
APPENDIX 8: INTERNATIONAL ILLUSTRATION
STUDY TO IDENTIFY VIABLE BUSINESS PROPOSITIONS
FOR THE DAIRY INDUSTRY TARGETING LOWER
INCOME CONSUMERS





BoP Innovation Center

VIABLE BUSINESS PROPOSITIONS FOR THE DAIRY INDUSTRY TARGETING LOWER INCOME
CONSUMERS

Develop > Learn > Accelerate

Nicolas Chevrollier, Benjamin van der Hilst

BoP Innovation Center
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1 Introduction

BoP venture or inclusive businesses have gained significant momentum over the past year achieving not only financial return for companies and BoP alike but changing the landscape of how to reach social impact via companies. All over the world, market based innovations have led to a more efficient and sustainable access to drinking water or renewable energy sources. It is equally true for agri-businesses that provide adequate services to small holders farmers and develop new food products of the poor. The target group of this study, the so-called BoP, is not only located in Kenya and BoP businesses can be found all over the world representing a wealth of lessons learnt and cases that could serve as illustration of solutions or best practices for issues identified in the Kenyan market. In this part of the study, the BoP innovation center alongside RSA have conducted an international illustration that providing:

- Inspiring ideas and success-cases of products and business models in the dairy or food & beverages industry, for lower income groups in global markets, e.g. Asia, Latin America, and Africa.
- An overview of general key success factors in BoP
- A reflection of the applicability of these cases in the context of Kenya.

Cases selected often represent best practices in a given field and always bring a valuable lesson learnt to the set of challenges predominant in the Kenyan market and pre-selected by RSA and BoPInc.

2 Issues to be illustrated

As part of the study methodology, a number of issues related to dairy/BoP were pre-selected during the research activities carried out locally in Kenya. These issues are the focus of the international illustration:

1. Micro-distribution: which solutions have companies found to achieve efficient micro-distribution of their dairy products?
2. Cool-chain failure resilience: which solutions have companies found to avoid the quality deterioration of perishable food-products through cool chain interruptions?.
3. Technologies: what are potential technologies that could significantly change the dairy value chain?
4. Marketing value added products to the BoP (include processed milk): How have companies successfully marketed value added dairy products to BoP consumers? Especially researching whether health is used as a selling point (i.e., Which role has health played in the volume of marketing BoP dairy products and what have been the effects?)

The cases and the general conclusions have been organized along these 4 issues to create a link between the selection of issues at the local level and the associated international illustration.

