Impact Investing in ageing

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About the Social Venture Fund

The Social Venture Fund invests in social enterprises which offer innovative and entrepreneurial solutions to urgent social and environmental challenges. It provides support where it is not possible to secure traditional sources of capital. Therefore, the Fund closes a financing gap and acts as a catalyst for the comprehensive distribution of creative ideas and solutions for the better.

www.socialventurefund.com

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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive summary</td>
<td>4</td>
</tr>
<tr>
<td>Background</td>
<td>5</td>
</tr>
<tr>
<td>Understanding the social problem</td>
<td>6</td>
</tr>
<tr>
<td>Screening the market</td>
<td>8</td>
</tr>
<tr>
<td>Assessing investment opportunities</td>
<td>12</td>
</tr>
<tr>
<td>Investing in ageing</td>
<td>15</td>
</tr>
<tr>
<td>Conclusion</td>
<td>18</td>
</tr>
<tr>
<td>Appendix</td>
<td>19</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

- There are almost 40m people (18% of the total population) who are 65 years and older in France, Germany and the UK. Today, Europe is already the geographic region with the highest share of elderly people world-wide and its population is projected to continue ageing, with serious social and economic consequences.
- Given this situation, there is a growing opportunity for social enterprises focusing on the emerging target group of elderly people and aiming to fulfil the rising need for products and services which the current systems are failing to address.
- We have screened the ageing market in four primary outcome domains, namely health (dementia and social care), purpose of life, social inclusion and mobility. Among these domains, health (especially social care) shows the highest market potential in all three countries.
- When assessing social impact, distinguishing the scope of impact investing from the scope of traditional Venture Capital (i.e. finance only investors), in areas such as medtech and healthtech, is complex but possible. Achieving an equally sufficient fulfilment of the various impact criteria is, however, something which most social enterprises find challenging. Therefore, impact investors have to trade off some criteria against others.
- In the short term, we see interesting business models in the deal pipeline. However, these do not yet meet impact investors’ criteria of risk adjusted rates of return and similarly a high social impact yet. This situation is similar across all countries under review, especially in France and Germany.
- The limited availability of investable targets is also reflected by a relatively low number of ageing investments in impact investors’ portfolios in Germany and the UK. No investments have been identified in France.
- Given the challenge of an ageing Europe and the prevalence of early stage social enterprises, we believe that investments in ageing will play an important role in impact investors’ portfolios in the medium term. In France and Germany, we expect to see investment opportunities in health (in both dementia and social care). In the UK, we believe interesting opportunities are likely to emerge in all outcome domains, especially in health. We also expect to see Social Impact Bonds in the UK ageing market going forward.
BACKGROUND

OBJECTIVES AND SCOPE

The objective of this study is to assess potential impact investment opportunities (i.e. investments with a focus on both social and financial returns\(^1\)) in the area of ageing from the perspective of a social venture capitalist, such as the Social Venture Fund. This is the second publication of a series of reports which the Social Venture Fund has initiated with the intention of sharing knowledge and fostering cooperation among European impact investors. The first study of this series, which was published in October 2013, discussed investable entrepreneurial approaches in the area of long-term unemployment\(^2\). This second study now focuses on the evaluation of investable business models targeting ageing as a social problem.

The study covers three selected European countries within the Social Venture Fund's investment scope where we see interesting opportunities. These are France, Germany and the UK.

METHODOLOGY

The study draws on a systematic review of secondary sources as well as on a number of interviews with impact investors and market experts in the field of ageing. This work is laid out as a practical “field report” from an impact investor actively looking for investment opportunities in ageing.

STRUCTURE

In order to assess impact investment opportunities in this market, we have looked at the following key aspects:

- **Understanding the social problem**: What is the scale of the problem and what is the context of ageing in the focus countries?
- **Screening the market**: Which outcome domains are attractive from an impact investor’s perspective? What is the market attractiveness in each of these outcome domains?
- **Assessing investment opportunities**: Which social enterprises have been identified in key outcome domains in ageing? How can these solutions be assessed with regard to social impact?
- **Investing in ageing**: What is the role of impact investing in ageing in the focus countries and what are investors’ strategies? What are examples of targets and impact investors who have already invested in the area?
UNDERSTANDING THE SOCIAL PROBLEM

SCALE OF AGEING

The share of elderly people world-wide has tripled over the last 50 years and is expected to more than triple again until 2050. Today, Europe is already the geographic region with the highest percentage of elderly people world-wide, and its population is projected to continue ageing. To illustrate, a study by the UK think tank Nesta estimates that life expectancy is rising by around five hours a day for the British population. The development is similar throughout Europe and gives a very good impression of the scale of the problem.

In this study, we use the term ‘ageing’ to denote as “the increase of the regional population of 65 years and over”. The terms ‘elderly’ or ‘seniors’ refer to members of the population who are 65+ years old.

