

Branding

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Executive Summary

Founding social enterprises is not enough by itself to create an operable system. We need a 'handle', a brand that people can associate with a known product when they see it. A brand cannot be created from nothing, without any strategic planning from one day to another. Entrepreneurs must take multiple things under consideration, starting from managing production, through delivery and finally, sales – the task is more complex than it originally sounds. This publication provides a short support for the beginner entrepreneurs about the factors they need to pay extra attention to.

As there are social enterprises existing in Hungary and the surrounding regions, it is important to mention that no one can be expected to figure out a brand new thing and to apply a novel approach to it. Through these enterprises we try to illustrate the good example of successful branding and sustainable enterprise operating. It is true, that the majority of social enterprises are generally unknown to the average people, yet this list will contribute in spreading word about them and presenting them, thus making them and their actions known more.

A successful enterprise requires the knowledge about operative good examples and other practical techniques and pieces of advice, that support achievement in a launching business. These strategies must be known, as many enterprises went bankrupt due to not being able to fix serious issues due to the lack of background knowledge. This study shows some useful practices along with similarly important factors, that would exceed the length of this material. In case of interest these factors can be further read about, and more knowledge can be gained to start a successful enterprise.

Brands functioning as social enterprises

In order to see how a social enterprise can be built and a brand instituted successfully world-wide, it is suggested to see where and how enterprises of similar systems begin their life. After introducing an international social chain of shops, several Hungarian social enterprises are presented, as there are multiple actively operation socially beneficial shops in our nation, even though currently they are not linked to any international networks.

Oxfam

The name of Oxfam might not ring a bell for the average consumers in Hungary and the Middle European region, therefore introducing them is highly important to this segment of population. Oxfam is an acronym of Oxford Committee for Famine Relief, that is an organization founded in 1942. Their main goal throughout WWII. was to deliver aid kits – especially for women and children - with the help of volunteers to Greece that was under Nazi occupation. The organization did not cease to exist after the war, but spread its function to the nations under crisis, gradually increasing its authority. Today's form was reached in 1995, when it took the name 'Oxfam International'. This meant the foundation of an international non-profit organization with the collaboration of independent NGOs, registered by the court in The Hague. Currently the network consist of 19 partnering organizations from all continents. Most of them (9) are located in Europe, and there are two 'public engagement offices' in Sweden and South Korea; also there is an observing party (Turkey – KEDV). Their functions not only apply in their own countries both also to the most underprivileged nations of Africa, Asia and South America (more than 90 countries).

Their most important goal is to create a better and more livable world, they campaign against unequal commercial agreements and the oppression of the exploited third-world suppliers. They also fight for better health care and education, and against climate change. Their support intitates



from the basic rights of humans, therefore their actions always have values that align with their aims. Oxfam believes everyone has the right to live and to have access to basic services (health care and education), equal treatment. They support initiatives coming from below, especially if it is from a society that has little controlling power over their own life. Due to the consequences of the wars, millions of people live in poverty, unable to break free from their situation. Oxfam supports their evacuation or their rebuilding with local volunteers. The organization is open for new ideas, they consider all new notions or initiatives, that support the enforcement of general human rights. The international offices decide their strategies together and they can customize the special criteria if specific places of intervention.

Charity Shops

Charity Shops has a more meaningful title; there is even a brand in Hungary that carries this name as well. Yet these Hungarian shops that sell used items, generally have lower or bad quality wares, and only certain layers of society visit these stores. In the case of the international Charity Shops model, used items are sold as well, yet they are of generally high quality in order to preserve environment and the world we are living in. With each purchased good, the customers serve a charitable cause. The stores utilize the generated profit differently, but they generally always try to solve a certain social issue, or to fo some charity. Today, several Hungarian stores share the same idea, and they operate similarly; they are being introduced on the following pages.

One of the largest charity stores network is called 'CSERITT', which was established by the Charity Hungary Non-Profit Ltd., and features 9 stores in Budapest. According to their website, they plan to form an umbrella brand (CSERITT), that realizes social activities for strengthening public engagement and conscious purchasing in the form of a social enterprise. The enterprise was launched base on the example of the Charity Shops brand popular in England, meaning that people can donate their unused items (clothes, toys, books, appliances, etc.) to the shops, who resell them on a discounted price – limiting the amount of unnecessary waste production. The enterpirse would like to establish multiple brands and a



chain of stores where people will shop gladly, because they are aware that this way they support both the underprivileged and the environment as well. With the development and appearance of the brand, the enterprise would like the CSERITI name to be associated with branded charity. Another important factor – the employees of these stores are usually excluded from the work market, therefore CSERITI also has a function of creating new jobs.

