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What's Next
Retailing with Heart

By Suzie Boss

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SOCIALLY RESPONSIBLE BUSINESS

Retailing with Heart

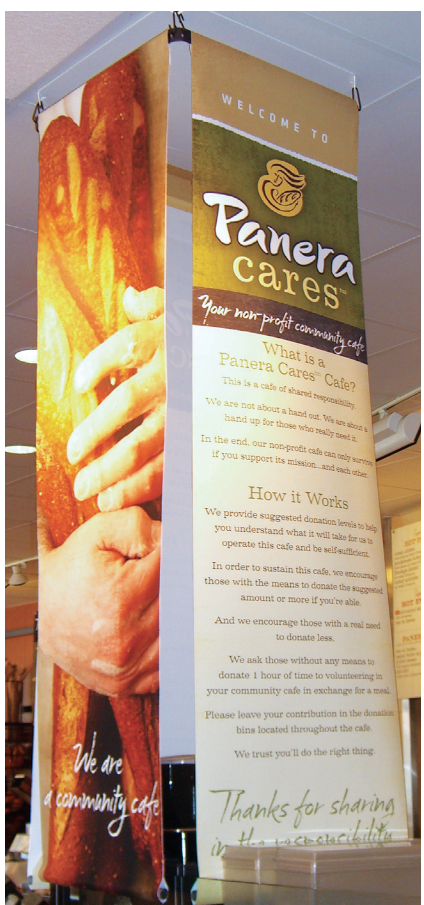
▶ Venture into a Panera Cares café and you'll see the same menu and racks of freshly baked breads that are staples at the 1,400 Panera Bread restaurants across the United States. The only thing missing is the cash register. Instead, there's a donation box where customers pay on the honor system.

"We tell you the suggested price but the choice is yours," explains Panera co-founder Ron Shaich, who recently stepped down as CEO to focus more of his energy on philanthropy. (He continues to chair Panera's board of directors and heads the Panera Bread Foundation.) "If you've got a few extra bucks, the right thing is to leave it. If you're feeling pressure, you can take a discount. If you've got nothing, you're free to enjoy your meal with dignity."

Since opening its first "restaurant of shared responsibility" last May in a St. Louis suburb, the chain is poised to take its upscale version of a soup kitchen nationwide. A second Panera Cares café opened in November outside Detroit, and a third was slated to open in Portland, Ore., in January. Neighborhoods have been selected to include a mixed clientele, with well-heeled professionals dining side by side with homeless families.

The concept is groundbreaking in the food service sector. "It's not like a free Grand Slam breakfast that Denny's offers on one day a year," Shaich says. "We want this to be sustainable." Any profits generated by the cafés will be channeled into job training for disadvantaged youth and other community programs. Unlike the Ben & Jerry's PartnerShops that are franchised to local nonprofits, Panera Cares cafés are managed by the corporate foundation.

The model offers the company a way to put its core strengths to work on social problems. Panera has long been active in philanthropy, donating more than $100 million worth of goods annually to local agencies, Shaich says, "but that product goes out the back door in brown bags. Nobody gets connected to where it goes." He liked the idea of getting his workforce more personally involved in solving challenges. "How do we take our skills and add more value than just writing a check?"



A U.S. chain, Panera Bread, has created a new type of restaurant where customers pay only what they can afford.

PHOTOGRAPH BY KATE ANTONACCI, COURTESY OF PANERA CARES

An answer started to take shape when Shaich heard about a Denver-area nonprofit that was running a no-price café to serve the community's hungry. The idea sounded promising but had taken years to implement. In the corporate world, Shaich says, he's used to opening two restaurants a week. He also thought about an experience of helping his young children deliver food to shut-in elderly. "The three of us spent three hours driving to the warehouse, filling bags, and taking food to a couple of people. That's nine hours of human capital for two bags of food." The entrepreneur in him knew he could make giving more efficient.

To fine-tune the Panera Cares concept, Shaich visited soup kitchens in various communities. His decades in food service didn't prepare him for what he saw. Waiting in line for a handout "is an experience that lacks in dignity. With all due respect," he adds, "it's negative energy." That's when he decided the new cafés needed to offer a full menu, not just bread and soup. "Then it became a dare to ourselves. If we're serious about offering a high-quality experience to everybody, then we have to put all the power of our brand behind this."

Patrons have responded favorably, with about 60 percent paying suggested price, 20 percent paying more, and the rest taking a deduction. It averages out to 80 percent to 85 percent of suggested retail, which is more than enough to cover costs, Shaich says.

Nordstrom may be the next national chain to start retailing for charity. The upscale clothier will open a unique store in the SoHo neighborhood of Manhattan in fall 2011. All profits will benefit charitable causes. Devoting a whole store to charity goes beyond cause marketing campaigns like Product RED.

