more than 8,000 volunteers. The foundations that receive donations from Late! are both beneficiaries but also strategic allies as they promote Late! to clients. *“The idea is that the foundations are pro-active,”* says Eduardo Castillo, Manager of Late!

For each foundation selected by Late!’s clients, a specific agreement is made between Late! and the organization, which specifies the unit cost of the support that they give to their particular target group (e.g. the cost of a bed for a night for a child in the family support house for children with cancer). This is the first step in a process of accountability to ensure the donations are spent on the core activities of the organization. Figure 1 shows the 23 different organizations that have received donations to date.

Figure 1. Social organizations as beneficiaries of Late!



Annex 2 shows the businesses that currently buy Late! in Chile.

Businesses

Although the businesses who buy Late! are the company’s client base, Late! considers that they are also beneficiaries as they are benefiting from the option to demonstrate their ethical stance through their procurement practices. This is clearly the case for SODIMAC, the home furnishings store that did not previously sell water however has a strong sustainability policy. SODIMAC has adopted the collaboration with Late! and chosen to support the Children’s Foundation to demonstrate their own ethical practices to their consumers. 100% of the profits that they make on the water sold in their stores goes to the foundation, in this case around 20 cents (USD) per bottle.

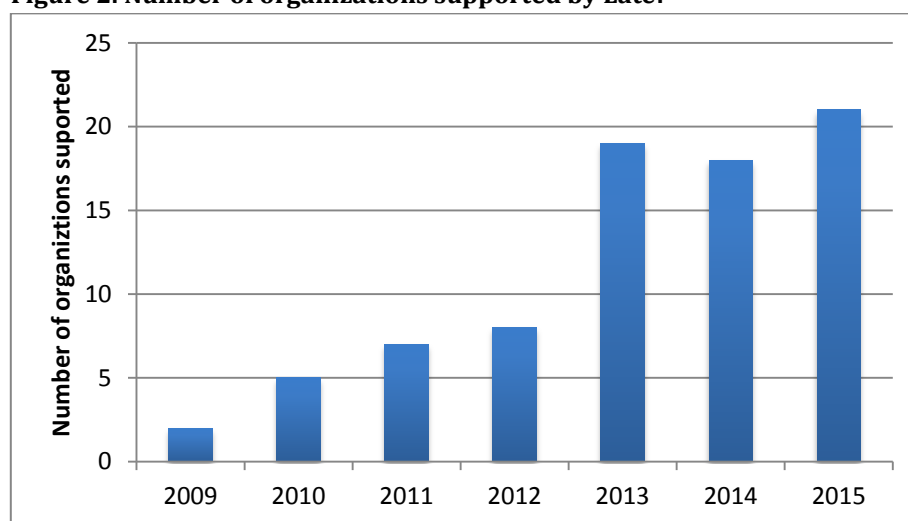
6. Social and Financial Performance

6.1 Social Impact Performance

6.1.1 Social impact achieved

Late! has made donations of a total sum of 720,000 USD to 23 social organizations in Chile since it was founded in 2009, and in 2016 reached a total of 1 million USD in donations. Figure 2 shows the evolution in number of organizations supported with significant growth between 2012 and 2013.

Figure 2. Number of organizations supported by Late!



The types of organizations that Late! has supported vary in their focus; many organizations provide centers or shelters for children whose rights have been infringed in some way or who suffer from an illness or disability. Others provide specific support including school transport services or research for a particular illness. Table 1 shows the variety of organizations supported by Late! as well as the specific activity for which the donation is destined to.

Table 1 Social organizations supported by Late! in 2013

Name	Purpose	Activity that Late! funds
<i>Fundación San José</i>	Supports women at risk with their pregnancy and children who need a home.	Maintenance of the Women's Centre "Casa Belen."
<i>Comunidad organizaciones solidarias</i>	Strengthens and encourages collaboration between social organizations in Chile.	Support for the organization in its daily activities.
<i>Futbolmás</i>	Provides sports activities for young people.	Support for social sports workshops.
<i>Coprin</i>	Provides free education for vulnerable children.	Support for the childrens' centers for free education.
<i>Corpalíu</i>	Supports children with impaired vision and multiple challenges.	Support for school transport for children with multiple challenges.
<i>Mater Corporación</i>	Supports children with kidney	Support for research project on kidney

<i>Renal Infantil</i>	failure	malfunction.
<i>Fundación Nuestros Hijos</i>	Accommodation for families of children with cancer while receiving treatment.	Running costs of the house where families are housed.
<i>Las Creches</i>	Supports children whose rights have been abused.	Development of the project “Home” to house maltreated infants.
<i>Maria Ayuda</i>	Supports abused teenagers.	Maintenance costs of a mixed sex residence for abused teenagers.
<i>Naim Curico</i>	Catholic based support for children whose rights have been abused, in a process of prevention and recovery.	Maintenance costs for the house where children are received and cared for.

6.1.2 Social impact measurement

Late!’s principal indicator for impact measurement is the money donated to each organization, details of which are published on the company’s website. As shown in figures 3 and 4, there was a significant increase in total donations between 2013 and 2014.

