WP6: MARKET TRENDS REPORT

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Market trends report: Introduction & Methodology

This report presents an in-depth analysis of the evolving market dynamics impacting social enterprises and their integration with mainstream businesses, aligned with the strategic objectives of the MATCH project. The MATCH project fosters social enterprises' growth, scalability, and collaboration by facilitating partnerships with mainstream businesses. These partnerships aim to amplify social and environmental impact while achieving sustainable economic outcomes. By leveraging the strengths of both sectors, the project seeks to create a robust ecosystem that supports innovation and addresses societal challenges through collaborative efforts.

The report explores the current landscape of social enterprises across Europe, highlighting opportunities for growth, potential barriers, and the critical role of public policies, corporate ESG strategies, and consumer behaviour in shaping the sector. This comprehensive market analysis identifies strategic pathways for optimising partnerships and scaling operations, offering actionable insights for social enterprises to navigate and thrive in an increasingly complex economic environment.

In alignment with the MATCH project's goals, the report is designed to inform and engage various stakeholders, including social enterprises, corporations, policymakers, investors, and development agencies. It provides these stakeholders with a detailed understanding of emerging trends and market conditions, enabling them to devise strategies that foster an inclusive and supportive ecosystem. The ultimate objective is facilitating effective collaboration between social enterprises and mainstream businesses, maximising their collective social, environmental, and economic impact while ensuring long-term sustainability and value creation for all parties involved.

Methodology

The methodology employed in this report combines qualitative and quantitative analysis, drawing on various sources of information to provide a holistic understanding of the market landscape for social enterprises. The following approaches were used:

Literature review

The report synthesises information from existing studies, reports, and data sources related to social enterprises, including publications from international organisations, government bodies, and industry groups. Documents such as the European Social Enterprise Monitor, the World Economic Forum's reports on social enterprises, and other sector-specific analyses provided a foundation for understanding trends and patterns.

Secondary data analysis

Secondary data, such as financial and market reports, regulatory documents, and impact assessments, were analysed to identify key trends, challenges, and opportunities within the social enterprise sector. This quantitative analysis helped to evaluate market size, growth potential, and the influence of regulatory frameworks.

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Case studies and best practices

The report incorporates case studies of successful collaborations between social enterprises and mainstream businesses, illustrating how strategic partnerships can drive impact and growth. These examples provide real-world insights into practical business models, successful scaling strategies, and the benefits of corporate-social enterprise alliances.

Stakeholder consultation

Input from social enterprises, businesses, policymakers, and investors were integrated to ensure that the analysis reflects the perspectives and needs of various actors within the ecosystem. This consultation helped identify barriers faced by social enterprises and the motivations behind corporate engagement, enhancing the report's relevance and practical value.

Scope of the analysis

The analysis focuses on the social enterprise sector, defined as organisations that prioritise social and environmental objectives alongside financial sustainability, reinvesting most of their profits to further their mission. Social enterprises differ from traditional businesses by operating with a dual mission—creating positive societal impact while ensuring economic viability. They are critical in addressing systemic issues such as inequality, unemployment, and environmental degradation, particularly in underserved communities.

The report also examines the interactions between social enterprises and mainstream businesses across Europe and selected global regions. Mainstream businesses are profit-driven companies that, while traditionally focused on financial returns, are increasingly integrating social and environmental criteria into their operations, mainly through ESG (Environmental, Social, and Governance) initiatives. By partnering with social enterprises, these businesses seek to align with evolving market expectations and regulatory frameworks, prioritising sustainability and social impact.

While the analysis primarily centres on the European market, it extends to regions with emerging social enterprise ecosystems, particularly in the Global South and developing economies. Social enterprises fill critical gaps in essential services such as healthcare, education, and sustainable economic opportunities in these contexts. By exploring these contexts, the report provides a global perspective on the evolving landscape and social enterprises' varied roles in different socioeconomic environments.

The analysis addresses several key themes, including:
- Consumer behaviour trends favouring ethical and sustainable products.
- ESG integration by mainstream businesses and its influence on social enterprise collaborations.
- Regulatory frameworks that support social enterprises and drive their development.
- The role of technology and digital transformation in scaling impact and enhancing operational efficiency.

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Additionally, the report evaluates the competitive environment between social enterprises and traditional businesses, examining the factors that enable or hinder their growth, scalability, and partnership potential.

A multi-stakeholder approach provides a comprehensive understanding of the opportunities and challenges faced by various actors, including social enterprises, mainstream businesses, investors, government bodies, and NGOs. This perspective highlights the ecosystem's interconnected nature and the collaborative efforts required to strengthen the sector.

The report aims to deliver a thorough and targeted analysis that aligns with the MATCH project's objectives. The report seeks to bolster the social enterprise ecosystem by offering actionable insights and recommendations, supporting its growth, scalability, and capacity to generate lasting social and environmental impact.

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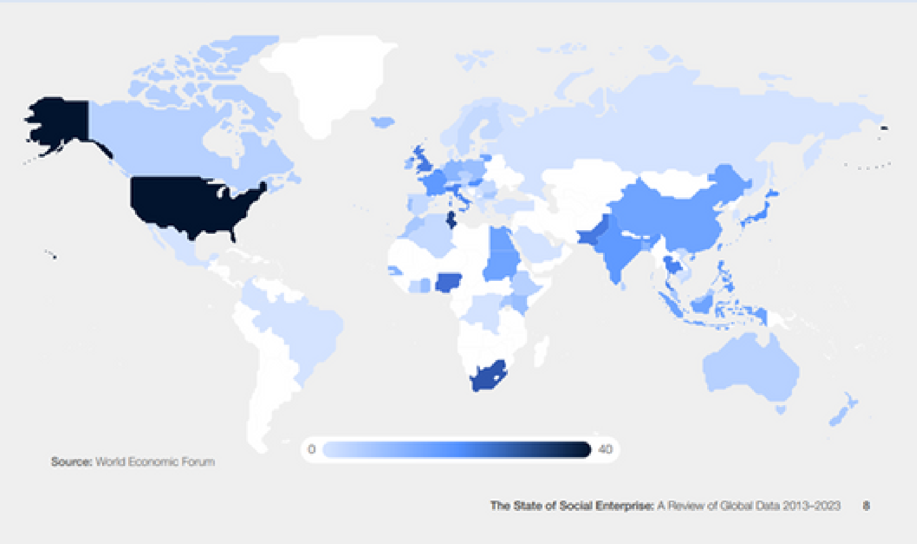
The business landscape for social enterprises is evolving rapidly and is driven by global and regional policy initiatives. Globally, social enterprises have emerged as a powerful engine for positive change, with approximately 10 million operating worldwide. These purpose-driven organisations generate around $2 trillion in annual revenue, contributing 7% of global GDP. They are pivotal in reshaping communities and industries, creating 200 million jobs across diverse agriculture, technology, and financial services sectors. Notably, social enterprises stand out for their inclusivity and diversity, with one in two led by women—substantially higher than the one in five ratio found in conventional businesses. As a reference, the social enterprise sector surpasses the apparel industry with $1.57 trillion in economic scale. It is double the size of the $875 billion advertising industry, highlighting its growing importance and influence on the global economy (World Economic Forum, 2024).

Fig 1. Estimated number of social enterprises per 10,000 people



Source

Across Europe, social enterprises are gaining prominence and maturing into a robust sector. Europe hosts a substantial network of social enterprises contributing significantly to job creation, social inclusion, and sustainability. The social economy in the European Union is substantial, with approximately 2.8 million enterprises accounting for 10% of all businesses in the region. This sector employs around 13.6 million individuals, representing 6.2% of the EU's workforce, and is further bolstered by the contribution of volunteers, whose efforts are equivalent to an additional 5.5 million full-time workers. Social economy enterprises are deeply integrated into the fabric of European society, with up to 160 million Europeans holding membership, particularly in cooperatives focused on retail, banking, and agriculture, as well as mutual societies providing complementary social security services. (European Commission)

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These enterprises, predominantly micro, small, and medium-sized entities (SMEs), contribute significantly to the EU's goals of employment generation, social cohesion, environmental sustainability, and rural development. Such a large and active social economy sector offers a competitive advantage for social enterprises, providing a solid foundation for them to grow into a central pillar of the European economy. The social economy has the potential to be a driving force for sustainable economic development and social progress across the EU.

Distribution and acceptance of social enterprises across European countries.

Country	Year	Estimated number of SEs	Number of SEs per million inhabitants	Estimated number of employees	Degree of data reliability	SE concept use & acceptance
Albania	2018	379	132	2,000-2,500	Low	Low
Austria	2015	Approx. 1,535	Approx. 174	N.A.	Low	Low
Belgium	2017	18,004	1,530	572,914	Average	Average-High
Bulgaria	2015-2017	Approx. 3,700	Approx. 525	26,000	Average	Average
Croatia	2018	526	128	N.A.	Average	Average
Cyprus	2017	190	22	N.A.	Very low	Low
Czech Republic	2018	3,773	356	N.A.	Average	Average
Denmark	2018	411	71	N.A.	Low	Average
Estonia	2016	121	92	1,603	Average	Low
Finland	2018	1,181	214	Approx. 52,500	High	Average
France	2015-2017	Approx. 96,603	1,414	>1,187,249	Average	Average
Germany	2017	77,459	936	N.A.	Average	Low
Greece	2019	1,148	107	N.A.	High	Average
Hungary	2016	15,855	1,621	72,642	Average	Average
Iceland	2017	258	740	1,488	Low	Low

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Country	Year	Estimated number of SEs	Number of SEs per million inhabitants	Estimated number of employees	Degree of data reliability	SE concept use & acceptance
Ireland	2009	3,376	699	>25,000	Low	High
Italy	2017	102,461	1,694	894,800	Very high	Very high
Latvia	2018	Approx. 200	Approx. 103	N.A.	Average	Average
Lithuania	2016-2017	3,476	1,237	N.A.	Average	Average
Luxembourg	2017-2018	928	1,546	24,055	High	High
Malta	2018	31-62	65-130	N.A.	Low	Low
Montenegro	2018	150	241	< 500	Low	Low
Netherlands	2015-2016	5,000-6,000	290-350	65,000-80,000	Low	Low
North Macedonia	2013-2015	551	266	N.A.	Low	Low
Norway	2016	250	47	N.A.	Average	Low
Poland	2016-2019	29,535	768	428,700	High	Average
Portugal	2013	7,938	771	145,734	Average	Average
Romania	2015-2017	6,317	323	17,117	Average	Average
Serbia	2012	411	59	4,273	Average	Low
Slovakia	2014	3,737	687	N.A.	Low	Average
Slovenia	2017	1,393	674	15,063	Average	Average
Spain	2017	9,680	208	>91,500	High	High
Sweden	2009-2016	Approx. 3,000	Approx. 296	N.A.	Low	Low

Source

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Europe's regulatory environment is becoming increasingly supportive, influenced by initiatives like the European Commission's Social Economy Action Plan and national efforts like Portugal's Social Innovation Initiative. The EU has also implemented frameworks that promote social enterprise development, mainly through public procurement strategies and tax incentives. However, despite growing policy attention, challenges persist, including financial accessibility, policy fragmentation, and visibility issues that limit social enterprises' ability to scale.