The phenomenon of ageing in European society is not new. In fact, there has been a steady increase in life expectancy in Europe over the last century. Rising longevity was caused by several factors, such as medical advances, health care and sanitation as well as growing prosperity. Within the next few years, the ageing of the “baby boomer” generation, one of the most numerous age cohorts in Europe, will also significantly contribute to the increase of the elderly population in Europe. The median age of the EU-27 population has risen from 36.5 years in 1995 to 40.5 years in 2010 and is projected to grow to 47.6 years in 2060. There are 38.8m people, or 18% of the total population of the EU-27, aged 65+ in France, Germany and the UK.

Rising longevity, along with declining birth rates in most European countries, lead to an unprecedented demographic change. In fact, the age pyramid is even forecast to be inverted in some countries. In this context, the ‘old age support ratio’ (which determines the ratio between inactive elderly people and total labour force) is forecast to rise from 40% in 2012 to 71% in 2060 for EU-27 population.

While the change in demographics is similar in all European countries, there are some differences in the three focus countries we looked at, as shown in the picture below:

Germany shows the highest median age of population today. Roughly 16.7m people (c. 21% of the total population) were aged 65+ in 2012. Going forward, a decreasing population caused by low fertility and low immigration rates, will lead to severe problems caused by ageing in Germany.

The UK and France, on the other hand, had a median age below the EU-27 average in 2012- with respectively 11.2m (c. 17% of total population) and 10.7m (c.17% of total population) people aged 65 and over. Due to increased fertility rates (France) and considerable immigration rates (UK) both countries will experience a growing population until 2050. There will still be an increase in the share of population aged 65+ until 2050, but median age is not forecasted to exceed the EU-27 average.

Figure 1: Median age and dependency ratio (2012)

Source: Eurostat 2012
SOCIAL AND ECONOMIC CONSEQUENCES

The social and economic implications of ageing are profound and raise fundamental challenges for individuals, families and societies. Challenges often discussed in this context include:

- Pressures on public budgets and fiscal systems
- Strains on social security systems (especially pensions)
- Adjusting the economy to an ageing labour force
- Labour market shortages as the number of working age persons decreases
- Higher demand for healthcare services and increasing healthcare costs
- Need for increased numbers of healthcare staff
- Potential conflicts between generations over the distribution of resources

Both policymakers and European citizens will be affected by these problems. They must seek to address them in a timely, effective and with a long-term perspective, one that will endure beyond single electoral cycles.

Figure 2: Healthy life expectancy at age 65 years (2011)
Source: Eurostat 2013

OPPORTUNITIES OF AGEING

Ageing is often associated with illness, disability or poverty. There are, however, also an increasing number of elderly people who lead very healthy, active and independent lives. They extend their role in society through actively participating in family and community life and/or extending their stay in the labour market. The term ‘active ageing’, defined by the World Health Organisation (WHO) as “the process of optimising opportunities for health, participation and security in order to enhance the quality of life as people age”, is often used to describe this phenomenon.

The number of ‘healthy life years’ (which measure disability-free life expectancy) is a very good indicator in this respect. In 2009, females aged 65+ could on average expect to live 8.4 more years free from disability, whereas men aged 65 years were forecast to live on average another 8.2 healthy years within EU-27 countries. Whereas France and the UK actually exceed the European average on this measure, Germany scores below this average (see figure below).

While an ageing population is most often referred to as an ‘economic burden’ or a ‘societal challenge’, demographic change is increasingly also recognised as a growing economic opportunity, especially as a field of engagement for social sectors organisations: “The challenges of an ageing Europe provide motivation as well as opportunities for social investments equipping our societies with tools to adapt to a historical new situation.”
SCREENING THE MARKET

These demographic changes have led to growing opportunities for social enterprises which develop new products, new technologies or new services with the aim of fulfilling the needs of elderly citizens. The overall market for the elderly is vast and complex, spanning from platforms for craftsmanship to new delivery systems for social care and new technologies that enable immobilised seniors to connect with their communities. In order to screen and assess the impact investment market in ageing, we have segmented it along the outcome domains which we use for analysing social impact. When screening for potential investment opportunities in this sector most social enterprises target one of the following four outcome domains:

- Health
- Purpose of life (including income)
- Social inclusion
- Mobility

Most of the business models we assessed, however, target more than one outcome domain (see holistic approach to social value creation described in the chapter assessing investment opportunities). In order to be able to assess market opportunities in ageing, we have grouped the social enterprises identified. We discuss them according to their primary outcome domain in this chapter.

In the field of ageing, we experience a large number of investment proposals from enterprises in the field of technological innovation for elderly people (e.g. telemedicine, assisted living, aids to daily living, new communication tools). While these enterprises often show strong revenue models and an important social impact, the proximity to the traditional venture capital market and the risk of mission drift need to be carefully reviewed. Therefore, identifying potential investees in this ‘twilight/grey area’ is complex (see chapter Assessing investment opportunities – Impact analysis). Due to these challenges, we did not explicitly feature this segment of the ageing market in this report. Nevertheless, we believe that there is a lot of interesting potential for impact investors ‘at the edge of technology’.