Figure 3. Accumulated donations from Late! (2010-2015)

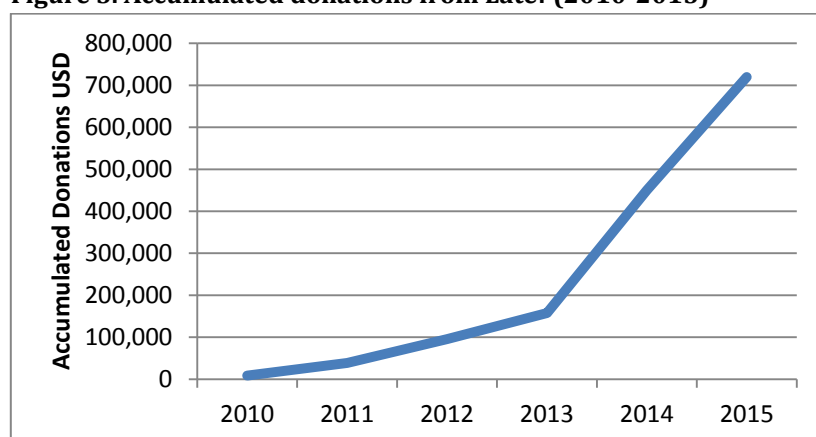
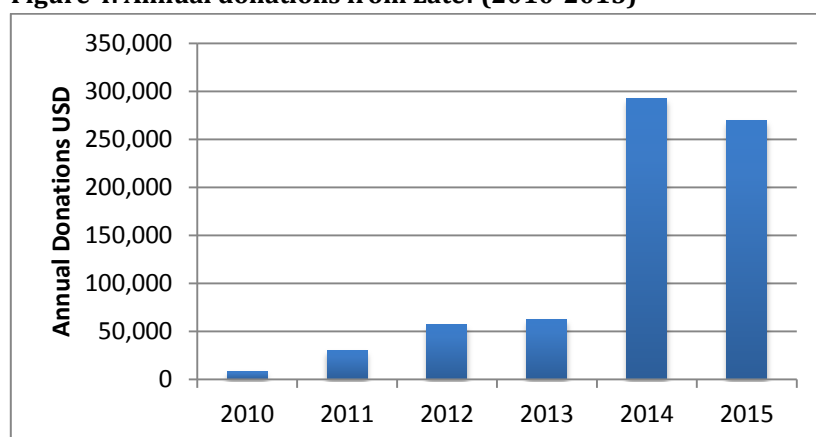


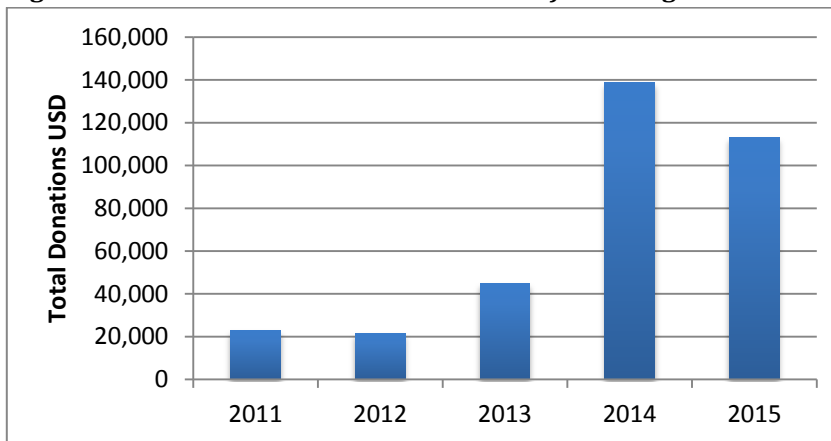
Figure 4. Annual donations from Late! (2010-2015)



SODIMAC and Fundación Nuestros Hijos

Our Children Foundation (in Spanish *Fundación Nuestros Hijos*) was one of the first foundations to receive funds from Late! and has received the most donations so far. In Chile 500 children have cancer every year and the public health system is not robust enough to provide all their medical needs. The foundation has been running for 25 years and has an annual budget of 3 million USD. To date the foundation has received a total of 1 million USD from the hardware store *SODIMAC*, which includes the Late! contributions. To date the foundation has received 330,000 USD from Late! Figure 5 shows how contributions have increased over time, partly due to the growing collaboration between the foundation and *SODIMAC* as they develop ever more sophisticated marketing campaigns for the water sold in the stores and partly to growing consumer awareness of Late!

Figure 5. Donations to *Fundación Nuestros Hijos* through sales at *SODIMAC*



At the other end of the scale Late! also makes donations to some organizations of far smaller amounts, such as to the infant nutrition NGO Conin which received 1,500 USD in 2010 and nothing more. Late! would like to develop more sophisticated measurements for the impact of its donations, requiring the organizations to measure (for example) how many extra beds have been provided, extra meals or school bus trips.