Several initiatives have sought to strengthen social enterprise ecosystems globally. For example, the Schwab Foundation and the World Economic Forum have underscored the importance of social enterprises in achieving corporate sustainability targets, primarily through partnerships between corporations and social enterprises. This aligns with the broader trend of integrating ESG considerations into corporate procurement and decision-making processes. Such partnerships provide corporations with innovative solutions that fulfil their social impact goals while maintaining quality and cost-effectiveness.

Economic and Regulatory Environment Affecting Social Enterprises

The economic and regulatory environment surrounding social enterprises in Europe is becoming increasingly supportive, yet it remains complex and varies across regions. Public policies, financial incentives, and frameworks integrating social value into corporate governance are evolving. Still, structural barriers persist, such as access to finance, regulatory inconsistency, and limited understanding of the social enterprise model.

Consumer demand, corporate procurement strategies, and broader macroeconomic trends shape the economic landscape for social enterprises. Social procurement, where businesses integrate social enterprises into their supply chains, has become a significant economic driver. Large corporations increasingly view partnerships with social enterprises to meet their ESG targets, exemplified by initiatives like the Buy Social Corporate Challenge in the UK. This initiative has seen businesses commit to spending £1 billion on social enterprises, recognising the social impact and business value these partnerships offer.

Despite these promising trends, access to finance remains a significant barrier for social enterprises. Many rely on mixed revenue streams, including trading income, public funding, and philanthropic support. However, financial markets are not yet fully equipped to accommodate the hybrid business models of social enterprises, which balance profit and social mission. The absence of specialised financial products for these organisations hinders their ability to scale, particularly in regions where public funding for the social economy is decreasing due to economic and fiscal constraints. Furthermore, inflation and rising costs, driven by global economic instability, present additional challenges to financial sustainability. The regulatory environment for social enterprises in Europe has improved significantly over the past decade but remains fragmented. Sixteen EU member states have implemented new laws specifically recognising and supporting social enterprises, while eleven countries have developed national strategies to promote the sector. However, legislative support varies greatly across regions, creating disparities in how social enterprises can operate and grow.

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At the EU level, initiatives such as the European Social Economy Action Plan and the Transition Pathway for Proximity and Social Economy represent landmark efforts to strengthen the social enterprise ecosystem. These policies aim to create an enabling regulatory environment that supports social enterprises in tackling societal challenges, including job creation, social inclusion, and sustainable development. Furthermore, the EU's legislative frameworks facilitate access to public procurement, a critical market for social enterprises, by encouraging public authorities to consider social value in awarding contracts.

Public procurement policies are increasingly central to the growth of social enterprises in the EU. Governments are beginning to recognise the importance of including social and environmental criteria in public tenders, thus allowing social enterprises to secure contracts based on their societal impact rather than just cost competitiveness. However, the implementation of these policies varies significantly across member states, leading to uneven adoption. The complexity of public procurement processes and the capacity limitations of some social enterprises make it difficult for them to compete fully in these markets.

One of the primary regulatory challenges social enterprises face is the lack of consistency in European legal definitions and frameworks. While countries like France and Italy have established robust legal statuses for social enterprises, others maintain fragmented or limited frameworks, creating barriers to cross-border collaboration and complicating the operations of social enterprises across different jurisdictions.

Furthermore, access to finance remains a critical issue. While the EU and national governments have made progress in promoting social investment markets—such as through the European Social Fund (ESF) and the European Investment Fund (EIF)—the sector still lacks specialised financial instruments tailored to social enterprises. Investors often hesitate to engage with social enterprises due to perceived risks and challenges in measuring non-financial returns. The absence of standardised impact measurement frameworks complicates the process, as investors and policymakers increasingly demand clear metrics demonstrating social and environmental value.

Consumer Demand and Market Opportunities

Consumer preferences, particularly in high-income countries, are shifting towards ethical and sustainable consumption. Research shows that 62% of consumers seek out brands that align with their values, while over half of younger generations, including Millennials and Gen Z, are more likely to trust and support businesses that demonstrate positive social and environmental impacts (Zeno Group, 2024) (HBR, 2024). This trend creates significant market opportunities for social enterprises offering fair-trade goods, eco-friendly products, and services that target marginalised communities.

The growth in consumer-driven demand is reflected in social enterprises' optimism. In the UK, for example, three-quarters of consumer retail social enterprises expect to expand in the coming year, with nearly a third anticipating substantial growth. This confidence suggests a strong market outlook and highlights the sector's ability to respond to and capitalise on evolving consumer preferences (Social Enterprise UK, 2024).

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Corporate Demand and ESG Integration

The corporate sector also contributes to expanding social enterprises through ESG (Environmental, Social, and Governance) strategies. Companies increasingly incorporate social value into their supply chains to comply with ESG regulations and meet investor and consumer expectations. Initiatives like the Buy Social Corporate Challenge in the UK, where businesses have committed over £1 billion towards purchasing from social enterprises, illustrate this trend. Such collaborations highlight the recognition that social enterprises can simultaneously deliver business value and social impact (Social Enterprise UK, 2024).

Globally, the World Economic Forum emphasises that partnerships with social enterprises enable businesses to innovate, access new markets, and strengthen brand reputation while meeting sustainability goals. These collaborations are increasingly valued for enhancing corporate identity and attracting purpose-driven talent, as employees favour companies engaged in meaningful social impact initiatives (World Economic Forum, 2024).

Policy-Driven Demand and Regulatory Support

Public sector policies significantly influence the market for social enterprises in Europe. The EU's Social Economy Action Plan and the emphasis on integrating social value into public procurement create substantial opportunities. Governments across Europe are increasingly including social and environmental criteria in their tenders, favouring social enterprises that demonstrate measurable impact. This policy-driven demand is particularly robust in Healthcare, Education, and Environmental services (European Commission, 2020).

Furthermore, the EU's Green Deal and the Corporate Sustainability Reporting Directive (CSRD) amplify opportunities for social enterprises focused on sustainability. By requiring businesses to disclose detailed ESG information, the CSRD encourages partnerships with social enterprises, making them attractive partners for larger corporations aiming to demonstrate compliance and enhance their sustainability credentials (Consilium, 2023).

Challenges and Barriers to Growth

Despite the strong market potential, the sector faces several barriers. Fragmentation remains a significant challenge, with uneven development across regions and countries. While some countries like the UK, France, Italy, and Portugal have robust support frameworks for social enterprises, others lack comprehensive policies, making it difficult to scale operations and create unified growth strategies across Europe. This regulatory inconsistency hinders the sector's ability to expand its impact beyond local or national markets.

Access to finance is another critical hurdle. Traditional investors often perceive social enterprises as high-risk due to their hybrid models that balance financial and social objectives. The financial sector is not fully adapted to the needs of social enterprises, resulting in a gap in the availability of tailored products like social bonds, impact investment funds, or concessional loans. Addressing this challenge is essential for enabling social enterprises to scale and sustain their impact (World Economic Forum, 2024) (European Commission, 2020).

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The need for standardised impact measurement also poses a barrier to growth. Social enterprises must demonstrate their value proposition clearly to investors, consumers, and policymakers. However, without consistent frameworks for measuring social and environmental outcomes, social enterprises cannot effectively communicate their impact. This challenge can limit access to investment and public contracts, particularly when impact reporting is a crucial criterion for eligibility.

The types of social enterprises

The social enterprise landscape in Europe is marked by diversity and segmentation, influenced by the geographical, economic, and operational contexts within which these organisations operate. The European Social Enterprise Monitor (ESEM) 2021-2022 provides insights into the structural composition and the characteristics of social enterprises across the continent, revealing patterns that help understand market behaviour and income generation methods.

Social enterprises in Europe derive income from various trading and non-trading activities, showing the importance of a mixed-revenue model to sustain their operations. At the aggregate level, 60.4% of income for social enterprises comes from trading activities, with the remainder from non-trading sources like grants and donations. This segmentation varies across countries. For instance, social enterprises in Switzerland and the Netherlands have a higher reliance on trading activities (80.9% and 78.8%, respectively), while in Portugal and Austria, non-trading activities dominate, accounting for 59.3% and 54.6% of income, respectively.

Social enterprises are also segmented based on their participation in social procurement activities. These activities include Business-to-Business (B2B) and Business-to-Government (B2G) trading and sales to third-sector organisations and foundations. Across Europe, B2B trading represents a primary income source for 35.4% of SEs, while B2G trading accounts for 29.3%. Notably, this type of trading varies significantly across countries: B2B trading is predominant in the Netherlands (59.7%), Denmark (53.5%), and Hungary (48.9%), while B2G trading is the primary source in Sweden (65.2%), Denmark (55.8%), and Estonia (47.1%).

The geographical scope of social enterprises' operations further segments the market. A significant portion (29.8%) of social enterprises operate at the local community level, focusing on localised impact and serving specific community needs. A more substantial segment, 71.4%, operates nationally, indicating a broader scope but still confined within national borders. A smaller yet significant percentage extends its activities beyond the home country; 13.5% of social enterprises are active across Europe, and 17.3% engage in international markets beyond the continent. This segmentation reflects a dynamic market where social enterprises balance local and global ambitions based on their capacity and strategic focus.

Another dimension of segmentation relates to the focus of social enterprises on specific beneficiary groups. About 65.9% of enterprises target particular demographics such as children, young people, women, and individuals with disabilities or mental health challenges. These organisations tailor their offerings and strategies to meet the distinct needs of these groups, highlighting their role in addressing social inequality and promoting inclusivity.

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In contrast, another 61.6% of SEs aim to support society more broadly, providing services that span multiple societal sectors and needs.

The sectoral segmentation of social enterprises reveals an intense concentration in human health, social work, and education, accounting for nearly half of all SEs. This indicates that the market is heavily oriented toward addressing societal challenges related to well-being and access to education. However, there is also a growing presence in other fields, such as information and communication services, highlighting the diversification and adaptation of SEs to emerging needs, particularly in digital and technological solutions.

Fig 2. Products and services offered by Social Enterprises in the Buy Social Corporate challenge

Despite the extensive array of products and services offered by social enterprises participating in the Buy Social Corporate Challenge, there are still noticeable gaps. While there has been a slight increase in categories such as food and beverages, employment and career services, and healthcare services, the IT and digital services sector remains underrepresented. This suggests untapped potential for growth in digital transformation services, cybersecurity and advanced IT solutions.

Category	Area	Number Percentage
Community services	138	7.5%
Consultancy and business support	275	14.9%
Creative industries	41	2.2%
Education and skills development	307	16.6%
Employment and career services	100	5.4%
Events	89	4.8%
Facilities management	193	10.4%
Food and beverages	114	6.2%
Health care	141	7.6%
Hospitality	29	1.6%
HR and employee wellbeing	148	8.0%
IT and digital services	13	0.7%
Merchandise, corporate gifts and retail	27	1.5%
Other	85	4.6%
Research	151	8.2%
	1,851	**100%**

There is a clear and consistent upward trend in the number of higher-value contracts and the growth of established social enterprises effectively trading with multiple Buy Social Corporate Challenge clients. In year eight, the programme had 22 trading relationships worth more than £1 million each, compared to 13 such high-value relationships the previous year.