<table>
<thead>
<tr>
<th>Social enterprises (examples)</th>
<th>Outcome domains</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Health</td>
</tr>
<tr>
<td>Active minds (UK)</td>
<td>X</td>
</tr>
<tr>
<td>Granny Aupair (Germany)</td>
<td></td>
</tr>
<tr>
<td>Shared lives (UK)</td>
<td>X</td>
</tr>
<tr>
<td>Siel Bleu (France)</td>
<td>X</td>
</tr>
</tbody>
</table>

Figure 3: Primary outcome domains in ageing
Source: Social Venture Fund 2014
For the further assessment of the market potential for social ventures, we give a short overview of the social problem, the market opportunity, the social enterprise solutions and revenue models in each of the four outcome domains.

**OUTCOME DOMAIN: HEALTH**

A common effect of ageing is a higher prevalence of mental and physical health problems. People above the age of 65 years most frequently suffer from arthritis, respiratory illness, heart diseases, diabetes or cancer. Dementia, anxious disorders and depression are among the most frequently diagnosed mental health problems for the elderly. Health is the largest category of all outcome domains assessed. This study concentrates on two selected social problems within this field where we see many investment opportunities. These are dementia and social care.

**Dementia**

**Social problem:** Clinical symptoms of dementia usually begin after the age of 65, and prevalence increases markedly with age. Dementia is one of the most serious reasons for disability and the use of long-term care services among elders.

**Market opportunity:** In 2009, an estimated 6.8m people aged 60+ were affected by dementia in EU member states, accounting for 6.0% of the population in this age group. With a prevalence of 6.6% in France, 6.3% in the UK and 5.9% in Germany, the three focus countries are among the countries showing the highest prevalence. This number is expected to double within the next 20 years.

**Social enterprise solutions:** In all three focus countries we found interesting concepts for the activation of dementia patients, such as *Iles weite Welt* (D) a supplier of films and occupational material for dementia patients (see a detailed description of *Iles weite Welt* on page 16) or *Active Minds* (UK), which develops activity products for dementia patients.

**Revenue models:** The social enterprises active in the field of dementia we saw generate revenues through product sales to private customers, domiciliary carers or care homes.

**Social care**

**Social problem:** Despite a high number of elderly people living in care settings, the quality of elderly care is often weak. The care needs of elderly people are very diverse, reaching from low-level help (for example, walking the dog) to intensive 24-hour care provided in specialised caring facilities. Most social innovation, however, can be found in the field of residential and low-level care, often with the aim of helping people to lead an independent life outside of residential care.

**Market opportunity:** There are 1.7m people in domiciliary care in Germany. In the UK, approximately 0.5m people received some form of community-based care and support at home in 2012. In addition to the people in residential care there is a hidden demand for low-level care which is difficult to measure and which remains mostly unmet at the moment.

**Social enterprise solutions:** Business models in this field include new methods of delivering care, such as *Care and Share Associates (CASA)* (UK) which is an employee-owned high-quality provider of residential care (a detailed description of CASA can be found on page 17). Other social enterprises provide ancillary services for caretakers, such as *Pflegestufe* (D) which offers training and legal as well as administrative support for family members, enabling them to take care of a senior relative at home. The social enterprise *Amiravita* (D), among others, provides high-quality day care for seniors whose relatives need to work during the day. The French organisation *Ologi*, which addresses the outcome domains of social care, dementia and social inclusion, has developed new service for dementia patients: it recruits and trains so-called ‘Alzamis’, people which accompany the patients and their caretakers in everyday life.

**Revenue models:** In the area of social care, we found two distinct types of business models. Firstly, there is a type which actually offers care services, and which can therefore be reimbursed by long-term care insurance (like CASA and *Ologi* in some model regions). Additionally, other social enterprises that offer supplementary service to existing residential care schemes, such as information platforms, training programmes etc. These enterprises generate revenue through service or membership fees for the private users (like *Amiravita*), the public insurance system (like *Pflegestufe*) or corporations (like *Amiravita*) who aim to create an employee-friendly environment.
OUTCOME DOMAIN: PURPOSE OF LIFE

**Social problem:** European citizens retire early relative to their overall life expectancy or the healthy years they can be expected to experience\(^24\). For most people, having paid work is crucial to finding meaning in life. As such, seniors often lose the feeling of being useful and valued after retiring. Employers in the first job market are increasingly starting to recognise elderly people as a resource, and support the work of seniors through more flexible and individually tailored working schemes.

**Market opportunity:** Whereas the effective exit age from the labour market lies at 60.1 years in France and 63.5 years in Germany and the UK, average citizens can expect another 13.5 healthy years in France, 12.3 years in the UK and 8.5 years in Germany\(^25\). Approximately 25-30% of seniors within this age cohort engage in voluntary activities in the countries under review\(^26\).