Impact on ethical consumerism

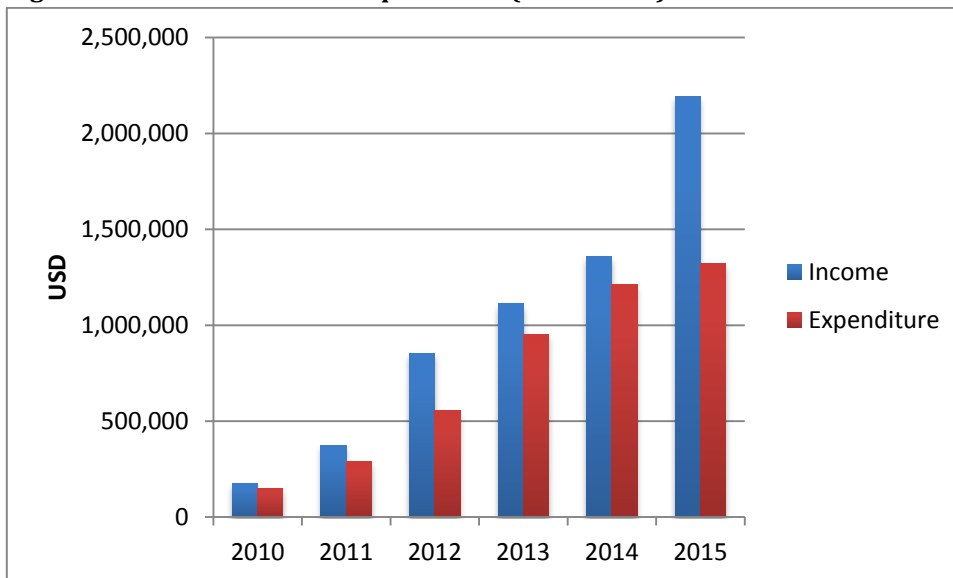
Late!'s aim to influence more responsible business practice through stimulating ethical consumerism is more difficult to measure. What can be monitored is the increasing number and diversity of clients. Currently 115 organizations in Chile purchase Late! products, from large multi-national businesses such as *SODIMAC* to small university cafeterias, as well as a other types of organizations including private clinics, ski resorts and other tourist installations, NGOs and UN agencies. Pedro Traverso comments that competitors are starting to react from Late!'s presence in the market, either with more aggressive pricing strategies, by offering discounts that Late! cannot compete with, or through the introduction of environmental criteria, such as more sustainable packaging. Given Late! only covers 0.5% of the mineral water market it is still difficult to assess the impact that it is having directly on the practice of other businesses.

6.2 Financial Performance

6.2.1 Revenue and Expenses

Within its first 12 months Late! began making a profit in 2010, when the first donation was made. This has been achieved through a consistent policy of austerity to keep costs down, with the founder working as a volunteer since the start, a small team of three people for the first three years and a strategy of securing pro-bono services wherever possible. The company maintains maximum financial transparency with all accounts audited by KPMG and published on the website. Figure 6 shows the continued growth in income over the years with a notable increase in profits in 2014-2015.

Figure 6. Late! Revenue and Expenditure (2010-2015)



6.2.2 Proportion of Income from Sales

Late!'s 5 co-founders in 2009 all contributed with a symbolic 500 USD each and in the same year the company took out its first and only loan of 60,000 USD from three private individuals which was paid back by 2013. Until 2015 when Late! received a second loan from Chile's Social Investment Fund (acronym in Spanish FIS) 100% of revenue had been from sales. The 500,000 USD loan from FIS was to finance the purchase of 20-liter water dispensers (for rental to businesses), as well as purchase vehicles to be able to scale distribution. The loan is scheduled for payback by 2020.

7. Business Development and Ecosystem Evolution

Recognized as Chile's first social business in the last 8 years Late! has donated funds to 23 social organizations and reached its first million USD in donations in 2016. The process can be categorized into three stages: Start-up Stage, Early Stage and Growth Stage.¹

Table 2. A summary of Late!'s business development milestones from 2003 to present

Stage	Year	Description
Start-up	2003-2008	Pedro Traverso developed the idea of a social business and sought support from Infocap, TECHO and other entrepreneurs.
	2008	Pedro and 5 co-founders registered Late! as a private limited company.
	2009	Registered the Foundation <i>Fundación Elige Bien</i> . First donation made to children's charity <i>San Jose por la Adopción</i> . First pro-bono marketing work from communications agency <i>Punto Medio</i> .
Early	2010	Donated water to the earthquake victims with national press coverage. First collaboration with <i>SODIMAC</i> and <i>Fundación Nuestros Hijos</i> . Partnership began with Community of Social Organizations.
	2011	Negotiations with Social Investment Fund started. Donations and number of organizations increased.
	2012	Certified as B-Corps company and awarded Avonni prize. Foundations started doing marketing for Late! First mining company bought products for their workers.
	2013	14 foundations received donations, 3 million bottles sold. Awarded Chilean Prestigious Social Prize <i>Sello Más por Chile</i> Registered Late! Peru as non-profit organization with loan from Late! Chile.
Growth	2014	20 Foundations received donations. Loan agreed from Social Investment Fund for 500,000 USD. New products on the market, carton milk and 20 liter dispensers.
	2015	23 Foundations received donations. Collusion and price fixing scandal with commodity products in Chile inspired Late! for new product.
	2016	B2C operations started with direct debit monthly subscriptions for products. 1 million USD in total donations.