The following social enterprises are currently trading with ten or more Buy Social Corporate Challenge clients: Fruitful Office, Hey Girls, WildHearts Group, Change Please, NEMI Teas, From Babies with Love, Mental Health First Aid England, Nuneaton Signs, Social Supermarket and Waste to Wonder.

Source

Social enterprises in Europe also vary by their developmental stage, which affects their market behaviour and growth strategies. A substantial proportion (39.2%) of SEs are in the early implementation and growth stages, highlighting the emerging sector. These enterprises mainly focus on scaling their impact, with a majority seeking to expand through new product development and market diversification. Additionally, the drive to expand their customer base and geographical reach is strong, particularly among enterprises with some international operations.

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The organisational size and legal structures of social enterprises further segment the market. Most are small and medium enterprises (SMEs), with over 158 legal forms identified across Europe. This diversity in legal structures allows social enterprises to adapt their operational models to fit national regulations and maximise their eligibility for support and benefits, such as tax breaks or access to social procurement contracts.

Social enterprises engage in distinct market segments depending on their focus on B2B or B2G activities. B2B engagement, which involves trading with other profit-oriented companies, ranges significantly across Europe, from 19.6% in Estonia to 59.7% in the Netherlands. In contrast, B2G trading, involving sales to governments or public entities, is highly prioritised in countries like Sweden and Denmark. This segmentation shows that social enterprises strategically align with corporate, or government markets based on local opportunities and policy frameworks.

ESEM data demonstrates that income generation models are diverse and country specific. Trading with consumers is a key income source for 42.6% of social enterprises, while government grants represent another major segment (38.0%). In some countries, like Sweden, public sector trading dominates, while business trading (B2B) holds the highest share in the Netherlands. The diversity in income sources points to the adaptability of social enterprises, which strategically balance trading activities and grants to sustain their operations and expand their reach.

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Market trends report: The demand for SEs

Corporate interest in social enterprises across Europe is increasingly driven by businesses integrating Environmental, Social, and Governance (ESG) criteria into their core strategies. This shift reflects a broader trend where companies move beyond traditional profit motives to embrace social value creation as a competitive advantage. Social enterprises are crucial in fulfilling this need, allowing businesses to align their operations with sustainability goals and social impact initiatives.

Fig 3. Benefits to Buy Social Corporate Challenge partners of working with social enterprises

Benefits to Buy Social Corporate Challenge partners of working with social enterprises	
Benefit	**strongly agree/agree**
Sourcing from social enterprises has supported business values and purpose	96%
Sourcing from social enterprises has brought innovation into the supplier base	96%
Sourcing from social enterprises has increased supplier diversity	92%
Sourcing from social enterprises has created external recognition	92%
Sourcing from social enterprises has improved environmental sustainability in supplier base	84%
Sourcing from social enterprises has enhanced engagement within the procurement team	76%
Sourcing from social enterprises has raised awareness of procurement function with business leadership	76%

Source

ESG Integration as a Corporate Priority

The rise of ESG criteria is significantly reshaping corporate behaviour. Companies now view ESG not merely as compliance but as a strategic imperative that enhances brand value and competitiveness. According to Deloitte's 2023 Global Chief Procurement Officer Survey, ESG considerations have become the second-highest priority for global businesses, indicating a shift towards sustainable procurement practices and social impact partnerships.

Integrating ESG principles requires businesses to engage suppliers who align with their sustainability goals. Social enterprises naturally incorporate social and environmental value into their business models and provide a fitting solution. Initiatives like the Buy Social Corporate Challenge mentioned above highlight this trend, with companies collectively committing £1 billion to social enterprises. These partnerships aim to create measurable social outcomes while achieving ESG targets.

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Market trends report: The demand for SEs

The Strategic Role of Social Procurement

Procurement is no longer seen as a mere function of cost management; it has become a strategic tool for businesses to deliver value beyond the bottom line. Social procurement, which involves businesses selecting social enterprises as suppliers to drive positive social impact, is gaining momentum. The availability of impact metrics and transparent reporting from social enterprises makes them attractive partners for corporations seeking to fulfil ESG obligations. In countries like Denmark and the Netherlands, B2B trading with social enterprises accounts for over 50% of income sources for many social enterprises, showing strong alignment with corporate procurement strategies.

The European Social Enterprise Monitor (ESEM) reveals that 59.7% of social enterprises in the Netherlands, for example, prioritise B2B sales, demonstrating the high degree of engagement between mainstream businesses and social enterprises in socially responsible supply chains. Such partnerships help corporations meet regulatory and investor expectations and enhance brand loyalty and employee engagement, as consumers and staff increasingly prefer businesses that demonstrate a commitment to societal and environmental issues.

Leveraging the EU Regulatory Landscape

The regulatory environment in Europe is increasingly supportive of corporate-social enterprise partnerships. The Corporate Sustainability Reporting Directive (CSRD) mandates businesses within the EU disclose detailed information on their social and environmental impacts. This incentivises corporations to collaborate with social enterprises, as these partnerships help meet compliance requirements and enhance sustainability credentials.

Furthermore, the EU Green Deal promotes partnerships in the circular economy, encouraging companies to work with social enterprises offering solutions like recycling and renewable energy. Social enterprises, particularly those focused on environmental services, are well-positioned to benefit from this policy, as they align with the EU's aim of achieving climate neutrality by 2050.

Innovation and Market Expansion Through Partnerships

Social enterprises also provide mainstream businesses with unique opportunities for innovation and market expansion. The World Economic Forum emphasises that partnerships with social enterprises can accelerate innovation, open new markets, and yield both financial and social returns. By integrating social enterprises into their supply chains, companies not only enhance their ESG profiles but also access new products and services that align with the demand for ethical and sustainable offerings.

For instance, collaborations in the technology sector allow businesses to integrate digital solutions developed by social enterprises, such as platforms for financial inclusion or healthcare access. These tech-driven partnerships are particularly beneficial in regions where companies seek scalable, innovative solutions that address social and environmental issues simultaneously.

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Market trends report: The demand for SEs

Meeting Corporate Diversity and Inclusion Goals

Diversity, Equity, and Inclusion (DEI) strategies are becoming central components of corporate policies. Social enterprises that focus on workforce integration and supporting marginalised groups are in high demand as they align with corporate DEI objectives. By collaborating with these enterprises, businesses can build diverse supply chains and create impactful community programs that strengthen their social value offerings.

For example, European companies increasingly partner with social enterprises specialising in youth employment, disability support, and gender equality initiatives. Such partnerships not only help fulfil corporate DEI targets but also enhance corporate reputation, as stakeholders and consumers increasingly scrutinise business practices relating to inclusion.

Challenges and Opportunities for Corporate-Social Enterprise Partnerships

Despite the rising interest and potential for collaboration, challenges remain. Social enterprises often face difficulties in scaling to meet the operational demands of large corporations. Mainstream businesses require partners that can demonstrate consistent quality and the ability to manage large contracts, which can be difficult for smaller social enterprises with limited resources.

Additionally, standardising impact measurement remains a critical issue. While businesses are eager to report on their social and environmental outcomes, the lack of consistent metrics across social enterprises poses a challenge. Developing standardised frameworks for measuring impact is essential to enhance transparency and foster trust between corporations and social enterprises.

Capacity-building initiatives are increasingly important to address these challenges. Many corporations invest in developing the capabilities of their social enterprise partners, offering support in areas like impact measurement, operational management, and scaling strategies. Such investments help social enterprises meet the requirements of larger clients, enabling more productive and sustainable partnerships.

Outlook and Future Trends

The demand for social enterprises from mainstream businesses is likely to grow as ESG and sustainability become further entrenched in corporate strategies. As European and global regulatory frameworks expand to require greater transparency and accountability, corporations will increasingly seek social enterprises aligning with their sustainability goals. This presents a substantial opportunity for social enterprises to integrate into mainstream markets, provided they can address scalability and impact measurement challenges.

Furthermore, as the focus on digitalisation intensifies, corporations are expected to partner more with tech-driven social enterprises. These organisations leverage technology to create scalable solutions addressing social, environmental, or economic challenges, integrating digital innovation to amplify their impact while achieving sustainable growth.

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Market trends report: The demand for SEs

These partnerships will not only fulfil ESG requirements but also position businesses at the forefront of innovation, using technology to create scalable solutions that have both social and commercial impact.

While mainstream businesses' demand for social enterprises is rising, realising the full potential of these partnerships will require overcoming current barriers. With suitable investments in capacity building and standardised impact reporting, social enterprises can play a crucial role in shaping the sustainable business landscape of the future.

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Market trends report: What SEs have to offer

Significant supply trends among social enterprises reflect a maturing sector that increasingly aligns its offerings with market demands while leveraging collaborative models to expand impact and reach. Social enterprises are diversifying their products and services across various industries, including retail, technology, and environmental solutions. They are also adopting innovative collaboration models, such as partnerships with corporations and public bodies, to scale their operations and integrate into mainstream markets.

Social enterprises are expanding beyond traditional sectors like education, healthcare, and welfare services to operate across a broader range of industries.

Many social enterprises focus on retail, offering products like eco-friendly consumer goods, fair-trade items, and locally produced crafts. For example, in the UK, consumer retail social enterprises make up over a third of the sector, with substantial growth observed among those selling sustainable and ethically sourced products.

Social enterprises are increasingly active in technology, providing solutions for digital inclusion, educational technology (EdTech), and financial technology (FinTech). These enterprises develop platforms that promote access to services for underserved populations, such as remote learning solutions and digital healthcare tools.

Another growing area is the development of sustainable and circular economy solutions, including renewable energy products, recycling services, and sustainable agriculture initiatives. Social enterprises in this space focus on reducing waste, promoting biodiversity, and offering products that support the green transition.

This diversification aligns with a broader demand for ethical and sustainable solutions, positioning social enterprises as competitive suppliers across multiple sectors. It also allows them to scale their impact and increase revenue sources by tapping into various industries.

Revenue streams

Social enterprises rely on diverse revenue streams to sustain and expand their operations, ensuring financial stability while fulfilling their social missions. One key source is revenue from public contracts, where social enterprises deliver services to public authorities or agencies, often through structured quasi-market arrangements. These payments can take various forms, including direct payments from public bodies, social security systems, or voucher-based and intermediary systems.

Additionally, direct grants and subsidies provided by public authorities support social enterprises, particularly those operating as Work Integration Social Enterprises (WISEs), by compensating them for employing individuals with limited work abilities and offsetting potential productivity shortfalls. Beyond public funding, social enterprises generate market-based revenue by selling goods and services to businesses and end consumers. Membership fees, donations, and sponsorships form another essential revenue stream, providing financial support from individuals and organisations committed to their mission.