Further away from the capital there are two charity shop networks functioning, also based on the example of the English Charity Shops initiative. One of them is the ‘Szemem Fénye’ Foundation (Apple of My eye Foundation) which supports those severely ill children with incurable diseases, that require their help. They mostly provide children hospice services to the families, that may ease the generally painful time of renouncement. The foundation has 3 stores in Southern and Southwestern Hungary in the cities of Pécs, Dombóvár and Siklós, where donated goods are being resold for charity; the profit is used to improve the hospice services.

Another Transdanubian enterprise is the Charity Shop – Donation Point, located in Pápa (headquarters), Szombathely, Zalaegerszeg and Zalaszentgrót – these shops await their conscious customers with a wide range of wares. The enterprise addresses the solution of specific social issues on more levels: on the one hand, the employees of the shops were previously long-term unemployed, or have changed working capacities; on the other hand they provide a chance for volunteers or mothers returning from maternity leave, high school students or traffic offenders to fit into the working environment or to redeem their penalties. The shops feature similar wares as the Charity Shops network: mainly toys, books, electronics, furniture, appliances, clothes and shoes are sold, but the palette of wares is constantly changing due to exchanged amongst the shops.

Remodel Studio

The Remodel company is relatively different from the previously introduced enterprises, as in a traditional sense they do not operate a shop or store. Yet this can be explained by their activity which greatly differs from our previous examples. They do not resell small everyday items, but sell marketable

and recycled furniture with quality levels between IKEA products and premium furniture. The program launched in 2014 was preceded by a year of planning phase, when the major outlines and goal were planned. The European Union provided support for launching, as they complied to the conditions of the application with their aim to support the employment and experience-collecting of entrants. Following the one-year support cycle they decided that the 3 people employed by the application would stay and continue their work. The founder of the business believes that good social enterprises seek to support the employment of both healthy and disabled entrants. At the same time, it should be avoided that the customers only come to purchase because they feel sorry for the employees. Customers must be inspired to choose the products for their quality. The manufacturing mainly focuses on remodeling furniture from the 1950s and 1960s, which means they give new style and structure to outdated and unnecessary pieces. The choice of these items is obvious, as many people still have them and slowly try to get rid of them, as soon as one little part breaks. Besides these, the company also refurbishes used, worn-out furniture, yet they wish to move their main profile from service to extending their collection and increasing the number of their employees in the future. Those who wish to purchase from this enterprise do not necessarily have to travel to Szeged, as their goods are stored at the MaxCity at Törökbálint; however personal negotiations and special orders can only be placed on Fridays, as this is the day when the new wares arrive from Szeged.

The behavior and attitude of the enterprise is exemplary for solving social issues. They work on a relatively untouched territory, as instead of renewing, the furniture is generally lying on the streets or at garbage disposal sites, even if a new upholstery or padding could solve the issue. Many places do not deal with reconstruction due to the higher rates of purchasing ingredients, the producer and customer. Remodel Studio does not do renovation in the traditional sense, as they centrally collect unwanted furniture which does not go back to its original place after the remodeling. The socially beneficial activity lies in here, as instead of generating unnecessary waste, the old items will receive a new form, meaning a lot less environmental pressure on our planet. This attitude should be considered by all entrepreneurs who wish to pursue a similar activity, as an operable example often has more appeal, than a theoretical idea. This also applies to workers and employees, as currently Hungary is lacking cabinetmakers and



upholsterers. Not many young people choose these professions, and those who do, generally lack proper knowledge when they get to the labor market, and need farther training to confidently utilize what they studied.

Kanálka (Little Spoon)

Kanálka is another Hungarian social enterprise, aiming to manufacture healthy groceries that are made from locally produced ingredients, and otherwise would otherwise include various additives and preservatives. Originally the enterprise was founded in 2013 in Királyhegyes, and mostly manufactured eggplant cream, apple marmalade and honied celery chips, yet after one and a half years the plant had to shut down due to administrative and marketing issues. For this reason it wouldn't have made our list – even though the goal was positive and manufacturing and distributing worked smoothly on paper, in reality the company could not sustain its operation. Kanálka's story fortunately did not end here, as two sisters from Budapest saw potential in it and decided to reopen the plant and to restart manufacturing, while staying true to the company's original principles while extending its activities. This was an important step, as the new owners had legal and marketing experiences, and were not locals, therefore they could contemplate and control production and further actions from the aspect of the enterprise. The idea of the business sourced from a social issue, as both founders were expecting and giving birth to their children at the same time; meaning that they both discovered the importance to put quality food on the table. As average employees, mothers still have a harder time to get back to the labor market or to carry out useful tasks both for themselves or for society, even if they work from home. The same happened in the case of Kanálka, which reopened the plant in Királyhegyes and reemployed some of the previous workers. Currently – besides the 2 owner – 4 people work at the plant and further 2 people are responsible for administration and product distribution in the Budapest office. The sisters could not have managed without financial support form application, and would probably have faced the same outcome as the previous owner had done. There's immense personal resource in the project, yet Kanálka received further financial support from UniCredit Bank's 'Step forward with us' application. At the same time it is important to mention that not many people have an inside view on the application system – many tenders