**Social enterprise solutions:** Social ventures have come up with a number of diversified models of work and ways of enabling seniors to stay purposeful and to improve their pensions at the same time. One of the best known social ventures in this field The Amazings\(^27\) (UK) was a social enterprise that offered paid online / video crafts classes taught by elderly people who made their hobby a profession. Unfortunately The Amazings redesigned its business model just as we released this report and is now no longer targeting elderly people. The producer of hand-knitted fashion My Oma\(^28\) (D) is another example where seniors are able to gain an income by pursuing their hobby. Granny Aupair\(^29\) (D) supports elderly women to go abroad and work as aupairs. The enterprise sentiso\(^30\) (D) helps to match retired specialists to companies looking for employees.

**Revenue models:** Most of these social enterprises sell products or services to their customers, allowing the enterprise a steady income stream from which the elderly employees (or freelancers) are paid a salary (e.g. My Oma). Other social enterprises act as agencies or platforms connecting the seniors with employers (e.g. Granny Aupair, sentiso) charging a service or membership fee.

OUTCOME DOMAIN: SOCIAL INCLUSION

**Social problem:** Social contact with family, friends and the neighbourhood are an important determinant for personal wellbeing. Due to restrictions in mobility and health, elderly people often face loneliness and social isolation. Being connected to a supportive social network is important for them regardless of whether they live in a care institution, shared housing or in their own home. In contrast to the outcome domain termed ‘purpose of life’, the domain of ‘social inclusion’ is not directly related to an improvement of the seniors’ financial situation.

**Market opportunity:** Representative studies show that 19%\(^31\) or 3.2m people 65+ in Germany and 16%\(^32\) or 1.8m elderly in the UK say they feel lonely.

**Social enterprise solutions:** A variety of business models can be found which target social inclusion as outcome domain. Shared Lives Plus\(^33\) (UK), for example, has developed a new way of delivering home care by offering a family-based domiciliary care service. Le pari solidaire\(^34\) (F) brings together young people looking for housing and elderly looking for social contacts and help. There are other business models aiming to achieve social inclusion by reconnecting elderly and young people / children like Generationsbrücke Deutschland\(^35\) (D) or the provider of the digital learning and playing platform Elderberry\(^36\) (UK). A very common form of fostering social inclusion is the creation of online platforms like HeLiKom\(^37\) (D) or Southwark Circle\(^38\) (UK), which encourage information exchange and social contact among their members.

**Revenue models:** Most business models in this field rely on membership fees or a subscription service (e.g. HeLiKom, Southwark Circle, Generationsbrücke Deutschland). The social care provider Shared Lives Plus is an exception in this respect as social care insurance reimburses costs (see a detailed description of Shared Lives Plus on page 17).
OUTCOME DOMAIN: MOBILITY

Social problem: Mobility is essential for elderly people in order to master necessary daily activities independently and to keep up their social network. Older people increasingly experience mobility impairments as they age and their health deteriorates. In this context, mobility can be understood as the availability of public transport or special transportation services for the elderly. We, however, understand the term mobility as the promotion of physical activity in order to enhance the personal mobility of seniors.

Market opportunity: The market opportunity in this field is difficult to estimate, but representative studies in the UK show that of adults aged 65-74, only 19% meet the minimum level of recommended physical activity, with only 7% of 75+ adults achieving this aim. There are also 20 thousand care homes in the UK which spend more than GBP 432m per year on activities for residents.

Social enterprise solutions: We have identified two social enterprises which foster the mobility of seniors: Oomph (UK) and Siel Bleu (F). These two social enterprises have developed physical activity programmes for elderly people, and offer them to different customer groups in the field of health prevention and elderly care (e.g. communities, associations, and individuals), especially to care homes.

Revenue models: These social enterprises generate revenues through the sales of their services (physical activity programmes and exercise classes) to care homes and other institutions, or directly to individuals. Additional revenue is derived from product sales, training for carers and families (Siel Bleu) and franchising (Oomph). See a detailed description of Siel Bleu on page 15.

In the following diagram, we have summarised the results of our market screening of the outcome domains by the criteria established above (i.e. size of the social problem, market opportunity, role of social ventures and prevailing revenue models).

![Diagram showing attractiveness of outcome domains](image-url)

**Figure 4: Screening the attractiveness of outcome domains in ageing**

Source: Social Venture Fund 2014
ASSESSING INVESTMENT OPPORTUNITIES

DEAL PIPELINE

Our pre-screening of the market in France, Germany and the UK for potential investments in ageing has identified a number of interesting social enterprises which could be investable in the medium term (including enterprises that have already been invested in by impact investors). These enterprises - which we call ‘opportunities’ - are subject to a further, detailed screening process, potentially followed by a due diligence. Most of the opportunities we have seen are social enterprises located in the UK and in Germany. In terms of domains, almost 80% of all social enterprises identified are within the scope of the four selected outcome domains as shown in the figure below. Most of the potential opportunities occur in health and social inclusion. The lowest number of deal opportunities has been identified in the outcome domain of mobility (see figure below).