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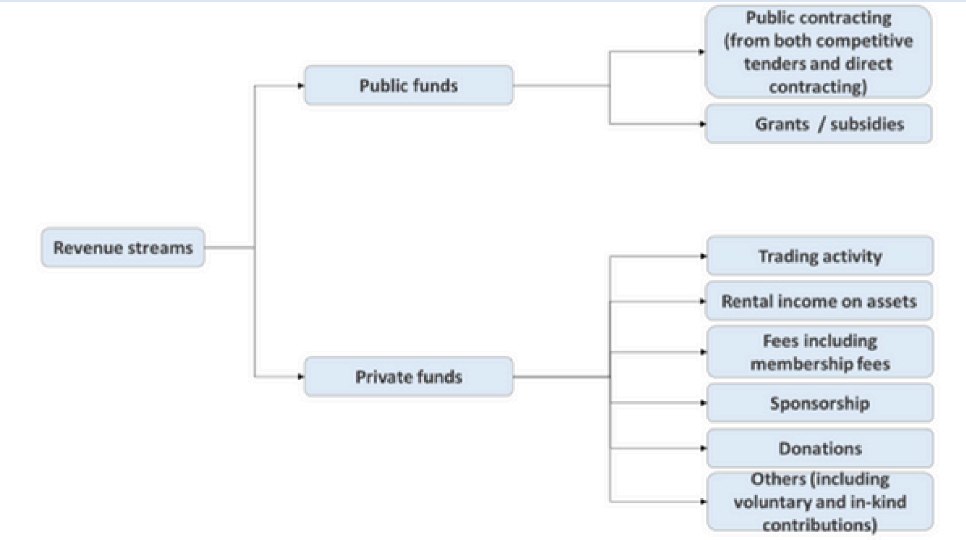
Other revenue sources include income from renting assets like property, penalty payments, prize money, and endowed assets. In-kind donations, such as IT equipment or building materials, alongside the crucial contributions of volunteer time, further enhance social enterprises' financial and operational capacity. These varied income streams allow social enterprises to remain resilient and flexible in a competitive and evolving marketplace.

Fig 4. Revenue streams of social enterprises



Adapted from Spiess-Knafl (2012) Finanzierung von Sozialunternehmen - Eine empirische und theoretische Analyse.

Source

Collaboration models with mainstream businesses

Collaboration models are essential in bridging the gap between social enterprises and mainstream businesses, facilitating mutual growth and impact. Social enterprises leverage these partnerships by engaging with corporations, public entities, and other organisations to scale their operations, access new markets, and achieve broader social and environmental goals. For Social Enterprises, these collaborations are vital, strengthening their business in different areas.

Below is an analysis of the most prevalent collaboration models helping social enterprises integrate effectively with the broader business ecosystem.

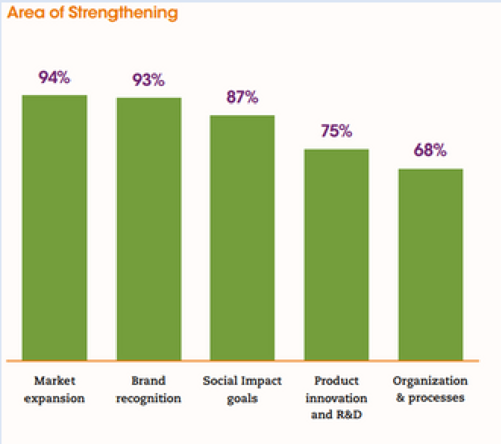


Fig 5. Area of business strengthened by collaborating with corporates according to surveyed social enterprises by Acumen (Source)

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Value Chain Partnerships

Social enterprises increasingly participate in value chain partnerships, providing businesses with ethically sourced products, sustainable services, or distribution solutions that align with corporate sustainability agendas. In this model, social enterprises may serve as suppliers, offering products produced through fair labour practices and sustainable methods. For instance, Svenska Retursystem (Sweden) collaborates with major retailers to provide a sustainable and reusable packaging system for goods, reducing waste and emissions in the supply chain. Another example is FairWertung (Germany), a social enterprise network that collects and recycles used textiles. They provide companies with sustainable textile recycling solutions, enhancing corporate responsibility and reducing landfill waste.
Another variation within value chain partnerships is where social enterprises act as last-mile distributors. This approach is especially effective in underserved areas where reaching remote communities presents logistical and infrastructural challenges. In Spain, La Exclusiva partners with businesses to deliver essential products and services to remote rural areas, ensuring these communities remain connected to larger markets. This model improves access and supports local economies and sustainable growth.

Strategic Sponsorship

Strategic sponsorship is another prominent model where corporations provide financial support, mentorship, and other resources to social enterprises, enabling them to scale their impact and refine their business models. Companies like IKEA Social Entrepreneurship (Sweden) support social enterprises through investment and mentorship, helping them grow and integrate sustainable practices into their business models. Another example is Danone Communities (France), which funds social enterprises focused on nutrition and clean water initiatives, providing them with financial resources and expertise.
These collaborations aid social enterprises in accessing capital and facilitate their growth by integrating them into broader corporate networks. For corporations, these partnerships help fulfil their corporate social responsibility (CSR) objectives and ESG commitments, while for social enterprises, they provide much-needed resources and legitimacy.

Social Procurement Partnerships

Social procurement has become vital for companies aiming to enhance their ESG credentials by integrating social value into their supply chains. In this model, corporations source products and services directly from social enterprises, ensuring that their operations align with broader social and environmental responsibilities. For example, Sodexo (France) partners with social enterprises like Groupe Ares (France), which provides catering and facility management services while offering employment opportunities to marginalised groups. Similarly, Coop Italy integrates social enterprises into their supply chain by sourcing products like organic produce from local community cooperatives, supporting sustainable agriculture and fair labour practices. These partnerships provide a steady revenue stream for social enterprises and enable corporations to diversify their supply chains with socially and environmentally responsible products.

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Public-Private Collaborations

Public sector engagement is critical for social enterprises, particularly in regions where governments implement social value criteria in procurement processes. Public-private collaborations allow social enterprises to partner with governmental bodies, securing contracts for services that align with public policy objectives, such as waste management or social care services. For example, Social Business City Barcelona (Spain) supports social enterprises by offering opportunities to collaborate with the local government on initiatives like sustainable urban development and employment services for vulnerable communities. Another example is De Sleutel (Belgium), which partners with public health services to provide addiction treatment and rehabilitation programs that align with national health policies. By aligning their missions with public sector goals, social enterprises can access stable revenue sources and opportunities to scale their impact. In several European countries, policies supporting the European Green Deal and social inclusion provide social enterprises preferential access to public contracts, helping them grow and sustain their operations.

Joint Programmes and Incubation Initiatives

Social enterprises, NGOs, corporations, and governments increasingly share collaborative programmes to achieve specific objectives. These partnerships often focus on developing solutions for social or environmental challenges that require expertise and resources from multiple sectors. For example, Impact Hub Vienna (Austria) collaborates with local government bodies and corporations to run incubation programmes that support social enterprises tackling climate change and social inclusion. Another example is The Chiesi Foundation's Shared Value Programme (Italy), which partners with various social ventures and organisations to develop health-focused solutions, combining public and private resources to maximise impact. Corporations may also support incubation initiatives, fostering the growth of new social ventures that address sustainability issues. By leveraging shared resources and expertise, these collaborations help social enterprises innovate and expand their offerings while creating impactful solutions that align with corporate and public interests.

Outcome-Based Funding Models

Outcome-based funding models, such as social impact bonds (SIBs), have become essential in mobilising private and public sector resources for social initiatives in Portugal. Maze Impact has pioneered this field, launching Portugal's first SIB in 2015, which focused on providing computer programming classes in public schools in Lisbon. This model directly ties funding to achieving specific social outcomes, incentivising social enterprises and investors to deliver measurable results. Following this initial success, Maze structured several more SIBs, such as the Code Academy Bootcamps, which reskilled unemployed individuals in software development, and Faz-Te Forward, which supported young NEETs (not in Education, Employment, or Training) in finding employment. These SIBs are funded through Portugal Social Innovation (PSI), a public initiative using European funds to drive social innovation and impact. These models attract corporations and investors committed to ESG goals by integrating financial returns with measurable social outcomes. For social enterprises, outcome-based funding offers a clear and structured path to scale, focusing on achieving specific and quantifiable objectives aligning with social and economic impact.

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Industry Alliances and Sector Clusters

Forming alliances and sector-focused clusters enables social enterprises to build collective capacity and increase their influence. Social enterprises can pool resources, share knowledge, and develop larger, more complex projects by collaborating with other organisations within the same sector—such as clean energy or circular economy initiatives. For example, the European Social Enterprise Network (Euclid Network) brings together European social enterprises, fostering collaboration and knowledge sharing in areas like green energy, social services, and digital transformation. Another example is the Circular Economy Portugal (CEP), which connects social enterprises in upcycling, sustainable production, and waste management to promote sustainable practices and innovation within the sector.
These alliances provide the capacity to take on larger contracts and strengthen the social enterprise ecosystem, driving innovation and sustainability across industries. For instance, members of these alliances can collaborate on joint bids for government or corporate contracts, increasing their reach and impact.
In conclusion, the diverse collaboration models available to social enterprises are crucial for scaling their impact and integrating them into broader economic systems. These partnerships provide access to resources, markets, and stability, enabling social enterprises to align their social and environmental goals with mainstream business operations. However, for social enterprises to fully capitalise on these opportunities, building capacity and ensuring quality and consistency in their offerings will be essential.

Production capacities and technological advancements in the social enterprise sector

The social enterprise sector's production capacities and technological advancements are evolving, shaped by the sector's focus on innovation, sustainability, and social impact. Social enterprises, often operating with limited resources, demonstrate a capacity to adapt and innovate in response to market demand and social or environmental challenges. However, their production capacities and technology adoption vary significantly across regions and industries, influenced by factors such as available funding, partnership opportunities, and access to infrastructure. Below is an assessment of the current state of production capabilities and technological developments within the sector.

Production capacities among social enterprises are typically smaller than those of mainstream businesses, as social enterprises often prioritise local production and sustainability over large-scale output. However, this localised approach also allows for high flexibility and adaptability, enabling social enterprises to meet specific community needs efficiently.

Many social enterprises operate on small, local scales, particularly those engaged in agriculture, crafts, and recycling. For instance, agricultural social enterprises often work with local farmers to produce sustainable and organic products, integrating local knowledge and practices into their production models. This approach allows them to respond quickly to changes in local demand and market conditions, but it limits their ability to scale up production without significant investment.