have 9-10 unsuccessful applications behind them, meaning that the invested energy is often the multiple of the received amount. This is compensated by the quality of the manufactured products, the act to support people that are in a way forced take the back seat on the labor market and to support those, who - like them – would like to eat consciously and healthily.

As the social enterprise has a non-profit activity (social cooperative), it is important to lay the stable foundations and pay ample attention to generate funds, which the two owners keep in mind. The plant's building is currently rented, but if the sales do well, it will most probably be purchased - along with several production tools. And the numbers show that the company will most likely prevail, as in the very first year they sold 12,400 bottles and based on preliminary data this amount assumedly grew three times of that (around 44,000). This might be because their products are not only available in the region (Csongrád County), but they do deliveries in the entire country and larger stores feature Kanálka products as well. These are the Müller chain, and mostly their Transdanubian stores, and a Lidl chain (seasonal products from Hungarian producers). People in and around Budapest will most likely to come across Kanálka products in plenty of smaller stores.

Further good businesses

Re-cikli („Re-cycle”) Workshop:

The very first Re-cycle Workshop was founded by the Central Nyírség Local Government Multipurpose Micro-Regional Association, the Revita Foundation and the Contact Foundation. These 3 organizations gained financial support through an application to carry out an activity that helps to employ people with changed labour capacities from the Baktalórántháza subregion. A workshop was established, where bicycle mechanics and IT data recorders worked on a daily basis – initially there were several trainings to support them. Later the bicycle repairing workshop was established, where the future employees could collect practical experience in addition to getting insight into individual and cooperative entrepreneurship. The project was so successful after the financial closure of 2015, that the operators were ready to launch Re-cycle to the market - starting from 01. April 2015, Baktalórántháza and Area Social Cooperative, a social enterprise became the operating body of the workshop. Many from the application's participants remained at the company and the main goal remained the same: rebuilding used bicycles into new ones in order to preserve the environment; also several souvenirs and accessories were made out of the spare parts, that were sold. Currently re-cycle's products can be browsed in an online webshop, and those who are interested can peek into the background processes of the workshop. People can also see what good causes they serve and how many people they help with their purchase.

Basket Community of Nyíregyháza

Basket Community of Nyíregyháza is a civil initiative operating in one of the most important settlements of the Nyírség area. The Community by the collaboration of many volunteers and with the plan to revive local economy. The organization does not exactly function as a social enterprise, yet based on its goals it would be sufficient to say it is one – its activities positively affect the local economy and society. Volunteers, suppliers and customers can join the community. Customers must agree with the basic principles - sustainable agriculture, focusing on environmental consciousness, protection of local products – and then return as customers to support local farmers and suppliers. Local (Nyíregyháza and its surrounding area) suppliers may join, who also share the same principles and agree on doing open agriculture, meaning that in the case of interested individuals show up on their farmland, they show them around and demonstrate the entire production process. Volunteers serve as the link between suppliers and





customers, they manage the community of suppliers, sell their products and operate the webshop of the community. The latter is important as online shopping is an option – all orders placed by every Wednesday can be taken from the suppliers by the customers.



What makes a social enterprise successful?

It is not easy to measure the success of social enterprises, as the question arises what we mean by 'success'? Whether when the enterprise reached its goal as an 'entrepreneurial activity', meaning it developed a sustainable business model and thus financially successful, or when it has found the solution to its defined social issue and thus reached social success? The before mentioned two aspects will not stand a chance alone – either a combination of them is needed for success, or it is possible that acquirement can be measured by other factors, such as the satisfaction of the employees, that is also import for maintaining a successful enterprise.