Despite the fact that ageing is an important challenge for society, there still appears to be a lack of investment-ready business models in all three countries in the short term. Additionally, a lot of the investment opportunities we were able to identify are still at a very early stage. Interviews with social venture capitalists and market experts helped us to understand why the ageing sector might be such a difficult place to produce scalable, financially resilient business models. Entry barriers for social ventures include:

- Customers are difficult to reach directly as a large number of them are dependent and live in domiciliary or residential care.
- Most products and services are paid for by the social care and health care providers and not directly by the customers; these commissioners often act as ‘gatekeepers’.
- In some areas, new social innovations compete against well-established incumbents from the health care, social care or the pharmacy industry.
- A low level of professionalism in a number of social ‘projects’ which have actually been founded as voluntaristic self-help groups rather than with the intention of becoming a scalable social venture with a viable business model.

Interesting fields where a lot of (social) innovation is happening, such as healthcare delivery and medtech devices, are often difficult to include in impact investors’ portfolios due to the presence of traditional venture capital providers and the risk of mission drift.

In a next step, we explain how we assess the investment opportunities identified in the three focus countries.

Figure 5: Impact Investment opportunities in ageing (2013)
Source: Social Venture Fund 2014
IMPACT ANALYSIS

Generally, an impact analysis comprises the perspective of (1) the elderly people, (2) the health and social care system, and (3) the financing industry. For each perspective, impact investors conduct the impact analysis along certain criteria which are described in the following.

(1) Perspective of the elderly people:

- **Disadvantaged target group:**
  Impact investors search for social enterprises that treat socially disadvantaged, neglected and/or under-served people. For instance, the social enterprise **Active Minds** develops and manufactures activity products for people with dementia. Their range of 71 products provides engaging activities that bridge the communication gap between people with dementia and their families and carers.

  However, not all elderly people are disadvantaged per se. An elderly person who has a decent standard of housing, mobility, social inclusion and health does not fall into the scope of a social enterprise’s activity. **Active Minds** would not fall into the category of treating a disadvantaged group if it sold memory training products, such as Sudoku puzzles, for elderly people who do not have mental illnesses.

  Similarly, **Active Minds** would not be interesting to an impact investor if it sold its products — designed to alleviate the onset of dementia symptoms — to elderly homeless people who do not have mental illnesses. In this case, the disadvantage of these elderly people occurs in the outcome domain housing, but **Active Minds** would address the outcome domain health.

  A proven technique to assess the disadvantage of a target group is to compare a target group to the average elderly person.

- **Holistic approach:**
  Impact investors search for social enterprises that pursue a holistic approach towards social value creation. This means that social enterprises ideally benefit elderly people in at least two outcome domains. For instance, the social enterprise **Granny Aupair** supports elderly women to go abroad for several months to, for example, help out in strained families, or to accompany lonely or disabled seniors. The women's help is appreciated, they are enabled to go abroad for a longer period and they collect intercultural experiences and knowledge. Hence, **Granny Aupair** benefits the women in the outcome domains of social inclusion, mobility and knowledge. In contrast, a new medicine would solely improve the domain of health. This is of course very valuable, but does not lie in the interdisciplinary scope of impact investing.

  **Granny Aupair** is also a good example for another ‘type’ of holistic approach. The company not only benefits the elderly women, but also the strained families and isolated older people they help. Having said this, **Granny Aupair** addresses several disadvantaged target groups with the same product/service — the matching platform.

  A proven technique to analyse the addressed target groups and corresponding outcome domains is the ‘impact map’ which outlines a social enterprise’s inputs, activities, outputs and outcomes for each target group separately.

- **Blended value creation:**
  Impact investors search for social enterprises that will not run into a conflict between income generation and benefiting elderly people. For instance, the social enterprise **HeLiKom** runs an online-platform which connects socially excluded elderly people with each other. These elderly people need someone to accompany them to events, such as a theatre performance, a football match, or to an activity, such as going to the museum. They pay a monthly fee for using the **HeLiKom** online-platform. A conflict might arise if **HeLiKom** instead relied on advertising. In this case, pop-up windows might annoy the platform visitors or companies might post teasers.

  A proven technique to assess potential conflicts between target group is by analysing the alignment of the social and commercial targets of a potential investee.

- **Ethical concerns:**
  Impact investors search for social enterprises that are free of any ethical concerns. A counterexample might be a social enterprise that provides software solutions that help to monitor elderly people in domiciliary care. This social enterprise might be critical if the product replaces the personal contact of a caretaker with a software tool.

(2) Perspective of the health and social care system: Social enterprises that target elderly people often operate in the health and social care sector. Accordingly, impact investors seek to analyse potential consequences of a social enterprise’s intervention for the entire health and social care system.
Impact investors search for social enterprises that not only benefit disadvantaged elderly people, but also prevent (unintended) negative side effects to the entire health and social care system. A social enterprise might, for instance, introduce a new method that reduces the length of physical therapy to elderly people with restricted mobility. Negative side effects might occur if the method only functions with less impaired patients and if the physical therapy is paid by therapy success rates at the same time. In this case, the social enterprise still creates social value. However, the more seriously impaired patients who require a more costly therapy would have to be treated by charitable organisations. These organisations could have cross financed the costly treatment of the more seriously impaired patients with the less impaired ones.