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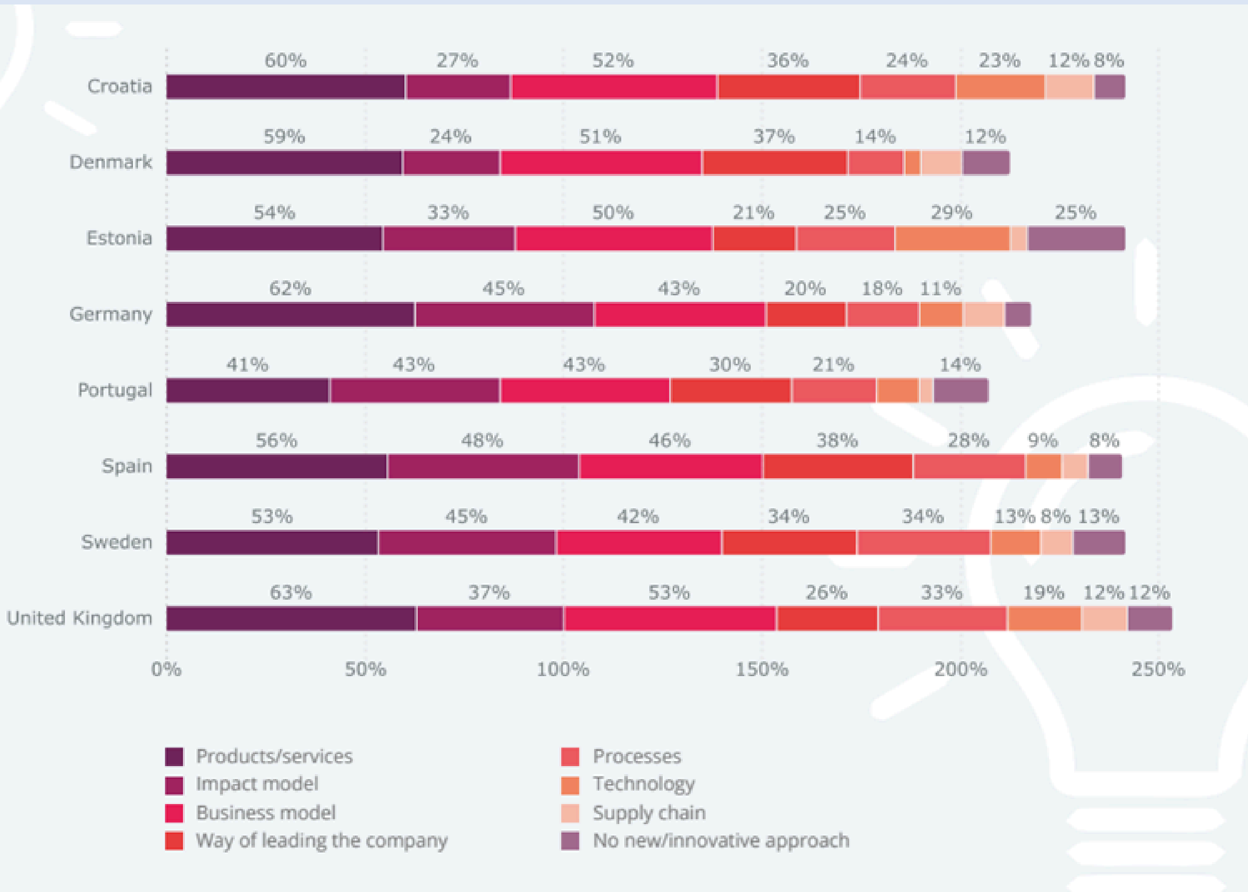
Social enterprises often employ labour-intensive production methods, especially when their mission involves employing marginalised communities or disadvantaged groups. While this approach supports social goals such as job creation and skills development, it can limit productivity and output compared to automated, capital-intensive production methods in mainstream businesses. This is particularly true in sectors like handicrafts, sustainable fashion, and some service industries, where social enterprises rely on manual skills as a core component of their operations. 51% of ESEM Social Enterprises stated that technology was irrelevant to their business and/or impact model.

Fig 6. “At the time your organisation was founded, did your organisation choose a new/innovative approach in the following areas?“



Source

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Despite limitations in scaling independently, social enterprises increasingly leverage partnerships to expand their production capacities. Social enterprises often collaborate with larger corporations to scale their production capabilities. For example, partnerships with retail giants like H&M have enabled social enterprises such as Remake (Sweden) to integrate sustainable fashion products into global supply chains. By collaborating with H&M, Remake can scale its upcycled and eco-friendly clothing production while maintaining its commitment to sustainability and social impact. These partnerships provide social enterprises access to corporate expertise, technology, and distribution networks they might not otherwise have, enhancing their capacity to grow and reach wider markets.

In Europe, public sector support through social procurement policies also helps social enterprises expand their production. For example, public contracts in waste management or social care allow social enterprises to stabilise their revenue streams, which they can reinvest to enhance production capacity. This model, seen in enterprises like Green City Solutions in Germany, demonstrates how public-sector partnerships enable social enterprises to increase their operational scale. Green City Solutions collaborates with municipalities to install their CityTree units—moss-based air filters that improve urban air quality—through public contracts, showcasing the impact of public support in scaling environmentally focused social enterprises. Social enterprises are increasingly adopting technology to improve efficiency, enhance their impact, and scale their operations. Technological advancement varies significantly depending on the sector and available resources, but notable trends are emerging.

Digital Platforms for Market Access and Efficiency

Social enterprises are using digital platforms to expand their market reach. E-commerce solutions allow them to sell products and services directly to consumers, overcoming geographical limitations and increasing visibility. For instance, platforms like eBay for Change in the UK provide social enterprises with a dedicated marketplace to promote their products, leveraging technology to access a wider audience.

Some social enterprises utilise technology to streamline their operations, such as digital inventory management, automated customer service systems, or software solutions for optimising supply chains. These tools help them maximise output despite limited physical resources, making their operations more efficient and scalable.

Innovation in Environmental and Sustainable Technologies

Social enterprises are at the forefront of adopting circular economy practices, using technology to create sustainable production processes. For example, recycling enterprises often incorporate advanced sorting and processing technologies to upcycle waste materials into new products, as seen in enterprises like Pentatonic (UK). Using innovative recycling technology, pentatonic transforms waste materials, such as plastics and metals, into high-quality furniture and consumer goods. By integrating these advanced processes, social enterprises enhance their production capacities while maintaining their commitment to environmental sustainability.

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Social enterprises are developing and deploying technologies to provide affordable and sustainable energy solutions in the renewable energy sector, particularly in underserved areas. For instance, Ecoligo (Germany) implements solar energy projects to power businesses and communities in developing countries, using technology to create scalable, sustainable energy solutions. These advancements not only enhance production capabilities but also address pressing environmental challenges.

While technological advancements are evident, social enterprises face several challenges in expanding their production capacities and adopting new technologies. Many struggle to access the capital needed to invest in advanced technologies and scale their production facilities. Traditional financial markets often perceive social enterprises as high-risk due to their hybrid business models, leading to gaps in financing options. This constraint is particularly problematic for capital-intensive sectors like manufacturing and renewable energy, where initial technological investments are substantial.

A lack of technical skills and expertise is another barrier inhibiting technology adoption in the social enterprise sector. Enterprises often rely on a workforce from disadvantaged communities, which may require additional training to operate advanced technologies. Overcoming this skills gap necessitates investment in education and training programs, which many social enterprises struggle to finance without external support.

The Gulbenkian Digital Shift program in Portugal exemplifies how external support can bridge this gap. In 2022, this initiative supported ten social organisations by providing financial and non-financial assistance. The program included a 14-week structured course divided into four stages, offering personalised, intensive support to each organisation. Additionally, Gulbenkian provided up to €20,000 in funding to cover expenses related to the digital transition, with support extending for up to 36 months following the initial intensive phase. This type of targeted support helps social enterprises build the technical skills needed for technology adoption and digital transformation, addressing a critical barrier in the sector.

Inconsistent regulatory and support structures across regions create further difficulties for social enterprises looking to scale or adopt new technologies. While some countries provide robust ecosystems with grants, tax incentives, and supportive policies, others lack cohesive frameworks enabling social enterprises to invest in technology and production infrastructure.

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Market trends report: Competitive landscape

The competitive environment of social enterprises (SEs) is shaped by collaboration and competition with mainstream businesses. Social enterprises often offer socially or environmentally impactful products and services, appealing to value-driven companies and consumers. However, they face challenges in scaling and gaining visibility when competing with larger, well-established corporations. The following analysis explores factors influencing the success or failure of social enterprises in the market and why mainstream companies engage with them beyond cost considerations.

Drivers That Make Social Enterprises Competitive

Leveraging Corporate Partnerships for ESG Alignment

Social enterprises have a strategic advantage when aligning with corporate ESG (Environmental, Social, and Governance) objectives. Companies aiming to improve their sustainability performance often collaborate with social enterprises to meet these goals. An example is Unilever's collaboration with Solidarity AccorHotels (France), where the company works with social enterprises to support sustainable tourism initiatives that benefit local communities. Another example is Transform Trade in the UK, where corporations source ethically produced goods, integrating SEs into their supply chains to enhance sustainability and social impact. These collaborations provide SEs with critical revenue streams and boost the credibility and market presence of the involved companies.

Niche Expertise and Flexibility

Social enterprises frequently operate in specialised sectors, offering unique products or services tailored to local needs or underserved markets. For instance, Enova (Norway) supports sustainable energy innovation by partnering with social enterprises that develop eco-friendly technology for local communities. Another example is BeeOdiversity (Belgium), which uses bee monitoring technology to enhance biodiversity and provide data-driven solutions to businesses and cities. Focusing on niche markets enables social enterprises to create distinct value propositions and stand out from mainstream businesses. Their flexibility and community-focused approach allow them to adapt quickly to changing demands and regulatory environments, providing sustainable and scalable solutions.

Access to Public Sector Contracts and Policy Support

Public procurement policies incorporating social and environmental criteria offer social enterprises a competitive edge in government tenders. For instance, the Social Impact Factory in the Netherlands helps social enterprises secure public contracts by providing support and connecting them with governmental entities prioritising sustainability and social value. Similarly, Samaritans Scotland partners with the government to provide mental health support services through public sector contracts. This demonstrates how policy support stabilises revenue and fosters growth by aligning with public sector priorities.

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Market trends report: Competitive landscape

Co-opetition and Collaboration Among Social Enterprises

The concept of "coopetition," where SEs collaborate while competing, further strengthens their market position. For example, Repair Cafés across Europe share resources and knowledge to promote sustainable repair services and community development, working together to expand their reach and impact. Similarly, ShareWaste (Czech Republic) connects composting initiatives, forming a network of social enterprises collaborating to reduce food waste and promote circular economy practices.

Challenges and Limitations for Social Enterprises

Limited Access to Capital and Investment Perceptions

A significant obstacle for social enterprises is access to capital. Unlike traditional businesses, SEs are often viewed as riskier investments due to their dual focus on impact and financial sustainability. The stigma around the "double-bottom line" makes it challenging for SEs to attract investors who prioritise profit. This perception limits their ability to secure the necessary funds to expand and scale their operations effectively. Without substantial capital, social enterprises struggle to achieve the economies of scale that allow traditional businesses to reduce costs and optimise their supply chains.