It's not yet clear what merchandise will be sold or which charities will benefit, says Nordstrom spokeswoman Pamela Lopez. But unlike Panera, Nordstrom will not brand the store as its own. "There will be no Nordstrom sign," Lopez says. "This is a chance for us to do something unique." Not coincidentally, the store will offer the company a window into the New York retail market, "where we aspire to have a full-line store eventually." ■

MICRO-BANKING

In India, Banking on Self-Service

▶ The millions of villagers who migrate to India's teeming cities in search of jobs have to navigate a host of challenges. Not least of them is figuring out how to safeguard their earnings and send any extra rupees back home. This age-old story is getting an update with help from specially designed banking machines called *Tijori*, which means "safe" in Hindi.

The self-service technology was developed as a partnership between NCR Corp. and Financial Inclusion Network and Operations (FINO), a rapidly growing business that brings financial services to India's poor.

In neighborhoods like those that provided the backdrop for *Slumdog Millionaire*, the formerly unbanked are developing the savings habit through use of micro-deposit machines. Accessible around the clock, the machines can also be used to make low-cost remittances to rural villages, where family members can safely withdraw funds without a middleman. On both ends of the transaction, consumers use biometric cards to access accounts.

Scott Sobel, vice president of emerging markets for NCR, says most of the R&D work for the new concept took place in India. Local context and consumer feedback were essential for figuring out how to serve a potentially huge audience that has limited literacy and speaks multiple dialects. Environmental factors were another issue. "There are times of the year when it's dry and dusty. During the monsoon season, it's wet and humid. The technology has to withstand these extremes," he says.

Instead of being deployed in formal bank branches, the initial machines were piloted and rolled out in more accessible locations such as FINO branches and corner stores in urban slums of Mumbai and Delhi. "That's where the unbanked audience is already comfortable," Sobel explains. "They know and trust the families and individuals who run these businesses." Shopkeepers have been trained in how to use the machines so they can pass along those lessons to customers. Automated voice prompts and graphical interfaces help customers overcome literacy challenges and build confidence in using technology, which builds a sense of empowerment in their lives, Sobel adds.

The initiative is in line with FINO's philosophy of bringing best-in-class products and services to India's "micro-customers." As CEO Manish Khera explains: "FINO's commitment to the special cause of delivering financial services to the base-of-pyramid customers in difficult terrains is challenging but definitely possible with support of our banking partners. The key to addressing this challenge is innovation and commitment to sound business logic."

Scalability is another factor when dealing with a market that numbers in tens of millions. So far, there are 100 micro-deposit machines in place, with another 100 expected by 2011. That number could grow rapidly. FINO currently enrolls 20 million customers and adds an average of 50,000 daily. Yet an estimated 40 percent of India's 1.2 billion people do not have a bank account, according to the Commonwealth Secretariat. With government encouragement, the country's largest banks and partners like FINO have been testing products ranging from mobile banking to "branchless" banks located in village post offices and similar outposts.

New micro-deposit ATMs are being deployed to reach India's unbanked.

PHOTOGRAPH COURTESY OF NCR CORP.

"When you look at the size of the unbanked population in India and the vast geography it covers, bank branches and microfinance institutions can't solve the scalability and sustainability challenges facing financial inclusion," Sobel adds. From NCR's vantage point, "self-service solutions as part of a portfolio of technology solutions can help banks, microfinance institutions, and other emerging financial services providers like FINO to reach the masses."

Although the micro-deposit machines were designed to meet India's needs, the technology could make its way to more developed countries. Product design that takes place in emerging markets "strips out the bells and whistles. You get down to key features and functionality that are economical and may better serve the needs of the market," Sobel says. "Reverse or frugal innovation is a shift of where technology is developed, who's developing it, and the value proposition it creates." ■

GOVERNMENT

City Hall 2.0

▶ Max Ogden, a 21-year-old web developer from Portland, Ore., typically spends 9 to 5 developing software for a market research firm. It pays the rent but doesn't ignite his passion. Then he takes his laptop to a local coffeehouse and gets busy on what he calls "my 5-to-9 projects." By designing free, open-source applications in his spare time, using public data that the city of Portland makes available to developers to inspire innovation, he hopes to make his hometown function a little better. "They're fun civic apps that make use of open data to make a difference," he explains.

Now Ogden is turning geek activism into a full-time gig. He is part of the inaugural class of 20 fellows in a program called Code for America designed to enlist the nation's young tech talents in a year of urban service. The first fellows came together in January to start solving interesting technology challenges in four pilot cities that embrace open-source solutions: Boston, Seattle, Washington, D.C., and Philadelphia.

Code for America CEO and co-founder Jennifer Pahlka says the organization is intended to address "the real crisis facing our cities after years of cutting budgets to the bone." She credits its longtime friend Andrew Greenhill, mayor's chief of staff for Tucson, Ariz., for helping her understand the tough issues facing American cities, including their aging workforce and often outdated technology infrastructure. By tapping the skills of a tech-savvy generation that's accustomed to working collaboratively on open, efficient, and interactive solutions, Code for America aims to make government more transparent and agile about solving urgent problems.

For Pahlka, who previously ran the Game Developers Conference and events like the Web 2.0 Expo, this vision of "Gov 2.0" is a natural extension of the work she's been doing for more than a decade to build communities around open technologies. Her mentor, Tim O'Reilly, the technology publisher who coined the phrase "Web 2.0," is a board member and champion of Code for America.