¹ **Start-up stage:** a preparation period for setting up a business or an enterprise. An entrepreneur's team develops a business idea and a business model. In some cases, they have product/service prototypes which are not fully developed or tested. **Early stage:** A period from business initiation until business scale-up. An entrepreneur's team may first deliver its products/ services in a test market to examine its business model. Also, the team may file patents or obtain licenses, if necessary. Once the business model is consolidated, it starts its business. However, the business remains quite small due to lack of capacity and resources. It may reach a breakeven point at the end of this period. **Growth stage:** A period after scaling up the business. The business exceeds the breakeven point and increases its sales, number of beneficiaries, the market share etc. The team revises the business model in order to sustain and/or expand the business, if necessary. In some cases, the team starts to investigate new products/services.

7.1 Startup Stage (2003 – 2009)

7.1.1 Milestones

The idea for Late! was sown while Pedro was studying for his Masters degree at Berkley. On return to Chile he consulted several organizations on the concept and the business model, including the renowned volunteer based housing NGO, *Techo* and Infocap an organization where he previously gave classes on micro-enterprise. Pedro's initial idea was to find an entrepreneur who could take the idea forward and create Chile's first social enterprise. However he failed to find this person and eventually decided to take the lead himself.

Company and Foundation registered

The first step was taken in 2008 when Pedro and four others set up a private limited company to commercialize products (in Spanish *Empresa social de comercialización de productos limitada*). Each of the founders contributed with a symbolic 500 USD and by the following year the company took on a private loan of 30,000 USD from three businessmen. In 2009 the Foundation was created to complete the hybrid structure, which would allow Late! to make tax-free donations. At the time in Chile the concept of social enterprise was unknown and there was very limited activity in terms of CSR.

Now that the business model was defined and the supplier Mac Cola of the bottled water was selected, the company started to go to market in March 2009 with the first product (500cc mineral water bottles) placed in several supermarkets. A public launch was supported by the communications and marketing expertise of *Punto Medio*, who helped develop the brand. In July of the same year the first donation of 3,700 USD was made to the San Jose adoption Foundation, an NGO selected by Late! Even though the company had not made a net profit that year for the donation, Pedro decided it was key to make this first donation early in the company's history to ensure the concept was trusted from the start, and money for the donation was used from the company's initial capital. Sales were insufficient during this first year, with the supplier's minimum order of 20,000 bottles and only 500 units being sold. Added to the challenge of this start up stage the supermarkets didn't pay for up to 90 days and sometimes longer, and the product only had a 6-month shelf life.

Humanitarian disaster initial boost for Late!

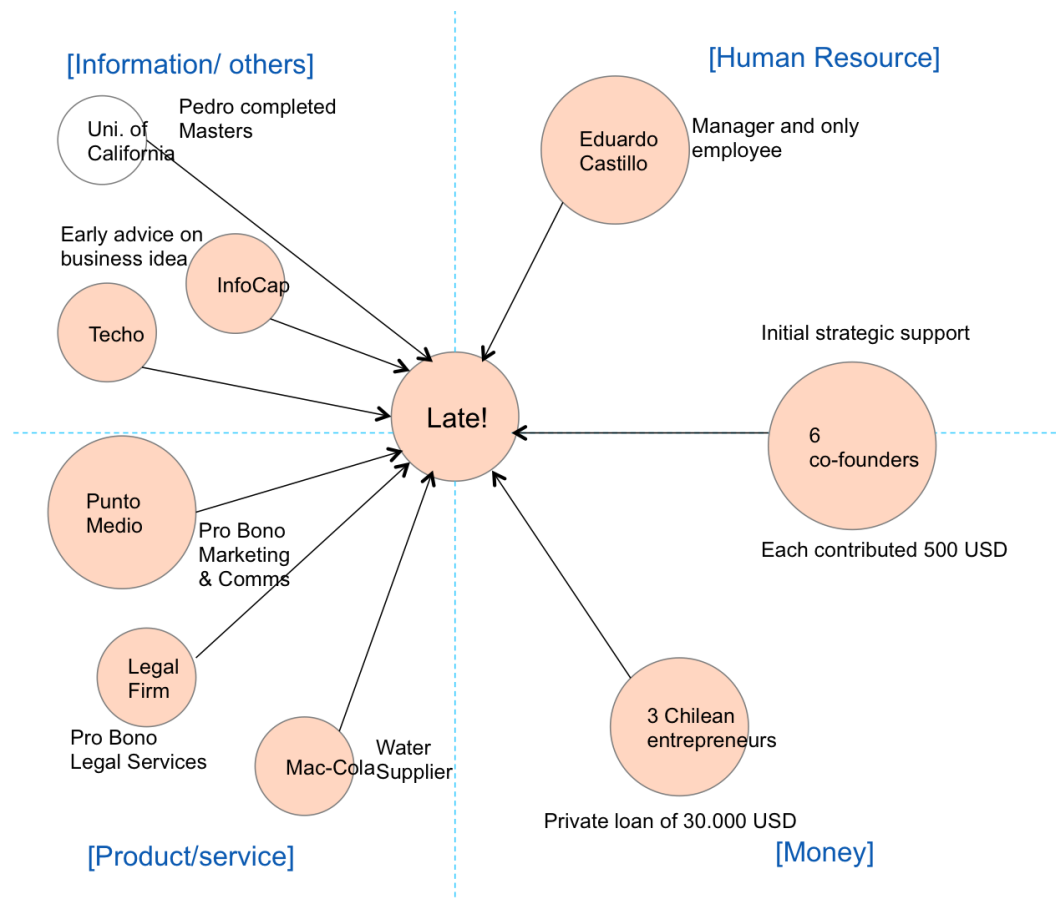
In February 2010 Chile was struck by an earthquake, which left thousands of victims without water. Pedro was able to react quickly and organized his stock of Late! bottles to be dispatched immediately to the area, and the brand was featured on the news as the water was dropped in to the disaster zone by helicopter. This provided a huge marketing boost for the company and saved Late! from a near break, the water was rebranded as Solidarity Water (in Spanish *Agua Solidaria*), sales immediately increased and a net profit was made in 2010.