Brand Visibility and Market Penetration

Many social enterprises face difficulties building brand visibility and establishing a market presence. Larger corporations often dominate consumer attention with established marketing resources, distribution networks, and brand loyalty. In contrast, social enterprises, especially smaller ones, may lack the capacity to invest heavily in marketing strategies that reach broader audiences. Despite offering high-quality and ethically produced products, their limited reach and visibility mean they often remain niche players, unable to penetrate competitive markets like retail and technology.

Operational Scalability and Impact Measurement

Another significant challenge is scaling operations while maintaining a social mission. Social enterprises frequently rely on labour-intensive models or localised solutions that are hard to expand without compromising quality or social impact. Moreover, the need to demonstrate impact through metrics adds complexity and costs to their operations. Although impact measurement is crucial for attracting public sector contracts and investment, the additional resource burden can slow down scaling efforts, placing SEs at a disadvantage compared to traditional businesses that are more streamlined and automated.

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Market trends report: Competitive landscape

How Social Enterprises Can Create Competitive Advantage

Here, we propose a model for competitive advantage, drawing from the work of Walkenhorst et al. For social enterprises to enhance their competitiveness in the marketplace, they need to strategically capitalise on their unique resources and characteristics, leveraging these to create a sustained advantage. Applying the resource-based theory, social enterprises can develop distinct advantages through specific areas such as employee motivation, customer focus, and brand reputation, positioning themselves more effectively against traditional businesses.
One of the most significant assets social enterprises hold is the intrinsic motivation of their employees. Unlike traditional businesses, where financial incentives are often the primary driver, the workforce within social enterprises is usually inspired by the opportunity to create meaningful social or environmental impact. This sense of purpose enhances productivity and increases the commitment levels among employees, even when financial resources are constrained. To maximise this advantage, social enterprises should create environments that nurture and reward this intrinsic motivation, offering non-monetary incentives such as opportunities for professional growth, skills development, and impactful community engagement.

Furthermore, social enterprises can enhance their competitive position by focusing closely on customer relationships. Given their mission-driven nature, these organisations often attract customers who seek products or services that align with their values. This alignment allows social enterprises to build loyal customer bases, particularly in niches prioritising social and environmental concerns. For example, a social enterprise that centres its business model on sustainable agriculture may find a committed customer base among environmentally conscious consumers willing to support its cause beyond superficial transactional relationships. Emphasising this customer connection, social enterprises can craft personalised experiences and build long-term loyalty, which is vital for sustaining market presence.

Another crucial area for competitiveness lies in the brand and reputation of social enterprises. The public perception of these organisations often reflects a positive image due to their commitment to social and environmental values. Unlike traditional businesses, whose reputations may be built around profit or efficiency, social enterprises benefit from a narrative of goodwill, ethical conduct, and community engagement. This firm's positive association can be leveraged to differentiate it from competitors, particularly in markets where consumers increasingly value corporate responsibility. Maintaining and enhancing this reputation requires social enterprises to consistently communicate their impact and engage transparently with their stakeholders, reinforcing trust and credibility.

In addition to these internal resources, social enterprises must build their organisational frameworks to support and exploit these assets fully. A flexible and adaptable structure is essential, allowing the enterprise to respond quickly to changing social needs and market demands. This approach also involves aligning the organisation’s culture, processes, and governance systems with its social mission, ensuring that all operational decisions reinforce its values and enhance its effectiveness. For instance, creating an organisational culture that prioritises employee empowerment and client-centric strategies can maximise the utility of these resources, translating them into a sustained competitive advantage.

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Finally, digitalisation and innovative use of technology are increasingly important for social enterprises seeking to compete in larger, more traditional markets. Social enterprises can overcome geographical limitations and scale their impact more effectively by investing in digital platforms and tools that enhance operational efficiency, marketing, and customer engagement. For example, implementing e-commerce solutions allows them to reach a broader audience. At the same time, digital storytelling techniques can amplify their brand message, aligning with the growing consumer demand for ethically and sustainably sourced products.

Social enterprises are set to play an increasingly significant role in the global economy as the need for innovative, impact-driven solutions grows in response to societal and environmental challenges. Several emerging trends are expected to shape the future of social enterprises over the next few years:

Increased Emphasis on Impact Measurement and Accountability

One of the most significant trends is the push for rigorous impact measurement. Social enterprises are moving beyond anecdotal evidence and are adopting standardised frameworks like the Social Return on Investment (SROI) and Impact Reporting and Investment Standards (IRIS). The Impact Management Project (IMP) is also gaining traction, offering a global standard for measuring and managing impact. European social enterprises, like Root Sustainability (Netherlands), utilise advanced Life Cycle Assessment (LCA) technology to offer automated and accurate insights into product portfolios, helping companies and social enterprises manage and reduce their environmental footprint. Such tools are essential for integrating transparency and accountability in social enterprises.

Integration of Technology and Digital Transformation

The adoption of technology continues to revolutionise the social enterprise sector, enhancing the ability of enterprises to scale operations, reach broader audiences, and optimise efficiencies. From blockchain solutions for supply chain transparency to AI for impact measurement, social enterprises are integrating digital tools to drive innovation. For instance, Kidsie (UK) has created a digital platform that curates and sells sustainably sourced children's products, leveraging technology to connect with consumers while maintaining eco-friendly and ethical standards. Their model illustrates how integrating e-commerce, and sustainability can expand a social enterprise’s reach and impact. The COVID-19 pandemic accelerated this digital shift, and future adoption of technologies like AI and big data analytics is expected to enhance further impact measurement, service delivery, and operational scaling.

Focus on Sustainability and Circular Economies

As global attention intensifies on the climate crisis, social enterprises increasingly adopt sustainability and circular economy principles. They offer eco-friendly products and transform industries through sustainable practices.

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For example, Too Good To Go (Denmark) uses technology to reduce food waste by connecting consumers with surplus food. Ecoalf (Spain) produces fashion items using recycled materials, such as plastics collected from the ocean. Ecoalf's commitment to sustainable fashion demonstrates how social enterprises can influence industry practices and contribute to the transition toward a low-carbon economy. These enterprises align their efforts with the Sustainable Development Goals, showcasing the sector's potential to drive sustainable innovation and shape broader market trends.

Cross-Sector Partnerships and Collective Impact Initiatives
Collaboration across sectors is becoming fundamental for social enterprises aiming to maximise their impact. Partnerships with governments, corporations, and international organisations allow them to pool resources, share expertise, and gain market access. For example, Auticon (Germany), a social enterprise employing IT consultants on the autism spectrum, partners with large tech companies to provide specialised services, increasing its market reach and social impact. This trend enhances the credibility of social enterprises and facilitates their influence on policy, enabling them to drive systemic change. These cross-sector collaborations will intensify as more corporations and institutions align with social and environmental objectives.

Rise of Equity and Inclusion as Core Values

There is a growing emphasis on equity and inclusion within social enterprises. This shift reflects broader societal movements to address systemic inequalities, ensuring marginalised groups are active participants in creating solutions rather than passive beneficiaries. Social enterprises like Migrateful (UK), which offers cooking classes led by refugees, embed these values into their business models. This focus addresses immediate social needs and builds sustainable, resilient communities. Emphasising inclusivity is expected to attract diverse talent and foster stronger community ties, enhancing the impact and reach of these enterprises.

Shift Towards Sustainable Business Models

Social enterprises increasingly prioritise sustainable business models, moving away from reliance on grants and donations to develop long-term, self-sustaining operations. They ensure financial stability and mission alignment by creating products and services that generate consistent revenue while maintaining a positive social or environmental impact. For example, Rubies in the Rubble (UK) creates condiments from surplus produce that would otherwise go to waste. By integrating sustainability directly into its business model, Rubies in the Rubble transforms food waste into high-quality products, providing a profitable and environmentally impactful solution. This approach enables them to scale their operations sustainably, demonstrating how social enterprises can achieve financial growth while staying true to their food waste reduction mission.

Overall, the future of social enterprises is closely aligned with a broader societal shift towards sustainability, inclusivity, and accountability. As they adapt to technological advancements and forge strategic partnerships, social enterprises will likely become increasingly integrated into mainstream economic systems, positioning themselves as central agents of change in a rapidly evolving global landscape.

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The potential impacts of emerging technologies and regulations on social enterprises

Emerging technologies and evolving regulations are reshaping the social enterprise landscape, presenting transformative opportunities and significant challenges that these organisations must navigate strategically.

Digital Platforms and E-commerce Solutions

Digital technology provides social enterprises with efficient pathways to scale their impact. E-commerce platforms, social media, and online marketplaces enable them to reach broader audiences without extensive physical infrastructure. For example, Fairphone (Netherlands) uses an online platform to sell ethically produced smartphones, ensuring transparency in their supply chain. Additionally, digital tools facilitate stakeholder engagement and build trust, as seen in Ashoka Europe, which uses digital platforms to connect members and amplify impact stories. However, the adoption of digital solutions presents hurdles. Many social enterprises experience a digital divide, lacking the financial resources and technological expertise to implement advanced digital systems like CRM platforms or secure online payment solutions. Furthermore, the reliance on digital technologies makes these organisations vulnerable to cybersecurity threats, as smaller enterprises often cannot afford robust protective measures. The Digital European Commission’s AI regulatory framework highlights the importance of securing AI and digital technologies, emphasising the need for social enterprises to align with evolving digital standards to safeguard operations and maintain customer trust.

Artificial Intelligence (AI) and Data Analytics

AI and data analytics offer transformative opportunities for social enterprises by optimising operations and enabling precise impact measurement. For instance, Refugee Open Ware (Greece) employs AI to develop tailored services for refugees, such as matching job seekers with employers based on skills and needs. AI-driven solutions also support real-time data analysis, which enhances transparency and helps social enterprises attract investors by demonstrating effectiveness with accurate metrics.

However, the use of AI raises ethical and operational concerns. Implementing AI requires substantial investment and specialised skills, often beyond the reach of smaller social enterprises. Additionally, biases within AI algorithms can unintentionally marginalise groups, which could contradict these enterprises' inclusive missions. Addressing these challenges requires alignment with the EU’s regulatory framework on AI, which emphasises responsible and transparent AI applications that prioritise inclusivity and ethical use.

Blockchain and Decentralized Technologies

Blockchain technology enhances transparency and trust in social enterprise operations, especially in sectors like fair trade and supply chain management. For instance, Provenance (UK) uses blockchain to verify and communicate the origins of products, appealing to consumers and investors who prioritise transparency and traceability.

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Additionally, blockchain facilitates decentralised financial models, such as microloans or crowdfunding, providing financial solutions to underserved communities without relying on traditional banking systems. However, regulatory and technical challenges accompany the adoption of blockchain. The legal frameworks for blockchain and cryptocurrencies are evolving, creating uncertainty for social enterprises that seek to incorporate these technologies. The EU's Markets in Crypto-Assets (MiCA) regulation aims to provide clarity but may still pose compliance challenges for smaller organisations. Moreover, the energy consumption associated with blockchain technologies like proof-of-work may conflict with the sustainability values of social enterprises, requiring them to adopt greener blockchain solutions like proof-of-stake systems.