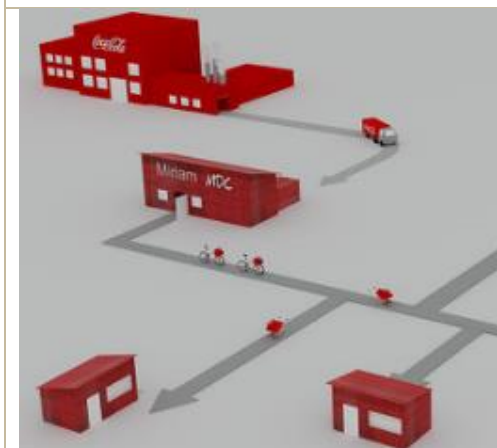


3 Illustrative Cases

ISSUE: DISTRIBUTION	CASE NAME: Unilever	CASE #: 1
Case Description		Why is this case so interesting?
<p>Hindustan Unilever's Shakti Entrepreneurial Programme helps women in rural India set up small businesses as direct-to-consumer retailers. The scheme equips women with business skills and offers a way out of poverty while creating a crucial new distribution channel for Unilever products in the large and fast-growing global market of low-spending consumers.</p>		<ul style="list-style-type: none"> • One of the first and most well-known cases in which the BoP was involved as entrepreneur in the distribution model • Efficiently bridges “last-mile” distribution • The distribution network is autonomously growing
<p>Value proposition To make available a range of well-known Unilever brands at rural village level at an affordable price.</p>		Preconditions
<p>Customer segments Populations of villages that are:</p> <ul style="list-style-type: none"> • Less populated (less than 2000 inhabitants) • Geographically difficult to reach for stockists and distributors • Where private labels are dominant 		<p>Market</p> <ul style="list-style-type: none"> • Wide spread of self-help-groups (estimate of 2.2 million in India, representing 33 million members) • Practice of micro-finance is accepted and widely adopted • SHGs have their own micro-finance scheme • Model designed for rural setting
<p>Distribution Channels</p> <ul style="list-style-type: none"> • It relies partly on the existing and extensive distribution network (around 4000 stockists and 6.3 million retail outlets in India) • It complements that with a network of so-called Shakti Ammas, women entrepreneurs that sell a range of Unilever products door-to-door or from their own stalls. • For recruiting Shakti Ammas, Unilever leverages on the existence of Self-Help-Groups (SHGs) in India, over 1 million exist. • Rural Sales Managers select Shakti Ammas. Selection criteria are: <ul style="list-style-type: none"> • Female • Part of SHG, or Anganwadi worker, or appointed by village head • Cannot be existing wholesaler • Shakti Ammas sell door-to-door, or at own stall • They use local modes of transport, serving 4-8 villages, reaching approx. 4000 customers 		<p>Company</p> <ul style="list-style-type: none"> • Large distribution network already in place • Strong brand of Unilever in Indian market
<p>Cost structure (financing)</p> <ul style="list-style-type: none"> • Shakti Ammas make initial investment on stock of 220-230 US\$ • Shakti Ammas earn on a commission basis • Shakti Ammas rely on SHG for financing, or alternatively, they are linked with Micro-Finance Institutions through Unilever 		How is the BoP involved?
<p>Interaction between Unilever and Shakti Ammas Shakti Ammas receive training on:</p> <ul style="list-style-type: none"> • Selling • Commercial knowledge • Bookkeeping • Shakti Ammas are encouraged to start or identify SHGs in other villages, and recruiting other Shakti Ammas to grow the existing network. 		<p>Consumer</p> <ul style="list-style-type: none"> • Previously underserved remote and rural consumers are reached (aim to reach 600 million consumer) <p>Entrepreneur</p> <ul style="list-style-type: none"> • Large number of female entrepreneurs (over 50,000)
<pre> graph TD HU[Hindustan Unilever] -- Revenues --> RSP[HUL Rural Sales Person RSP] RSP -- Delivery --> HU RSP -- Distribution --> SA[Shakti Amma Mother] SA -- Revenues --> RSP SA -- Sales and Distribution of FMCG products 7% - 10% margin --> EC[End Consumer/ Small Retailers] EC -- Revenues --> SA SA -- Finance --> SHG[Self-Help Group / Banks] SHG -- Interest income --> SA SHG -.- Facilitation -.-> RSP </pre>		



ISSUE: DISTRIBUTION	CASE NAME: Coca-Cola	CASE #: 2
Case Description		Why is this case so interesting?
<p>Coca-Cola works with more than 300 bottlers worldwide. These bottling companies are either independently owned, or partially/fully owned by The Coca-Cola Company (TCCC). Retail outlets in urban areas of Africa are typically difficult to reach by truck due to poor roads and congestion, they have limited cashflow and limited storage capacity for stock. They require high frequency, low volume delivery.</p> <p>Value proposition Make Coca-Cola and affiliated products available to urban consumers at an affordable rate.</p> <p>Customer segments The urban poor are the target consumers.</p> <p>Distribution Channels</p> <ul style="list-style-type: none"> • Coca Cola provides syrup to bottling partners. • Bottling partners distribute products through different channels, one being a portfolio of Manual Distribution Centers (MDCs). • MDCs are small centers, receiving stock from bottlers and distributing it manually by push carts to retail outlets in urban areas. • Entrepreneurs are given the opportunity to own and operate Manual Distribution Centers (MDCs). • For each MDC, 10 to 15 entrepreneurs apply • Selecting the right entrepreneur is key; they need capital, network and business skills. <p>Cost structure (financing)</p> <ul style="list-style-type: none"> • Entrepreneurs make initial investment to own and operate a MDC • MDCs require an initial investment of 6.000-15.000 US\$. • MDC entrepreneurs are financed by bank loans, TCCC credit (collateral required) or by family capital/personal savings. • MDCs earn on commission basis. TCCC sets fixed retail price for crate, allowing for 3 to 5% margin. • Coca-Cola allows low margins to reach high volumes of sales; affordability for low-income consumers is key. • MDC employees typically earn on a commission basis, some MDC owners decided to pay on wage + commission basis, increasing loyalty among staff, and decreasing risk of theft. <p>Interaction between Coca-Cola and MDCs</p> <ul style="list-style-type: none"> • Coca-Cola sets merchandising standards and provides management tools, MDC entrepreneurs are rewarded for adhering to them. • TCCC provides training and is in contact on a near daily basis, this contact is much appreciated and creates loyalty. 		<ul style="list-style-type: none"> • Introduction of new type of distribution centre: Manual Distribution Centre (MDC) • Very rapid scaling (pilot in 1999, now over 2,500 MDCs across Africa) • Growth of network is responsibility of bottling partners, who in some cases operate independently of Coca-Cola • Strong brand enforcement throughout distribution chain
		Preconditions
		Market
		<ul style="list-style-type: none"> • Model designed for urban setting
		Company
		<ul style="list-style-type: none"> • Existing network of bottling partners • Strong brand, therefore many applications for MDC entrepreneurs
		How is the BoP involved?
		Consumer
		<ul style="list-style-type: none"> • Urban BoP consumers are better served
		Employee
		<ul style="list-style-type: none"> • The BoP is involved as employee for the MDCs, earning on a commission or wage + commission basis
		Entrepreneurs
		<ul style="list-style-type: none"> • Significant capital or collateral, and skillset are required, therefore MDC entrepreneurs are usually middle-class • 20-30% of business owners is female