Later that year Late!'s relationship began with the leading Latin American home furnishings store, *SODIMAC*, which later became a strategic client for the company. At the beginning the staff were not convinced by the concept and efforts on raising awareness of the concept of ethical consumerism were needed. At this point Late! realized the value of the client choosing

which organization to support as *SODIMAC* requested that profits were destined to the charity with whom they already had a partnership, *Fundación Nuestros Hijos*. The foundation developed its first publicity campaign in the store and sales began in 2010. From this point on Late! gave the client the choice of social organization to support and Pedro discovered the Community of Social Organizations which became a key partner to enable this symbiotic relationship between foundation and client to flourish.

7.1.2 Key supporters

Figure 7. Late!'s key supporters at StartUp stage



7.2 Early Stage (2011-2013)

7.2.1 Milestones

Beneficiary foundations become strategic partners

Following the example of *SODIMAC* and *Fundación Nuestros Hijos*, the model of beneficiary foundations promoting the sales of Late! was taken up across the foundations Late! donated to. In 2011 the strategic partnership with the Community of Social Organizations (acronym in Spanish COS) was formalized, whereby the “certification” for bona fide foundations became a task completed by the COS. This enabled Late! to focus energy on developing more

distribution channels and the COS coordinated the relationship with the social organization beneficiaries.

During this stage Late! benefited from the marketing and communications support from three different companies, Robot, Punto Medio and Punk who each took on different aspects of the marketing support needed, including social media, brand development, and press relations. The philosophy behind working with several agencies was intended to be inclusive, as increasingly more companies were interested in collaborations with the up and coming social enterprise.

