

Spotlight on Inspiration: Penelope Douglass

Creating Support System for California Companies

INVESTORS' CIRCLE MEMBER PENELOPE DOUGLAS HAS BEEN A LEADER IN THE social capital space for over ten years. Her organization, Pacific Community Ventures, opened its doors in 1999 to develop and invest in businesses providing economic gains to low/moderate income communities in California. PCV helps companies in traditionally overlooked areas gain access to capital, business advice, and critical resources that will accelerate company growth. PCV targets existing businesses throughout California, with a particular focus on the Bay Area, Los Angeles, San Diego and the Central Valley.



Could you share the story of why you launched PVC ten years ago?

We launched PCV because we saw intractable problems here in California: the rising disparity between those who “have” and those who “have not” plus the market failures in lower income communities. I felt passionately that it might be possible to use entrepreneurship, the tools of business and venture capital, and an orientation toward community to provide some piece of the solution to these complex problems.

You have seen a variety of businesses apply for funding and advisory services over the years. Which business sectors are better positioned to deliver on a positive social or community development mission?

Small companies that are natural employers of lower income workers – such as those in food processing and manufacturing – are a great fit for a blended-value proposition that returns wealth to all stakeholders. We see a wellspring of interest in small business owners to be part of a socially responsible network; the connection they feel between their businesses and the society

they wish to help create and nurture is stronger now, as a consequence of the economic recession.

Over the past six months, I have had many conversations with potential members who have “woken up” because of the Wall Street and banking meltdown. There appears to be more money available to mission-based companies. Do you think this increased interest in the “impact investing” sector is real or just a naïve hope?

I think there are more and more individual investors and foundations interested in this sector. At the same time, it is a little early to say that there is a sea change on the institutional side. With returns to investors at a low and with assets depleted due to down markets, appetites seem generally low for any type of risk capital allocation.


One way PCV helps low income communities is through your Business Advisory Services. What are some ways that IC members can be engaged with entrepreneurs beyond investing?

Engaging IC Members and other investors is core to our mission and our strategy for the next ten years! We are building alliances with key partner organizations that are passionate about volunteering and advising small business entrepreneurs.

Some of your past portfolio companies have also received funding from IC members, such as Niman Ranch, Adina, and New Leaf Paper. What advice would you give angel investors who invest alongside venture funds?

It is often challenging for small angels to play alongside a fund. Often, early investors feel the pride of ownership and think they should have more influence. But as the company evolves and takes on different types of capital, the governing requirements shift and those small investors must respect the change. Each investor, be it an angel or institutional fund, must realize how their role adds value at a specific stage of the company's life.

What is your outlook for PCV and other mission-focused companies for 2009 and 2010 regarding stimulus funding or the focus on the new “green” economy?

Navigating a political, and by its nature, bureaucratic landscape is always hard for us, as we are quite small. It's frustrating because PCV companies create good jobs that would benefit from stimulus funding, but don't necessarily qualify. We all need to help and support one another to be able to benefit substantially from these monies. 

Learn more about Pacific Community Ventures at www.pacificcommunityventures.org and about Penelope Douglas' colleagues, Eduardo Rallo and Jesse Brandl on P. 14 and 15 of this newsletter.

Spotlight on Innovation: An interview with AlterEco

Fair Trade Distributor Setting Impressive Standards

ALTER ECO AMERICA IMPORTS AND SELLS FAIR TRADE ORGANIC and carbon-neutral products including sugar, rice, olive oil, quinoa and chocolate. Co-Founders Edouard Rollet and Mathieu Senard recognized that the burdens carried by coffee producers in the developing world hold true for other types of farmers as well: they aren't paid a fair price for their products, must survive on a dollar a day, lose money on their operations, and end up accumulating debt. Today Alter Eco works with forty-five developing countries and fifty-five farmer cooperatives to overcome these hardships, one farm at a time. Edouard was recently interviewed by Investors' Circle.



How did you become a social entrepreneur?

Mathieu worked for an orphanage in Cambodia and at the age of 17 became the orphanage's manager. I also worked in orphanages in South East Asia as well as in organizations like UNICEF. We'd been following what was happening with Alter Eco France. Social enterprise work was a natural development for us. “Trade not Aid” is the motto of Fair Trade. It's the difference between handing someone a little bit of money on occasion versus paying them what they deserve. The latter affords great and long-term benefits, as it creates a balance that promotes dignity and equality.

What were the biggest challenges you faced as an early-stage social entrepreneur?

We act as both a food company and a development organization, so building that triple-bottom-line business model is challenging. On the supply side, we're working with farmers who are often in remote, isolated areas. Many of them haven't been shopping in their own capital city, and yet they're making a product that competes in a Whole Foods in New York. On the demand side, U.S. consumers are very generous, but won't buy food products at a premium just to support a mission—quality is key. The reason Alter Eco foods get so much support and loyalty is because quality is always there. Our farmers put all their love, pride, and ancestral know-how into their products.

Do you use particular metrics to assess your business?

Definitely. We want to make sure that each co-op is operating at a high standard, so we've developed (with Price Waterhouse Cooper) a proprietary audit methodology: The Fair Trade Audit 200 (FTA200) assesses the triple-bottom-line standard of each co-op every other year. There are eighty economic measurements, eighty social metrics, and forty related to the environment. They include things such as the development of social projects (schools, nursery, social security programs, etc.) that are being funded by the co-ops, the accessibility of roads, and where waste water is disposed of. This helps the co-op improve from one year to the next and also helps us assess the risk of working with a particular co-op.

How have you gone about raising funds to date?

Our seed funding came from Alter Eco France, our friends and family, and ourselves. In 2008 we started looking for financial partners in the U.S. and established a great short-term financing relationship with Root Capital. In early 2009 we got a lead investor at \$750K. It was probably the worst time ever to raise money, but we found that this investment, with this timing, sent a great message to Alter Eco's partners and the community at large: triple-bottom-line business models are the future of the new economy.

How have you been affected by the current economic climate?

Our growth has been slower. In 2007, we grew by 300% compared to 20% growth in 2008. Fortunately, we're a lean operation. And we've adapted. Our pricing strategy has changed, as has our marketing outreach. At the same time, our bulk sales have been really strong. People are cooking more often and buying meals out less. That means they're more likely to buy our olive oils, grains, sugar and chocolate.

Ideally, where do you see your business in five years?

We'd like to be the household transversal brand for high-quality, healthy products as well as the standard for other companies: green business ethos combined with premium products and the ability to create opportunities for people in our world's poorest areas. We'd like to expand our reach so that customers who don't live near a Whole Foods can still purchase our products. We plan to grow the number of farmers up from the 300,000 in our current network.

What type of exit do you see for your business?

Acquisition is a typical path for food companies, and we became a B Corp in order to protect our mission if such a scenario comes up. Alter Eco's model is already unusual, so we'll need to be creative as we grow. But we do want to grow significantly. In order to have an impact on the farmers we work with, we need to drive volume. We can do much more by playing a leadership, advocacy, and intellectual role on issues of global poverty, disparity, and the environment. 