Stricter ESG and Reporting Requirements

Governments and international bodies are increasingly mandating ESG (Environmental, Social, and Governance) criteria, which align with the missions of many social enterprises. For example, the EU's Sustainable Finance Disclosure Regulation (SFDR) requires organisations, including social enterprises, to report on their sustainability practices. This provides an opportunity for SEs to differentiate themselves as credible partners and access public contracts or private investments. For example, social enterprises like Good Energy (UK) align their business models with these regulations, enhancing credibility and securing new partnerships. However, these regulations also increase the administrative burden on social enterprises, particularly smaller ones that may lack the capacity to meet complex reporting standards. Compliance often necessitates investments in technology and personnel, diverting resources from core mission activities. The SFDR and similar regulations are essential for promoting transparency, but social enterprises must strategise to balance compliance while maintaining their focus on impact.

Social Procurement Policies

In Europe, social procurement policies increasingly incorporate social value as a criterion in public contracts, creating new markets for social enterprises. For instance, Portugal Social Innovation (PSI) supports social enterprises through the Social Impact Bonds and other funding mechanisms that integrate social and environmental criteria into public procurement processes. This initiative encourages partnerships between public entities and social enterprises, ensuring that contracts prioritise social value and impact. Governments in Portugal also provide incentives for corporations partnering with social enterprises, such as tax benefits, grants, and funding opportunities, which help these organisations scale and gain long-term financial stability. Nevertheless, these policies are inconsistent across regions, creating challenges for international social enterprises. The fragmented regulatory landscape limits social enterprises' ability to fully leverage social procurement opportunities. Moreover, dependence on public sector contracts exposes social enterprises to political changes; shifts in government priorities or budget cuts could destabilise their operations, highlighting the need for diversified income sources and international regulatory compliance strategies.

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A future for collaboration between social enterprises and mainstream businesses

Collaboration between social enterprises and mainstream businesses offers a dynamic avenue for growth, innovation, and impactful social change. Partnerships provide social enterprises with access to larger markets, resources, and technical expertise. At the same time, corporations benefit by enhancing their ESG (Environmental, Social, and Governance) credentials, driving innovation, and demonstrating tangible social impact. The potential for these collaborations is vast, but realising it requires both parties' strategic alignment, long-term commitment, and adaptability.

Strategic Alignment and Long-Term Integration

Effective collaboration starts with aligning social enterprises' and corporations' missions and goals. Companies increasingly embed social impact into their core strategies, moving beyond traditional CSR (Corporate Social Responsibility) to integrate social value into their operations directly. For example, Carrefour (France) collaborates with social enterprises like MicroDon, which provides innovative micro-donation solutions linked to consumer transactions at Carrefour stores. This partnership allows Carrefour to engage its customers in supporting social causes while integrating the social enterprise's technology into its retail environment to enhance its social impact. Mainstream businesses must also focus on building long-term relationships with social enterprises rather than short-term, transactional engagements. By offering long-term contracts and integrating social enterprises into their supply chains, businesses provide these partners with stability and growth opportunities. This approach ensures that both entities mutually benefit and create a more sustainable impact over time.

Innovative Business Models and Social Procurement

To maximise the potential of these collaborations, both parties must be open to adopting and adapting business models that leverage their respective strengths. Social procurement is increasingly becoming a key strategy, where businesses engage social enterprises as part of their value chain to meet social and environmental goals. For instance, Filière Paysanne (France) collaborates with food retailers to source local, sustainably produced food from social enterprises, enhancing product offerings and promoting responsible sourcing practices.

Leveraging Technology and Shared Innovation

Technology is a crucial enabler in these partnerships, providing tools for social enterprises and corporations to optimise operations and measure impact. Digital platforms, AI, and blockchain technology are used to improve supply chains, expand market reach, and track social outcomes. Enel (Italy) partners with social enterprises like Green Energy Options to co-develop intelligent energy solutions, combining Enel's technological capabilities with the social enterprise's localised expertise. Joint innovation, such as co-developing products or services that meet business and social objectives, is also essential. Nestlé (Switzerland) collaborates with social enterprises on sustainable packaging solutions, helping the company access new green technologies and align its offerings with the growing consumer demand for sustainable products.

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Market trends report: Recommendations

Capacity Building and Knowledge Exchange

For collaborations to be successful, mainstream businesses must invest in building the capacity of their social enterprise partners. This can include training programs, mentorship, and business development workshops. Rabobank (Netherlands) offers accelerator programs and financial mentorship for social enterprises focusing on sustainable agriculture, ensuring these partners can scale effectively and meet the demands of corporate supply chains. These knowledge exchange initiatives are about providing skills and co-creating solutions that address both business and social goals. Companies that invest in building the capabilities of their social enterprise partners see their impact partners evolve into more efficient and sustainable suppliers.

Regulatory Alignment and Social Impact Measurement

As social value and sustainability regulations continue to evolve, social enterprises and corporations must align their efforts to comply with these changes. Collaborative regulatory compliance planning allows both entities to capitalise on market opportunities, such as social procurement policies favouring partnerships with impact-driven organisations. In Germany, the Social Business Initiative supports businesses and social enterprises in designing joint strategies for meeting ESG criteria and integrating impact measurement systems that align with government standards.

Additionally, working together to design impact measurement frameworks allows these partnerships to track social and environmental goals effectively. Such alignment ensures that regulatory changes become opportunities for growth rather than obstacles, maximising the benefits for both social enterprises and corporations. In conclusion, the future for collaboration between social enterprises and mainstream businesses lies in strategic alignment, innovation, and long-term commitment. By integrating social enterprises into their core strategies, leveraging technology, and focusing on capacity building, businesses can maximise the mutual benefits of these partnerships while driving significant social and economic impact.

To enhance social enterprise engagement and foster a supportive environment for their growth and impact, stakeholders—including governments, businesses, investors, social enterprises, and NGOs—must adopt a coordinated approach. The following actionable recommendations address the challenges faced by social enterprises and leverage opportunities for collaboration and growth.

Public Sector

Governments are critical in shaping policies and regulations that enable social enterprise growth. To enhance social enterprise engagement, governments should:

Prioritise social value in public procurement: Governments should mandate a percentage of public contracts for social enterprises, similar to initiatives like Portugal Social Innovation (PSI), which integrates social and environmental criteria into procurement policies.

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Simplifying procurement processes and providing technical assistance ensures social enterprises can compete effectively. Clear, social, value-oriented criteria in tenders attract businesses that deliver economic and social benefits.

Develop and standardise legal frameworks: Governments must create or refine legal frameworks that recognise and define social enterprises, such as Italy's Social Enterprise Law. This law offers tax benefits and grant opportunities tailored to social enterprises' dual social and economic missions. Legal recognition allows social enterprises to access public contracts and other business incentives, ensuring their eligibility for state-supported funding.

Offer tax reliefs and incentives: governments can introduce tax reliefs, grants, or matched funding schemes to incentivise investment in social enterprises. For example, France’s Solidarity Investment Funds promote venture philanthropy by directing investment capital to social enterprises and mobilising private and public resources. Establishing impact investment funds backed by the state can also attract private investors and direct much-needed capital to the sector.

Businesses and Corporations

Corporations play a vital role in strengthening the social enterprise ecosystem. To enhance engagement, businesses should:

Integrate social enterprises into supply chains: Companies should adopt social procurement targets like Lidl (Germany), which partners with social enterprises like Grameen Creative Lab to develop sustainable and fair-trade product lines. By integrating these social enterprises into their supply chains, Lidl supports fair-trade practices and strengthens its ESG profile by ensuring products are ethically sourced and produced, contributing to its overall sustainability goals.

Build long-term partnerships: Businesses should build long-term collaborations with social enterprises rather than short-term engagements. An example is IKEA’s collaboration with Yalla Trappan (Sweden), where they co-develop products and provide ongoing support. This ensures that social enterprises consistently meet corporate supply needs while fostering their growth and stability.

Offer skills exchange and training programs: Corporations can provide mentorship in finance, marketing, and technology adoption. For instance, Barclays in the UK offers skill-sharing initiatives where employees mentor social enterprises, strengthening their business development and operational capabilities.

Investors and Financial Institutions

Investors have a critical role in facilitating the growth of social enterprises by offering tailored financial products:

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Create flexible financing options: Investors should establish funds that provide patient capital or hybrid models combining grants, loans, and equity. Impact Europe supports such models, helping social enterprises access flexible, long-term funding.

Establish incubator and accelerator programs: Investors can create programs to build financial and operational capacity. For example, the Social Impact Accelerator (SIA), part of the European Investment Fund, focuses on social enterprises by providing training in impact measurement, financial management, and strategic planning, preparing them for long-term growth.

Blended finance models: By combining private investment with public or philanthropic funding, investors can mitigate risks and make capital more accessible. Triodos Bank (Netherlands) offers blended finance products, such as low-interest loans and investment guarantees, which help scale social enterprises while reducing risk for traditional investors.

Social Enterprises

Social enterprises must proactively build their capacities and strengthen their market presence to maximise their engagement and growth opportunities:

Adopt digital tools for operations and marketing: Social enterprises should prioritise digital adoption, such as using e-commerce platforms, CRM systems, and data analytics to streamline processes and demonstrate impact. Faircado (Germany), for example, uses digital tools to expand reach and enhance transparency in its operations.

Seek collaborations and networks: Social enterprises should actively engage with corporations, government entities, and other social enterprises. Platforms like Euclid Network facilitate connections between social enterprises across Europe, offering opportunities for resource pooling, market access, and visibility enhancement.

Communicate impact and values: Social enterprises must invest in digital marketing and storytelling techniques to communicate their mission. Toast Ale (UK) effectively uses social media to highlight its environmental impact, collaborating with partners to co-brand campaigns and expand its audience.

Non-Governmental Organisations (NGOs) and Development Agencies

NGOs play a crucial role in facilitating connections and providing support for social enterprises:

Facilitate partnerships and networking: NGOs can organise networking events and matchmaking programs to foster partnerships between social enterprises, corporations, governments, and investors.

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For example, Impact Hub (Europe) connects social enterprises with diverse stakeholders across the continent through its co-working spaces, accelerator programs, and events. Impact Hub's platform provides a collaborative environment where social enterprises can access resources, find partners, and participate in international initiatives, boosting their capacity for growth and innovation.

Training and capacity building: Development agencies should offer training initiatives addressing technology gaps, management skills, and impact measurement. Schwab Foundation partners with local social enterprises to build capacity, ensuring these organisations are well-prepared to engage with larger partners.
Advocate for supportive policies: NGOs and development agencies should lobby for policies that facilitate social enterprise growth, such as simplified regulatory processes or social procurement legislation, as implemented by the European Network of Social Integration Enterprises (ENSIE). Such advocacy ensures a favourable environment and enhances the visibility of social enterprises.