The poor economic climate didn't deter Pahlka and colleagues from launching a new nonprofit. If anything, she says, the recession "made the need for this more urgent." Funders apparently agree. By late 2010, supporters including the Knight,

Code for America's first group of "fellows" will spend the next year helping four U.S. cities create innovative software.

PHOTOGRAPH BY RYAN RESELLA, COURTESY OF CODE FOR AMERICA

Omidyar, and Rockefeller foundations had contributed $1 million. A number of corporate sponsors are also lending support, and high-profile endorsements have come from Facebook CEO Mark Zuckerberg, Twitter co-founder Biz Stone, and other tech leaders.

The first 20 fellows, selected from a pool of more than 360 applicants, range from fresh-out-of-college programmers to more seasoned web developers. In fact, they're more seasoned than Pahlka expected. "We thought this would be like Teach for America but it's turned out to be more like the Peace Corps," she says. Fellows receive a small stipend in exchange for their effort.

After their year of service ends, Pahlka expects Code for America alumni to become "some of the most forward-thinking, connected people in this space." By bringing an influx of energy and ideas, Code for America "adds another piece of the puzzle" to help American cities, says Bethany Henderson, founder of another service-year program called City Hall Fellows. "It brings in a population not traditionally engaged in government—the tech crowd—and gives them a way to engage meaningfully."

Code for America asks city leaders to think carefully about the problems they want help solving. Cities must apply to participate, including a well-defined statement about the challenge they hope to address through technology. Boston, for example, is focusing on improving access to educational data, while Seattle wants to use neighborhood statistics to improve public safety. Winning proposals tend to look for ways to leverage the Web to make cities more efficient, transparent, and participatory. The best ideas will lead to platform solutions, Pahlka adds, "so that others can build on them cheaply. That's when things will get really interesting." ■

SOCIALLY RESPONSIBLE INVESTING

A Toniic for Start-Ups

▶ When an aspiring social entrepreneur from India made a pitch recently about a new project, he had all the usual reasons to be nervous about seeking start-up capital. But he couldn't have asked for a more receptive audience than members of a small but potentially powerful network called Toniic. Within hours of attending the videoconference connecting seven cities around the globe, members of the network were on the phone to pool their information and move toward a deal with confidence.

Launched in 2010, Toniic caters to active social impact investors who have committed to doing at least two deals per year. The first 30 angels have collectively pledged to invest $100 million in for-profit enterprises that have a social mission. "We recognize that early-stage impact investing is an important nut to crack," says Toniic CEO Morgan Simon, one of five co-founders of the network. "By banding together as a community, we can find ways to make this a more viable investment category."

Toniic founders bring deep experience in fields ranging from philanthropy to technology to venture capital. They're also a far-flung group with members and partners in India, Europe, and North America. "We have married the best of local expertise with global sector expertise," says Simon, who previously founded the Responsible Endowments Coalition and built a network of 100 colleges and universities interested in impact investments.

Access to reliable local information is essential to the Toniic formula. Without it, angels are apt to pull back from potentially high-impact deals. "They may come to the point of putting their first money into somewhere like Burkina Faso and start to wonder, 'What lawyer am I going to call? How do we structure this thing? Is there really going to be an exit? How do I pay for all this due diligence?'" says Simon. "It can lead to disappointment. We want to get to solutions by creating interesting opportunities to collaborate across borders."

Lisa and Charly Kleissner, founders of KL Felicitas Foundation and co-founders of Toniic, have spent several years talking up impact investing with other high net worth individuals and institutional investors. "People get excited, but there are a lot of hurdles between their desire and actually doing it," admits Lisa Kleissner. Launching Toniic has been a way to move from living room conversations to a formalized community of investors.

In essence, adds Charly Kleissner, Toniic aims to create an ecosystem for impact investing that mirrors the Silicon Valley way of doing deals. After 20 years of successful work in that ecosystem, he knows that relationships are the key to keeping money moving. "We all do our due diligence by picking up the phone and saying, 'Do you know this guy?'" Toniic aspires "to create the equivalent of that for social entrepreneurs worldwide," he adds. "By building out this network of trusting friends globally, across three or four continents, we're able to gain critical mass."

One of the first deals to emerge from this new pipeline is an early-stage investment in Healthpoint Services, focusing on health clinics and water sanitation projects in India. The Kleissners, who have been active investors in India, were "the eyes on the ground" for Toniic. Through phone calls and follow-up meetings, they shared their observations with others in Toniic. "We also pulled information from potential investors who looked at the deal but didn't invest. Some might shy away because of perceived risks. But if we believe the impact is there," Lisa Kleissner adds, "we'll jump in and see if we can make this a viable business." In the social capital sector, she adds, worthy deals don't necessarily arrive "all nice and neat and tied up."

Toniic is sustained by membership fees, which run $5,000 for the basic level and $10,000 for founding members. Recruitment has been "highly intentional," Simon says. "We want to grow based on people who want to be part of a community of action-oriented investors, wherever in the globe they might be." ■