A proven technique to identify negative side effects is analysing if any elderly people are principally excluded from using the intervention. If there are such people, barriers for inclusion should be evaluated.

Impact investors search for social enterprises that supplement/complement the health and social care system. For instance, the social enterprise “Patients Know Best” runs an online platform where patients can manage their medical records. The patients can share their medical records with physicians, nurses and carers. Among many beneficial effects, this helps to ease communication between physicians of different specialties and between the patient and the physician. The service also improves the efficiency of doctor’s appointments. All the features of the Patients Know Best platform supplement existing health care practices. Patients Know Best would substitute existing health care practices if it replaced face-to-face appointments with a physician by digital consultancies. In this case, impact investors would not be interested in the company.

A proven technique to assess whether a social enterprise substitutes existing practices is to analyse how the social problem has been solved conventionally.

(3) Perspective of the financing industry: Given the enormous range of stakeholders acting in the health and social care system, impact investors are required to define their role in reference to the role of other sources of funding, such as conventional banks, investment funds, corporations, foundations and governmental institutions. For this purpose, impact investors search for social enterprises that are not adequately addressed by these other stakeholders. Usually, such social enterprises are not willing to rely on (often) restricted grants and do not match the criteria of conventional banks and investment funds. For instance, the social enterprise Deutscher Pflegering provides elderly people and their families with practical help for all kind of questions concerning social care — from first orientation, to personal social care advice, to connecting elderly people to nursing homes, doctors and other social care services. The company does not want to rely on grants, but cannot show the required collateral for receiving a bank credit. Other funds might be reluctant to invest in Deutscher Pflegering as the social sector requires specialised expertise. Impact investors seek to close this financing gap. They do not invest/hesitate to invest in traditional medtech deals or new medical therapies. There are other capital markets with their own ‘rules’ that are specialized on these deals.

Usually, social enterprises do not fulfil all impact criteria equally well. Therefore, impact investors have to trade off some criteria against others.
INVESTING IN AGEING

There is no exact estimate of the size or the investment need of the market we are looking at. The Boston Consulting Group forecast the UK social impact investment market\(^\text{47}\) for ageing to increase by 20% p.a. from GBP 44m in 2012 to GBP 76m by 2015\(^\text{48}\). The major share of this ageing segment is ‘personal care for over 65s in residential settings’. Despite the relatively small current size of the market we look at, we expect it to grow dynamically.

Overall, we have identified a relatively low number of deals of European Venture Philanthropy Association (EVPA)\(^\text{49}\) members in ageing to date. Most active investors in this field are UK funds (see a detailed list of investments identified in the appendix). The limited number of deals in the three focus countries clearly indicates that social enterprises in this field are not yet meeting impact investors’ criteria of risk-adjusted rates of return and a high social impact. There is increasing activity from incubators (e.g. Unltd, Big Venture Challenge, UK) and seed investors (e.g. Nesta and Young Foundation, UK) who are seeking to develop investable social enterprises in ageing which are looking to scale. For instance, Unltd has dedicated a cohort within its 2013 Big Venture Challenge to ageing. Two of the Challenge winners Oomph and Active Minds\(^\text{50}\) are currently looking for match funding to be able to scale further. Nevertheless, it remains unclear how quickly investments in ageing will become an important part in impact investors’ portfolios going forward.

No investments in ageing from impact investors have been identified in France. French investors have looked at different investment opportunities in ageing in the past, but have not closed a deal yet. In the medium term, the most interesting outcome domain appears to be health (both dementia and social care). Due to the absence of investment examples, we portrayed Siel Bleu, a very successful provider of physical activity programmes for elderly people in France which is currently looking to scale (see box).

### Siel Bleu (France)

**Social problem:**
The number of dependent elderly people (seniors with mobility problems, seniors in nursing homes) is increasing rapidly in France. They often suffer from low levels of physical activity and isolation, leading to reduced levels of health and other wellbeing associated with serious conditions such as depression, higher incidence of falls and vascular disease.

**Social enterprise solution:**
Siel Bleu offers a variety of physical activities which contribute to improving the wellbeing of beneficiaries and to breaking the vicious circle of isolation and disease. The company offers its services to various players in the field of health prevention and elderly care (care homes, medico-social facilities, communities, associations as well as to seniors at home). Additionally, they offer training for nursing staff, caretakers and family members as well as health promotion and prevention programmes for companies.

**Social impact:**
- Reduction of curative care cost of beneficiaries, e.g. prevention of diabetes type II, reduced number of falls (outcome domains: mobility and health).
- Active health promotion leading to reduced isolation for dependent seniors (outcome domain: social inclusion)

**Business development:**
Founded in 1997, Siel Bleu employed 200 people in 2012 and treated more than 60,000 beneficiaries every week in 2,500 establishments. Due to its different areas of activity, Siel Bleu shows a diversified income base and is currently looking to scale beyond France.
The German social venture capital fund BonVenture has invested in a provider of occupational material for dementia patients (see box below) and in a provider of door openers for immobilised elderly and disabled people in 2012. These are so far the only impact investments in ageing of German EVPA members. Philanthropic investors, such as the ageing specialists Generali Zukunftsfonds and Ashoka foster early stage social ventures in ageing. Thus, we expect to see interesting and potentially investable business models in the medium term in all outcome domains, especially in health.