A coordinated approach among governments, businesses, investors, social enterprises, and NGOs is essential to enhance social enterprise engagement. Governments should implement supportive policies and frameworks; businesses must incorporate social value into procurement and partnerships; investors should develop tailored financial products; social enterprises must build capacity and market presence; and NGOs should facilitate connections and advocate for enabling environments. By adopting these strategies, stakeholders can create a thriving, sustainable ecosystem that maximises social enterprises' social and economic impact, contributing to a more inclusive and resilient economy.

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Market trends report: The MATCH Platform

The MATCH Platform, part of Work Package 5 of the MATCH project, represents a pioneering digital solution transforming the social enterprise ecosystem across Europe. Positioned as a B2B Buy Social Marketplace, this platform bridges social enterprises with mainstream businesses to foster impactful procurement relationships. By creating a streamlined digital environment, the platform enables social enterprises to access consistent commercial opportunities while allowing companies to seamlessly integrate social value into their supply chains and align with their Environmental, Social, and Governance (ESG) objectives.

Central to the MATCH Platform is its design towards connections, made to align the needs of mainstream businesses with the capabilities and offerings of vetted social enterprises. The platform's mapping system highlights social enterprises based on their products, services, and alignment with corporate ESG requirements, thus addressing significant barriers like visibility and credibility that often prevent social enterprises from breaking into mainstream markets. This targeted approach ensures businesses find suitable, impact-driven partners while allowing social enterprises to establish themselves as reliable suppliers.

The platform simplifies integrating social impact into business procurement processes. This innovation enables companies to meet their ESG targets and deepen their commitment to sustainability and inclusivity, aligning with European policies like the European Green Deal.

The MATCH Platform aims to be a cornerstone of Europe's social enterprise ecosystem, providing a new avenue for sustainable growth and impactful collaboration. By engaging with the platform, mainstream businesses and social enterprises are invited to participate actively in building a more inclusive and sustainable European economy, where business success and social value are interconnected. This initiative encourages all stakeholders to leverage the platform's resources and participate in this innovative approach to social procurement.

Find out how you can engage:

https://match-buysocial.super.site/the-match-platform

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Market trends report: Main findings & conclusion

The analysis of the social enterprise sector, particularly within Europe, reveals an evolving landscape shaped by both opportunities and challenges. The industry is significantly growing, driven by regulatory support, shifts in corporate behaviour, and changing consumer preferences. However, it also faces obstacles related to scalability, regulatory fragmentation, and access to finance.

The Economic Impact and Scale of Social Enterprises

Social enterprises have become a substantial force in the global economy, with approximately 10 million entities worldwide generating an estimated $2 trillion annually and creating over 200 million jobs. This contribution represents roughly 7% of global GDP (World Economic Forum, 2024), underscoring social enterprises' economic and societal importance. In Europe, they account for 10% of all businesses and employ 6.2% of the workforce (European Commision), playing a critical role in job creation, social inclusion, and sustainable development. The sector's inclusivity is also notable, with a higher proportion of women-led social enterprises than traditional businesses, highlighting its progressive approach toward gender equality and diversity.

The sector's economic impact is particularly significant in areas such as agriculture, technology, and financial services, where social enterprises generate revenue and address systemic challenges like unemployment, inequality, and environmental sustainability. These enterprises are increasingly seen as key players in achieving broader societal goals, particularly those aligned with the United Nations' Sustainable Development Goals (SDGs).

Regulatory Environment and Policy Support

Europe's regulatory environment has progressively become more supportive of social enterprises. The European Social Economy Action Plan and national initiatives such as Portugal's Social Innovation Initiative exemplify efforts to strengthen the sector's foundation. The EU has implemented frameworks promoting social enterprise development, notably through public procurement strategies prioritising social value and tax incentives designed to support socially driven businesses.

Despite these advancements, regulatory fragmentation remains a persistent issue. While some EU member states have developed comprehensive legal frameworks and strategies to support social enterprises, others still lack cohesive policies. This inconsistency creates barriers to cross-border collaboration and complicates operations for social enterprises seeking to scale their impact beyond national borders. Legislative disparities also limit access to essential public procurement opportunities, which are increasingly crucial for the sector's growth. Public procurement policies are becoming a central growth driver for European social enterprises. Governments are integrating social and environmental criteria into public tenders, allowing social enterprises to secure contracts based on their societal impact rather than purely on cost competitiveness. However, implementing these policies varies greatly across member states, leading to an uneven playing field. Additionally, the complexity of procurement processes and the limited capacity of some social enterprises make it difficult for them to compete effectively in these markets.

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Market trends report: Main findings & conclusion

Corporate Demand and ESG Integration

A significant trend observed in the market is the increasing integration of Environmental, Social, and Governance (ESG) criteria into corporate strategies. Many companies seek to meet investor and consumer expectations, so they turn to social enterprises to fulfil their ESG commitments. Initiatives like the Buy Social Corporate Challenge in the UK illustrate this shift, where businesses have committed over £1 billion to social enterprise procurement. By collaborating with social enterprises, corporations enhance their brand value and gain access to innovative solutions and new markets, aligning their operations with evolving regulatory requirements and consumer expectations.

The alignment between corporate ESG goals and social enterprises offers a substantial opportunity for growth within the sector. Social enterprises that can effectively position themselves as strategic partners for corporations are well-placed to secure long-term contracts and access new revenue streams. This trend underscores the potential for these entities to become an integral part of corporate value chains, providing sustainable and impactful solutions that meet the dual goals of profit and social responsibility.

Consumer Behavior and Ethical Market Demand

Consumer behaviour, particularly in high-income countries, is increasingly oriented toward ethical and sustainable consumption. Research indicates that 62% of consumers seek brands that align with their values. In contrast, over half of Millennials and Gen Z consumers are more likely to support businesses demonstrating positive social and environmental impacts. This shift presents significant opportunities for social enterprises, especially those offering fair-trade goods, eco-friendly products, and services targeting marginalised communities.

Social enterprises are well-positioned to capitalise on this demand, as their products and services often align with these consumer preferences. For instance, in the UK, three-quarters of consumer retail social enterprises expect to expand in the coming year, with nearly a third anticipating substantial growth. This optimism reflects the sector's resilience, adaptability, and capacity to respond to evolving market conditions.

Barriers to Growth

Access to Finance and Regulatory Fragmentation

Despite the promising trends and opportunities, social enterprises face several critical barriers to growth. Access to finance remains a significant challenge, as many traditional investors perceive social enterprises as high-risk due to their hybrid models that balance financial and social objectives. This perception limits their ability to secure the capital needed to scale operations and invest in technological advancements. While the European Social Fund (ESF) and the European Investment Fund (EIF) have made efforts to support social enterprises through targeted financing initiatives, the absence of specialised financial products tailored to the sector continues to hinder progress.

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Regulatory fragmentation across Europe further complicates efforts to scale. Sixteen EU member states have implemented new laws recognising and supporting social enterprises, while eleven countries have developed national strategies. However, the inconsistency in legal definitions and support mechanisms creates disparities that limit the sector's ability to operate effectively across borders. These disparities hinder the growth of a unified European social enterprise ecosystem, which is critical for achieving scalable and sustainable impact.

Diverse Revenue Models and Income Streams

Social enterprises maintain diverse revenue models, balancing trading income, public contracts, and philanthropic support. On average, 60.4% of social enterprises' income is derived from trading activities, while the remainder comes from non-trading sources like grants and donations. This mix allows social enterprises to remain resilient, adapting their strategies to ensure financial stability while fulfilling their social missions. However, the need for specialised financial instruments that cater to these hybrid models is becoming increasingly apparent, as traditional funding mechanisms often fall short of meeting the sector's unique requirements. The distribution of revenue streams varies across Europe. In countries like Switzerland and the Netherlands, trading activities constitute the primary income source, while in Portugal and Austria, non-trading activities such as grants dominate. This diversity underscores the importance of tailored approaches and policies to support the unique needs of social enterprises in different regions.

Technological Adoption and Innovation

Technological adoption is becoming crucial for social enterprises aiming to scale their impact and increase operational efficiency. Many social enterprises leverage digital platforms for market access, such as e-commerce solutions that expand their reach beyond local communities. Despite limited physical resources, these digital tools help social enterprises optimise their operations, manage supply chains, and improve customer engagement.

In addition to digital platforms, social enterprises are at the forefront of environmental and sustainable technologies. Many implement circular economy practices, such as recycling and renewable energy solutions, to align their operations with sustainability goals. These technological advancements enhance their production capabilities and position social enterprises as leaders in offering scalable solutions for global environmental challenges. However, technology adoption varies significantly across regions and sectors. Many social enterprises, particularly smaller ones or those operating in resource-constrained environments, face challenges accessing the capital and expertise necessary to implement advanced technologies. The lack of technical skills and infrastructure limits their ability to scale, creating a need for increased investment in digital skills development and technology funding.

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Market trends report: Main findings & conclusion

Collaboration Models with Mainstream Businesses

Collaboration between social enterprises and mainstream businesses is increasingly viewed as a pathway for growth and impact. Several collaboration models have proven effective, including value chain partnerships, social procurement, and public-private collaborations. These partnerships enable social enterprises to scale their operations, access new markets, and achieve broader social and environmental goals.

Value chain partnerships, where social enterprises act as suppliers of sustainable or ethically sourced products, offer businesses a way to enhance their supply chain's ethical standards. Social procurement models, where corporations source products and services from social enterprises, are also gaining traction as businesses seek to align their operations with ESG targets. Public-private collaborations further support social enterprises, particularly in regions where government policies promote the inclusion of social value in procurement processes.

The success of these models highlights the mutual benefits of integrating social enterprises into corporate strategies. For social enterprises, these partnerships provide stability, access to new markets, and the resources needed to scale their impact. For businesses, collaborating with social enterprises offers innovative solutions, enhances brand reputation, and helps achieve regulatory compliance and ESG objectives.
In summary, while the social enterprise sector is growing and adapting to meet market demands, it faces significant challenges related to regulatory inconsistencies, access to finance, and the need for technological advancement. Addressing these barriers through coordinated efforts, targeted policies, and innovative partnerships will be crucial for unlocking the sector's full potential and achieving a sustainable and impactful presence in the global economy.

Conclusion

The social enterprise sector is at a critical inflexion point. With its significant economic footprint, growing consumer demand for ethical products, and increasing integration into corporate ESG strategies, social enterprises have the potential to become central players in shaping a sustainable and inclusive global economy. Europe's evolving regulatory frameworks and supportive public procurement policies offer further opportunities for growth and impact.
However, unlocking this potential requires overcoming persistent barriers. The sector must navigate regulatory fragmentation, secure tailored financial products, and accelerate technological adoption to achieve scalable and lasting impact. These challenges demand a coordinated effort among governments, corporations, investors, and social enterprises to create a unified and supportive ecosystem.
These barriers can be addressed through strategic partnerships, policy alignment, and targeted investments. In that case, social enterprises will sustain their growth and emerge as powerful drivers of economic transformation. By capitalising on their unique ability to blend social and financial objectives, they can help build a more equitable, resilient, and sustainable economy for the future.

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