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ISSUE: DISTRIBUTION	CASE NAME: Jita	CASE #: 3
Case Description		Why is this case so interesting?
<p>Jita is a joint venture of CARE (a Bangladesh based NGO) and Danone.communities. It is a distributor company, which provides rural distribution services to a number of brands.</p> <p>Value proposition Provide rural distribution services to a number of well-known brands, to make their produce available at rural village level at an affordable price.</p> <p>Customer segment Established brands with some distribution network already in place.</p> <p>Distribution Channels</p> <ul style="list-style-type: none"> • Jita is a broker / manager within a network of companies, hubs and "Aparajitas". • 7 companies make use of Jita to distribute some of their products: Grameen-Danone Foods Limited, Square Toiletries Limited, Lalteer Seeds, Grameen Phone, Unilever, BATA, Advanced Chemical Industries Limited • Hubs are privately owned enterprises that trade at village level. Hubs were already part of the distribution networks of at least one of the participating companies. • Aparajitas are female entrepreneurs • Products are delivered at hubs, service agents then bring the products to the homes of Aparajitas in exchange for cash. Aparajitas sell the products door-to-door. <p>Cost structure (financing)</p> <ul style="list-style-type: none"> • Revenues are on a commission basis throughout the value chain, Aparajitas, hubs and Jita itself earn commission from the 7 companies involved 		<ul style="list-style-type: none"> • Partnership between NGO and private company • Distribution is the core service this venture delivers • It allows non-competitive companies to make use of each other's distribution network <p>Preconditions</p> <p>Market</p> <ul style="list-style-type: none"> • A number of strong brands already served the market, without competition between them • Companies involved had distribution network in place <p>Company</p> <ul style="list-style-type: none"> • Start-up of the organization was a NGO (non-profit) activity, professionalized by Danone <p>How is the BoP involved?</p> <p>Consumer</p> <ul style="list-style-type: none"> • Access to wider range of products, increased availability, door-to-door sell <p>Entrepreneur</p> <ul style="list-style-type: none"> • Aparajitas are female entrepreneurs, over 2,500 are in operation
		



ISSUE: DISTRIBUTION	CASE NAME: Danone	CASE #: 4
Case Description		Why is this case so interesting?
<p>Grameen Danone Foods Limited, is a joint venture between Groupe Danone and four Grameen companies. It brings fortified yoghurt (“Shokti Doi”) to low-income populations in Bangladesh. It is sold at 5 to 8 taka (roughly 0.05 to 0.08 euro cents) per package.</p> <p>Value proposition Affordable and healthy yoghurt (fortified), available in rural villages.</p> <p>Customer segment Rural villagers with low incomes in Bangladesh.</p> <p>Distribution Channels</p> <ul style="list-style-type: none"> • Cooled rickshaw vans distribute yoghurt from factory to distribution points and shops on daily basis. From there Shakti ladies distribute yoghurts further • Distribution points are within 5km radius of factory • Male entrepreneurs operate rickshaw vans. Around 20 rickshaw vans are active per factory. Each rickshaw van serves around 20 Shakti ladies • Shakti ladies (sales women) take yoghurt in isotherm bags and sell door-to-door or in public places • Each Shakti lady sells yoghurts door-to-door in 4 to 5 villages. • Shakti ladies make use of local modes of transport • About 100.000 yoghurts are sold daily <p>Cost structure (financing)</p> <ul style="list-style-type: none"> • Shakti ladies earn on commission basis (1.3 taka on 7 taka sale) • Shakti ladies earn around 1350 takas each month <p>Interaction between Danone and Shaktis</p> <ul style="list-style-type: none"> • Danone provides training on awareness and health benefits • Danone provides training on how to organize small events and shows • To date (source: 2011), over 3000 mini-events were held by Shakti ladies <p>Partnership</p> <ul style="list-style-type: none"> • Danone partners with CARE, a Bangladesh based NGO that has a Rural Sales Program in place (see case description #3) 		<ul style="list-style-type: none"> • Decentralized production means distances are short, it allows for distribution by rickshaw instead of truck • Effective last-mile distribution by Shakti Ladies • Local entrepreneurship is stimulated <p>Preconditions</p> <p>Market</p> <ul style="list-style-type: none"> • Reasonably dense concentration of villages <p>Company</p> <ul style="list-style-type: none"> • Partnership with NGOs (such as CARE) and Grameen on creating distribution channels and awareness creation <p>How is the BoP involved?</p> <p>Consumer</p> <ul style="list-style-type: none"> • Rural consumers gain access to fortified yoghurts through door-to-door sell • Raised awareness on healthy food <p>Entrepreneur</p> <ul style="list-style-type: none"> • Male entrepreneurs as rickshaw van operators • Female entrepreneurs as Shakti ladies (sales) <p>Producer</p> <ul style="list-style-type: none"> • Local produce is used as input as much as possible, offering opportunities for local producers <p>Employee</p> <ul style="list-style-type: none"> • Small decentralized factories are set up in which mostly unskilled labour is required, providing opportunities for BoP employees.