BonVenture’s investment in Iles weite Welt (Germany)

Social problem:
Over 1.4 m people are currently living with dementia in Germany. People with dementia become increasingly isolated as memory loss affects their ability to engage with their environment and participate in everyday activities. This can lead to boredom, frustration, depression and aggressive behaviour for the patients.

Social enterprise solution:
Iles weite Welt develops and distributes films and occupational products for people with dementia which can be used to activate patients and increase their wellbeing. These materials support nursing staff and families taking care of their relatives in finding adequate occupations for dementia patients. Additionally, the company offers training for caretakers of dementia patients.

Social impact:
♦ Increased quality of life for dementia patients (outcome domain: health)
♦ Support for nursing staff and families taking care of dementia patients in offering adequate occupation for dementia patients (outcome domain: health)

Investment:
BonVenture invested through equity and a loan in 2012 to develop sales and distribution for the products as well as for ancillary services (i.e. training programmes for carers). Additionally, BonVenture supports the company in setting up a professional Controlling system.

In the UK, we have identified the highest number of investments in ageing by EVPA members. Overall, the number of deals we were able to identify is manifestly lower than in other sectors we looked at (e.g. long-term unemployment). The most active investors are Bridges Ventures, through its Social Entrepreneurship Fund, and Nesta, through its Innovation in Giving Fund and its new Nesta Impact Investments Fund. The investments are mainly in the segments ‘mobility’ and ‘social care’, so far.

Nesta is an important promoter of innovative business models in ageing. It provides early stage financing and network resources to social ventures in this field. Ageing is one of the foundation’s main programme areas in which it undertakes research and publishes studies on the subject. Additionally, it organised the Ageing Well Challenge Prize 2013 in cooperation with the Cabinet Office and supports the transfer of innovative business models from overseas to the UK (e.g. Encore Futures and Tyze Network). Additionally, Nesta has set up a GBP 25m Impact Investments Fund to invest in early-stage social enterprises. One of three focus domains of the fund is ageing and Nesta has just published a first ageing deal with Oomph (see list in the appendix) in January 2014.

Bridges Ventures, which looks at more mature business models with a proven track record, currently has two investments in ageing in its portfolio: HCT group (a London bus operator aiming to reduce social exclusion from public transportation with poor elderly people being among the main beneficiary groups) and Care & Share Associates (CASA) a provider of high-quality domiciliary care. These investments also follow a holistic or multi-outcome domain approach, which the Social Venture Fund follows in its investment strategy (see holistic approach to social value creation described in the chapter assessing investment opportunities). CASA for instance targets the outcome domains health and income (see box on next page).
Bridges Ventures’ investment in CASA (UK)

Social problem:
Domiciliary care providers typically operate a low-paid, high-churn employee model resulting in lower quality care for service users.

Social enterprise solution:
CASA builds and develops employee-owned franchise companies to provide domiciliary care to older, disabled and vulnerable people.

Social impact:
- Higher consistency and quality of care due to lower staff attrition at CASA’s franchise companies, reflecting employee engagement and benefiting service users (outcome domain: health)
- CASA aims to employ those who were previously unemployed, providing training and a long-term career in the care sector (Outcome domain: income)

Investment:
Bridges has invested GBP 400k through a ‘social loan’ to strengthen the core business and provide a robust platform for future growth. Since investment, CASA has expanded both the central executive and non-executive team, and started to implement robust and consistent financial, operational, quality and governance systems.

Social Finance and Shared Lives Plus head another interesting development in the UK: jointly, these two organisations are currently raising money from investors in order to set up an incubator to help grow the Shared Lives scheme (see a detailed description of Shared Lives Plus in the box below). So far, this pilot targets people with mental health needs and learning disabilities. However, seniors in need of domiciliary care could potentially be an interesting target group of this service in the future. On top of traditional social venture capital investments, pay-for-performance contracts or Social Impact Bonds in the field of ageing might come on the market going forward.

Shared Lives Plus (UK)

Social problem:
In 2012, there were more than 4.6m seniors in care in the UK\textsuperscript{57}. Traditional services more often than not fail to find solutions to loneliness and social isolation among elderly people in care.

Social enterprise solution:
Shared Lives Plus is a network for family-based and low-scale ways of care for seniors with special care needs (e.g. dementia or disability). Shared Lives carers share their family and community life with someone who needs some support to live independently. The idea is to match a carer with a senior who enjoy spending time together, so that Shared Lives feels like family and not like a service.