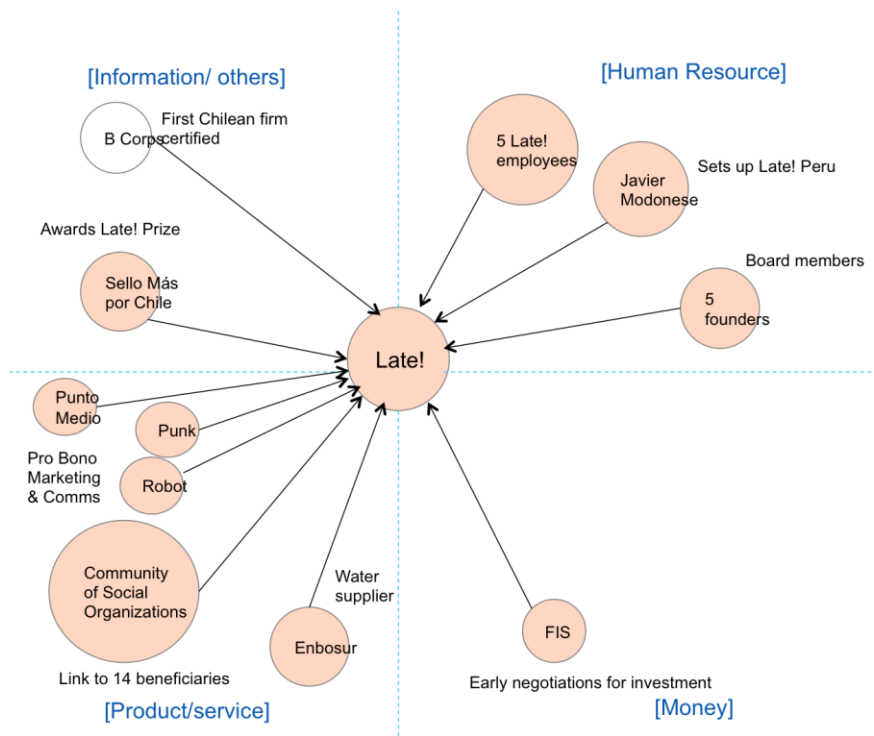
Late! pioneers Sistema B in Chile

In 2012 Late! became the first company in Chile to be certified by B Corp, which is a key step in the creation Sistema B as the Latin American arm of the US created B Corp. However, the certification was not immediate as the fact that Late! sold plastic water bottles gave the company a low environmental score. During the same year the company won the Chilean Avonni prize, which is a prestigious innovation prize, which gave Late! considerable media coverage. This increased publicity helped Late! to broaden its client base, selling in a large mining company, several restaurants, private health clinics, and universities and it continued distributing through the supermarkets. In 2011 and 2012 annual donations were around 50,000 USD with around 10 beneficiary organizations.

In 2013 the company was awarded the Chilean social development prize, (in Spanish *Sello Más por Chile*), and the number of beneficiaries doubled to almost 20 although annual donations remained around the 50,000 USD mark with 30 clients. Late! changed its key water supplier to *Ebnosur* with presence across Latin American and greater capacity for expansion and in the same year Late! Javier Modonese registered the non-profit organization, Late! Peru.

7.2.2 Key supporters

Figure 8. Late!'s key supporters at Early Stage



7.3 Growth stage (2014-2016)

7.3.1 Milestones

Investment from Social Investment Fund

A key moment in Late!'s history was securing investment from Chile's social investment fund (acronym in Spanish FIS) in 2014. This was after three years of discussions and a due diligence process with the fund. The investment is a total of 500,000 USD and Late! and is in the form of a 10 year loan. With this injection of capital Late! bought a stock of 20 liter water dispensers to be able to loan the dispensers to businesses and domestic clients and grow this arm of the business. In addition 6 more vehicles would be bought to increase distribution capacity. In 2014 Late! launched two new products, cartons of pasteurized milk, and the 20 liter dispensers and attracted a new client, Walmart, where 50% of all the milk was sold. Two years after initial certification Late!'s B Corp certification, their score increased by 4 points up to 85 (over 200). 2014 saw a growth in sales, with 57% more than in 2013.

Collusion scandals inspire new products for Late!

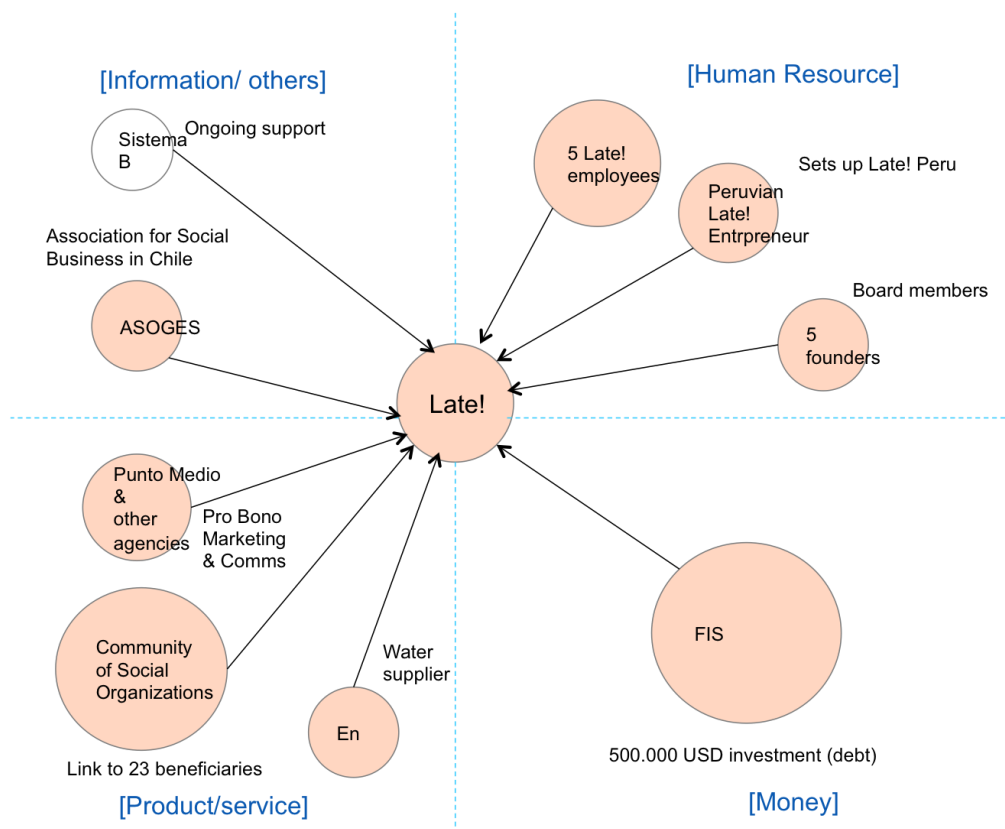
In 2015 there was a scandal around illegal price-fixing in Chile in the national chicken market, and in January 2016 similar mal practice was discovered for toilet paper when two companies were discovered to be operating an illegal monopoly of the sector. This inspired Late! to

develop its latest product, a line in toilet paper, to continue to raise awareness around the potential for companies to be responsible.