In short, we can answer the title of this section like this: the longer it stays on the market, the more successful it will get. Yet we must realize that in the case of a social enterprise, not only the financial needs need to be satisfied (operative costs, waged of employees, etc.), but the social goal and the way of reaching it must both be kept in mind, and spent money on. With thorough planning, this issue can be solved by hiring less employees or by operating in smaller premises – both options will mean significant financial saves. Yet we still need a goal to reach which practically 'prices' the value of our social enterprise, as we can meticulously plan the amount that is needed to reach the goal. It is useful t calculate what impact will the enterprise have on the market, what will be the initial product or service that will help us to keep up with our competition. An online webshop can be developed which fits the needs of today's world, customers can browse and order our products or services any time. Geographic distance is also an important factor, we must decide whether we want to supply our products nationally, regionally or locally, as delivery comes with a lot of extra costs. These dilemmas should be figured out by preliminary assessment of the situation, measuring needs and some smaller enhancements made to comply to customer needs after the start production.

Besides the financial aspect, reaching the social goal is also important, as this is also the measure of success besides the generated profit. If an enterprise wants to decrease unemployment in a specific area, a certain ratio must be marked, that – when reached – makes our enterprise considered successful. It is also possible that due to the products or services of our enterprise, unemployment will show a 5-10% decrease in a settlement, yet this is only a one-time result, which might eventually reset to the 'original', or even a negative state in the future. In this case our solution is only temporary and it is not a long-term sustainable result. Whether we



consider it a huge success or not, only depends on the point of view, yet we can claim that those long-term improvements and enterprises can serve as the measuring tools for realizing a social goal. Social enterprise carries the word ‘social’ in its name, which implies a greater and stronger impact instead of temporary solutions or half-measures.

The most appealing thing would be connecting the above two; meaning that financial and social goals would be realized side by side, our enterprise would be both financially and socially successful. Naturally, there are many side factors that affect our success, starting from the correct money for value of our products/services and the proper geographical positioning of our enterprise. Yet the two most important aspects are the above-mentioned fulfillment of financial and social goals. Without them, our enterprise would cease to exist.

Common social responsibility and branding

Those who wish to start a social enterprise out of nothing needs to face many obstacles, as the current legal framework is quite twisted, including many easily misinterpretable conditions to be met. Above all this, many are dissuaded to launch these enterprises, as even in the 2010s social function is still in its toddler shoes, its brands are relatively unknown and accompanied by major distrust. Uncertain working environments do not predict a long-term future both from the aspect of employee and the employer, therefore many don't even wish to undertake these risks to begin with. In order to change this, certain steps need to be taken against legal and social functions and innervations, mostly by enlightening the people. We listed a couple of recommendations, as it is in everyone's interest to spread social businesses and people who wish to launch such enterprises.

There are existing initiations that built a brand in a specific settlement with integrating common social engagement, thus reaching higher levels of cohesion in the local society. In the town of Hajdúnánás, a new brand called Nánási portéka (Ware from Nánás) was introduced, which is the product of the city's and its habitants' conscious marketing strategy and image building. There is no social enterprise behind this brand, but an entire town and its society, therefore this brand managed to collect everyone who live and produce in Hajdúnánás and support them by selling their products under a common brand. The unified identity does not only represent the inner inherence of the society, those tourists who pay a visit to the area also experience the cohesion of the people from Nánás. Any locally or nearby operating supplier may join, their products will be labeled with the trademark of Nánási portéka by the city market. This trademark has served and exemplary characteristics, as customers will know that these products were made by local farmers, and every spent Forint will return to them.

Through a new initiative, social cooperation and engagement appeared, as next to the common brand, Hajdúnánás also installed a new currency called Bocskai Crowns. This currency is only accepted at the town's official partners, and several discounts apply to those who use it. Bocskai Crown has the same value as Hungarian Forints, yet represents a commitment towards keeping the capita of the town in place and increasing the benefits of buying locally sourced products. With this initiative Hajdúnánás serves the medium-term increase of employment - since there is more demand for products, more workers and employees are needed to upkeep the supply.



Branding for success – Success in branding

Building a new brand out of nowhere is always a great challenge. In order to make it successful, several other factors must be considered, we should always remain in control while shedding light on every little aspect. A social enterprise might pose a greater challenge for the entrepreneur as he/she is penetrating a possibly unknown territory, with little or no supporters that could provide any information or support them in this matter. From this point of view our government cannot provide proper information, as most countries don't have adequate regulations or formed systems of social enterprises. In order to build a successful brand the entrepreneur should participate on specific trainings and practices on the subject.

Several training exist - and from time to time renew – on the market, each of them having a different approach for enterprises. Some of them cover social enterprises, yet the rules of branding are equally important in the case of social enterprises as well. The most practical advice is that besides strategic thinking, the entrepreneur must always have a sense of creativity when launching a new brand. Strategic planning can be best introduced via the SWOT method. Using SWOT, the entrepreneur can analyze the strengths and opportunities, and also uncover weaknesses and threats of branding. Honesty is required to properly carry out this analysis, no weakness should be left out, as an uncovered and untreated issue might cause several problems later on.