Social impact:
- Effectively tackles social isolation among dependent seniors by helping people to grow their social networks. (outcome domain: social inclusion)
- Improves quality of domiciliary service by building a personal relationship between carer and the dependent senior. (outcome domain: health)
- Allows seniors with a special need for care to remain in a domiciliary setting for a longer period, as a result of the more personalised delivery of care. (outcome domain: housing)

Business development:
Shared Lives was established 20 years ago and is used by around 15,000 people throughout the UK. There are approximately 8,000 Shared Lives carers in the UK, recruited, trained and approved by 152 local schemes, which are regulated by the government’s social care inspectors.
CONCLUSION

In this study we have demonstrated that the market for ageing could be a promising area for impact investing in France, Germany and the UK in the medium term. We see robust underlying market drivers in the ageing market, such as:

♦ a growing target group of people ageing, and
♦ an increasing need for products and services which current systems are failing to address sufficiently.

In this environment, there is a growing opportunity for social enterprises operating in the outcome domains of health (dementia and social care), purpose of life, social inclusion, and mobility, with health being the area of highest market attractiveness.

In the short term, we see interesting business models in the deal pipeline which are not yet meeting impact investors’ criteria of risk-adjusted rates of return and similarly a high social impact. This situation is similar across all of the countries under review, especially in France and Germany. It remains complex to define an impact investor’s field of intervention for social innovations at the edge of healthtech and medtech.

Given the challenges of an ageing Europe and the initiatives that incubators and seed investors are currently undertaking to develop investable social enterprises in ageing, we believe that we will see a more robust deal pipeline in all countries under review in the future. In France and Germany, we expect to see future investment opportunities in health (both dementia and social care). Given a wide range of activities of early stage social venture support, we expect investable social enterprises in all outcome domains under review in the UK. In particular, it will be interesting to see how Social Impact Bonds are helping to improve outcomes in the field of ageing going forward.

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### Selected impact investments in the area of ageing in the focus countries by EVPA members

<table>
<thead>
<tr>
<th>Investee</th>
<th>Primary outcome domain</th>
<th>Country</th>
<th>Investor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abotic</td>
<td>Mobility</td>
<td>Germany/ Austria</td>
<td>BonVenture</td>
</tr>
<tr>
<td>Age Concern Kingston</td>
<td>Social care</td>
<td>UK</td>
<td>CAF Venturesome</td>
</tr>
<tr>
<td>Adapt (North East)</td>
<td>Mobility</td>
<td>UK</td>
<td>Big Issue Invest</td>
</tr>
<tr>
<td>CASA</td>
<td>Social care</td>
<td>UK</td>
<td>Bridges Ventures Enterprise Fund</td>
</tr>
<tr>
<td>HTC</td>
<td>Mobility</td>
<td>UK</td>
<td>Bridges Ventures Enterprise Fund</td>
</tr>
<tr>
<td>Ilses weite Welt</td>
<td>Dementia</td>
<td>Germany</td>
<td>BonVenture</td>
</tr>
<tr>
<td>Oomph</td>
<td>Mobility</td>
<td>UK</td>
<td>Nesta Impact Investments Fund</td>
</tr>
</tbody>
</table>
Endnotes

1 Throughout this report, we define impact investing as any type of repayable investment with a focus on both social impact and financial return according to Melinda Weber (2012), *Impact Investing in Deutschland*, Impact in Motion and Bertelsmann Stiftung.


3 Halima Khan (2013), *Five Hours a day*, Nesta

4 Halima Khan (2013), *Five Hours a day*, Nesta


7 Silvia Andueza Robustillo et al. (2013), *EU Employment and Social Situation, Quarterly Review: Special Supplement on Demographic Trend*, European Commission


13 Diagnosed health conditions England people aged 65+; ELSA(20101-2011), Institute for Fiscal Studies


16 http://www.ilesweitewelt.de

17 http://www.active-minds.co.uk

18 Destatis, *Pflegestatistik 2011*

19 Age UK (2013), *Later Life in the United Kingdom*

20 http://www.casaltd.com

21 http://pflegestufe.de

22 http://amiravita.de

23 No Website found.


25 Eurostat

26 Eurostat

27 http://www.theamazings.com

28 http://www.myoma.de

29 http://www.granny-aupair.com

30 http://www.sentiso.de

31 Renate Köcher et al. (2912), *Generali Altersstudie 2013: Wie ältere Menschen leben, denken und sich engagieren*, Fischer Taschenbuchverlag

32 Halima Khan (2013), *Five Hours a day*, Nesta
The domain not considered is described as ‘Other Health’ and includes a variety of social enterprises in the domains of healthcare delivery and aids to daily living.

The examples used to illustrate the criteria are exclusively discussed in reference to one particular criterion and do not indicate the overall investability of these enterprises.

Including only investments of socially-motivated investors into socially-motivated organisations.

The European Venture Philanthropy Association (EVPA) is a membership association for organisations interested in or practicing venture philanthropy and social investment across Europe. It currently has over 170 members from 25 countries, mainly based in Europe, but also outside Europe, such as Turkey, United Arab Emirates and Asia.

The Nesta Innovation in Giving Fund offers grants as well as repayable grants to social organisations.

European Commission (2012), The 2012 Ageing report, European Union