In 2016 the business to consumer distribution strategy was trialed for launch later in the year, whereby clients will be able to purchase monthly subscriptions of basic products, and pay through direct debit from their bank. The foundations will help market this strategy by promoting the service to their members and supporters as a way of securing donations. This is a unique strategy in the sector, whereby the foundations will ask their members to subscribe to Late!'s products, rather than asking for direct donations.

7.3.2 Key supporters

Figure 9. Late! key supporters at Growth Stage



8. Scalability and Replicability

Late! has two growth strategies to influence corporate practice and stimulate ethical consumerism across Latin America. The first is to replicate the model in other countries; this process is most advanced in Peru where Late! is registered as non-profit organization and in Argentina and Colombia the brand has been registered. The second strategy is to develop more products within the line of basic commodities.

Analysis of other replication models

The first step taken in the process of internationalization was to research other models that have been replicated across the region, as was the case for *Techo*, now present in most Latin American countries. Pedro Traverso studied this model and discovered that the replication was not always successful, with *Techo* having a different replication model in each country. *Techo* Chile had some difficulties with the way the *Techo* Brazil's operations, and as the Brazilian arm was an independent organization with no control mechanisms in place, providing a challenging situation for the founding organization.

For this reason Late! has decided that the foundation registered in Chile will be majority shareholder in the organization of each country to maintain a degree of control on how the operations are undertaken. Once more countries are on board an international board will be set up with representation from each and the national organization will sign up to a series of defined basic principles. Ideally each country will collaborate with an NGO intermediary as a mechanism for third party credibility in the selection of the NGOs.

Late! Peru

In 2013 Javier Modonese, a Peruvian entrepreneur, registered Late! as a non-profit organization in Peru. Although the management of the enterprise and distribution of funds is entirely in the hands of Javier, Late! keeps control of the overall philosophy of Late! through participation in the board and 60% of the shares are owned by the Foundation in Chile. Late! Chile lent the Peruvian enterprise 50,000 USD to start the enterprise. To date Javier is the sole member of the team and operations are run from his house. Javier also runs a marine conservation NGO so does not dedicate himself full time to Late! Peru.

Late! Peru follows a very similar model to Late! Chile and has started with the 500cc mineral water bottle. The first major client was SODIMAC, although sales have also started in a mining company and other private offices. As in Chile, the staff at SODIMAC have received training to understand Late!'s philosophy and be able to transmit this to customers. The water is bought from a Peruvian bottling supplier, and in this case is purified water rather than mineral water. The water is sold to Late! 0.27 USD, and Late! sells it on at 0.37 USD which provides a 10 cent margin. 100% of profits are donated to the social organizations chosen by Late! and so far two orphanages in Lima have been supported, with around 300 children benefitting from the donation, and two more organizations in the South being considered.

Competition

In Peru Late! has a competitor, the company *Yaqua*, which was set up in 2014 with support from NESST. *Yaqua* began also selling small bottles however is soon to start with the 20 liter dispensers. Profits are destined to water supply projects in indigenous Andean communities, and the company is already positioned in large supermarkets, gas stations and bought by government departments for large events. *Yaqua* was on sale at the fourth Forum for Entrepreneurship and Innovation LAB4 organized by the Latin American Pacific Alliance in June 2016. This provides a significant challenge for Late! Peru.

9. Final Reflections

Key milestones

Over the last 8 years since Late! was registered as a private company in Santiago, Chile, there have been several significant moments in the organization's history. Here we highlight three:

- Late!'s swift reaction to the humanitarian disaster caused by the earthquake in February 2010 was a key moment in the company's history. It was particularly significant as Late! was almost at breaking point during this time, with insufficient sales. Given that the success of the Late! model depends largely on brand value (as with most commodity products), this boost to the company's image was an essential piece in the puzzle.
- Also in 2010 the collaboration struck with the Community of Social Organizations was crucial as this enabled Late! to focus purely on sales and attracting new clients, while being able to rely on a recognised and trusted selection process for the beneficiaries.
- In 2014 the agreement made with the Social Investment Fund was a key moment in Late!'s history. This injection of resources of 500,000 USD will enable the company to consolidate and increase its impact. It is also the result of 3 years of negotiations with the fund.

Challenges for growth

A key hurdle for Late! to overcome is to expand its client base, and secure a commitment from the government to integrate social and environmental criteria into their purchasing practice. This would mark a significant leap forward for Late! in Chile. This process has occurred with a competitor in Peru and in the case of Chile sustainable public procurement is still in its early stages so Late! could have a potential leadership role to play.

A second challenge is related to the diversification of the products. On the one hand more diversity of products can help the brand reach a wider client base, however this will also generate more competition. For example SODIMAC did not previously sell water so there are no conflicts of interest, however if Late! wants to brand matches, toilet paper and other basic commodity products that SODIMAC already sells, this will be more difficult to achieve.