Next to strategic thinking, creativity is also important, we have many examples about how a brand is made worldwide famous out of nowhere. A great example is Gramin Bank that used the power of society to gain fame, by providing micro loans for the underprivileged. The gained profit rapidly spread news about them in the area. The idea was new, as earlier bank institutes preferred not to give out loans to the poverty, being afraid of not seeing the money again. Yet the transparent operation and the conditions of the loans made the Bangladeshi Bank successful and helped its spread in the region. Since then micro loan and financing spread almost everywhere in the world. Not as an individual bank, but as the product of bank institutes. The creativity issue appears here, as the countries of Southeastern Asia proved to be a perfect base for building a 'social enterprise' on micro loaning, yet the same phenomenon did not appear





in Europe, where the social impact was understandably less than in the country of its origin. With more emphasis on social impacts and more creativity, a true opportunity of change could have resulted from this initiative – now it is just another service provided by most of the banks.



Cross-border branding – from a linguistic point of view

International social enterprises are relatively unknown in Hungary and Eastern Europe, even though various forms of cross-border cooperations exist. The most common problems of cooperation derive from language differences, especially in the case of Hungarian language is very different from any nearby spoken languages. Many times several groups speaking the same language cooperate in bordering regions: Hungarian businesses often reach out to Transylvania or Hungarians or Hungarian organizations from the border regions of Romania, meaning that there is actually a limited linguistic issue.

Those cooperations where the communication is carried out between two or more nations are not yet actual parts of the market. In order to change this ideology, the approach of the potential partners should be changed, so they would be able to trust each other despite their language differences.

A possible way to solve the issue is not by learning the neighboring country's language but a common corresponded language that both parties speak and able to understand. The English language used in the European Union would be perfect for this. The preliminary documents of this very tender have been written in English, therefore both parties are influenced to use this language. Similar aspects should rely on social enterprises as well - if the entrepreneurs have language barriers when launching a new international enterprise, they might find themselves in trouble, as they won't be able to make themselves understood with foreign partners. This might result in miscommunications and misunderstandings that might compromise the enterprise. In order to boost the potential business partners' English knowledge to a proper level, it is always recommended that the parties concentrate on the business aspect and vocabulary of the language, thus forming a common basis. A language school's proper course would help to eradicate this problem.



Besides the use of a common language, all people involved in the enterprise should be supervised as not all employees can be expected to speak perfect English - they need to be treated differently. Their linguistic barriers might be challenging due to local relations and dialects – this might be important when the entrepreneur arrives from a different region (such as in the case of Kanálka), he/she might experience actual language barriers. This is more common in multinational countries or nations with significant amount of minority groups. An example: an entrepreneur of Serbian and Romanian nationality arrives to the bordering region of Serbia populated by Hungarians, and therefore cannot communicate with the locals. Due to the language barrier he/she cannot reflect properly on the local relations, and quite possibly some matters are overlooked that would prove to be important later on.

Recommendations

As the study showed through several examples: the current world has a quite large demand for social enterprises, at the same time we can find several examples of well-operating companies. In order to help the culmination of this still rather unknown segment of economy, we listed a couple of recommendations that might prove useful.

1. Further presentation of successful social enterprises (Facebook, other social platforms, fairs, campaigns, being added to corporations)

Despite all efforts made to strengthen and spread social enterprises, their existence, importance and goals are still relatively unknown amongst average people. It would be preferable if these brands would be commonly known in society. We might come across some social enterprises in different fairs, village and town festivals, or other events in small settlements, but more 'decorated' position and attention should surround them. Examples: at an event they should pay less exhibitor fees, or more attention-grabbing larger panels should advertise them. If we exclude the fairs and public appearances, getting their products into larger store chains could help to boost their fame, yet also mean they have to compete within the regular market, and would have to 'battle' other individual factors as well. If these multinational companies would represent their products on a more accented place and announce the social goal supported with the purchase of these products, the customers would show greater interest towards buying the specific product.

2. Spreading knowledge about brand developing

Most people who wish to launch enterprises generally have little information about developing a brand and how to operate an enterprise, not to mention the social impacts. As they can't expect any efficient support, the government's help is needed. The interest of countries dictates the need for environmentally conscious attitude of its operating companies. In order to realize this, certain centrally controlled trainings should be implemented for potential entrepreneurs and call their attention to various opportunities. Valuable information should be provided about establishing a new brand, as this is the most unknown area amongst the future entrepreneurs.

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