A third challenge is how to achieve international expansion with limited resources. On one hand Late! operates with a policy of austerity to maximise profits however this means there is no spare staff capacity to work on the internationalization process. In the mean time others may occupy this market opportunity, as has occurred in Peru.

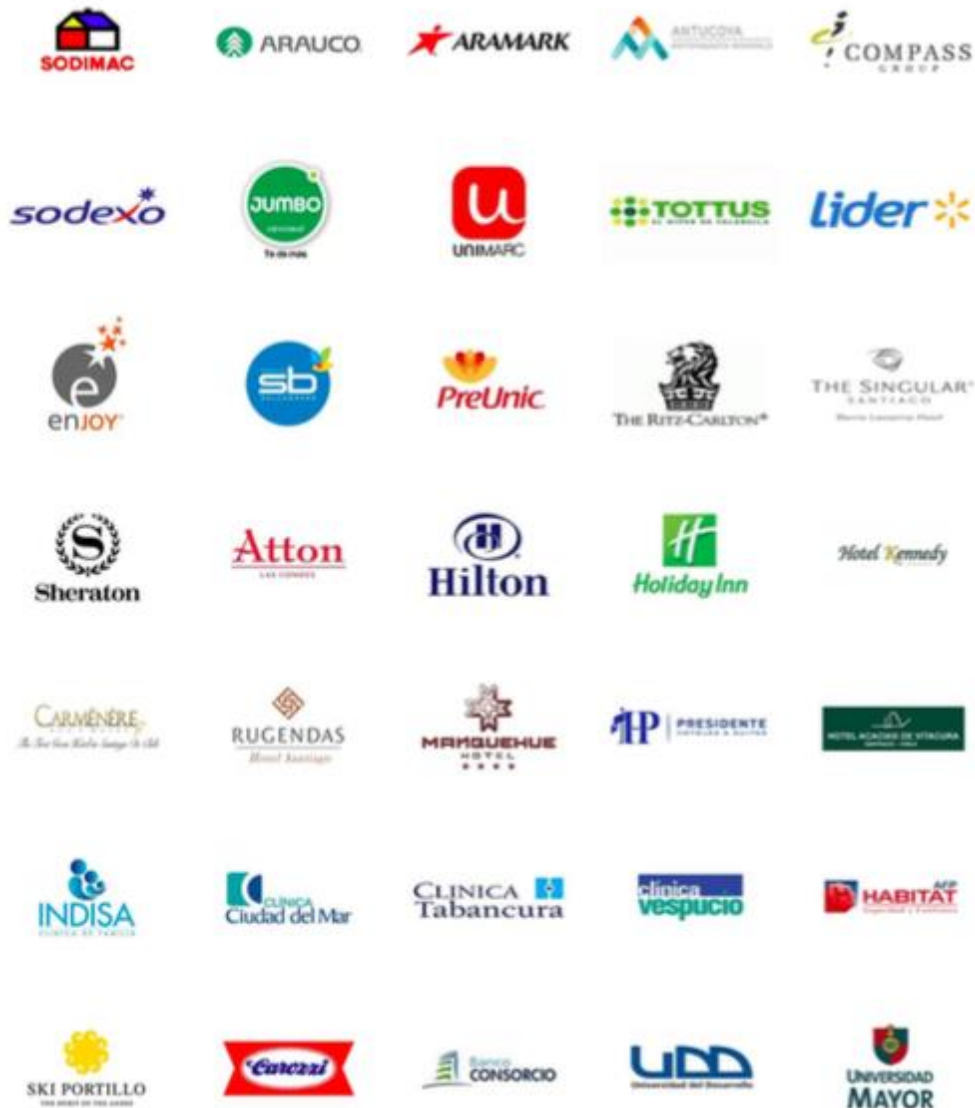
Finally a challenge for Late! is the environmental impact of distributing plastic water bottles, and particularly how this may undermine the brand. This was already a consideration when applying for B Corp certification and in countries where there is a growing anti-plastic culture this could be more relevant. At the same time this provides Late! with the opportunity to develop other basic commodity products that do not have an inherently negative impact.

Contribution to social innovation

Late! has made a significant contribution to social innovation in Chile, as the first company to declare itself as a social enterprise, with Pedro Traverso as one of Chile's first recognized social entrepreneurs. While of course there were many social entrepreneurs before his time, the focus on marketing and raising awareness of the need for more responsible business practice has meant that Late! has achieved a far greater amount of publicity than previous enterprises. Late! was also key in bringing the B Corp concept to Latin America as the first certified business in Chile and one of the first in the region. More recently the company has also been active in the dialogue with the government around establishing a new legal framework for social enterprise and is one of the co-founders of the Association for Social Business (acronym in Spanish ASOGES) in Chile.

Annex 1 Late! clients

The following organizations are Late!s clients as published in the 2014 Annual Report, showing a diversity of size and sector across the client base.







Annex 2 Late! marketing example

The following image is part of a publicity campaign financed and coordinated by *Fundación Nuestros Hijos* to be placed in the SODIMAC stores. This is an example of the symbiotic relationship between Late!'s beneficiaries and clients.