ISSUE: COOLING	CASE NAME: Danone	CASE #: 4b
Case Description		Why is this case so interesting?
<p>Grameen Danone Foods Limited. To be able to sell to BoP consumers, the price of the Shakti Doi yoghurt had to be reduced. Danone discovered that a large part of the consumer price came not from production but from cooled transport.</p> <p>Danone's three main innovations</p> <p>Shortening the supply chain</p> <ul style="list-style-type: none"> Decentralized production increases costs due to inefficiencies in economies of scale, however, this is more than made up by the decrease in costs due to shortening the distance that needs to be covered by cooled transport. Small decentralized production units (capacity 3000kg per day) are relatively low-tech and can be operated by local workers Local materials and input used where possible <p>Cooled rickshaws</p> <ul style="list-style-type: none"> Rickshaw vans are equipped with cool boxes to bring products from the factory to shops and distribution points in a 5km radius. <p>Isotherm bags</p> <ul style="list-style-type: none"> Shakti ladies, who sell yoghurts door-to-door, are equipped with blue isotherm bags from Danone. 		<ul style="list-style-type: none"> Decentralized production means distances are short, reducing costs for cooled transport Profits were found in reducing cooling costs, while counteracting economies of scale <p>Preconditions</p> <p>Market</p> <ul style="list-style-type: none"> Reasonably dense concentration of villages <p>Company</p> <ul style="list-style-type: none"> Low-tech factories so they could be decentralized and operated by low skilled workforce <p>How is the BoP involved?</p> <p>Consumer</p> <ul style="list-style-type: none"> Affordable and healthy yoghurts <p>Entrepreneur</p> <ul style="list-style-type: none"> Male entrepreneurs as rickshaw van operators Female entrepreneurs as Shakti ladies (sales) <p>Producer</p> <ul style="list-style-type: none"> Local produce is used as input as much as possible <p>Employee</p> <ul style="list-style-type: none"> Small decentralized factories are set up in which mostly unskilled labour is required, providing opportunities for BoP employees.





ISSUE: COOLING	CASE NAME: Promasidor	CASE #: 5
Case Description		Why is this case so interesting?
<p>Promasidor Nigeria Limited was formerly known as Wonderfoods Nigeria Limited. One of its well-known brands is the Cowbell brand: Milk powder packaged in small sachets. It has become the market leader of powdered milk in Nigeria.</p> <p>Value proposition Sachets powdered milk which are easy to carry and consume, and are affordable to low-income people</p> <p>Customer segments The cowbell brand targets people of all incomes. Small sachets are sold for around 10 Naira, and are thus affordable for low-income people. Larger size packages are also available for middle-income consumers</p> <p>Distribution channels</p> <ul style="list-style-type: none"> • Unlike most competitors, Promasidor does not rely on third party distribution • It employs a large sales force directly <p>Promasidor's three main innovations</p> <p>Powder</p> <ul style="list-style-type: none"> • Offering milk as a powder eliminates the need for cooling <p>Replacement:</p> <ul style="list-style-type: none"> • Replacing animal proteins by soy proteins improves shelf life <p>Drinking water</p> <ul style="list-style-type: none"> • School kids pour the powder directly on their tongues, thereby eliminating the need for clean drinking water for consumption. <p>First mover advantage</p> <ul style="list-style-type: none"> • Promasidor was the first company to offer sachet packaging for powdered milk 		<ul style="list-style-type: none"> • Promasidor eliminated need for cooling by offering powdered milk • Promasidor was the first company to sell powdered milk in sachets • Promasidor replaced animal proteins by soy proteins to improve shelf life <p>Preconditions</p> <p>Market</p> <ul style="list-style-type: none"> • - <p>Company</p> <ul style="list-style-type: none"> • It ceased first mover advantage <p>How is the BoP involved?</p> <p>Consumer</p> <ul style="list-style-type: none"> • Target low-income groups • Target school children • Product is rich in vitamins A, C, D, E & K.





ISSUE: COOLING	CASE NAME: Mueller	CASE #: 6
Case Description		Why is this case so interesting?
<p>Mueller Lichtenvoorde B.V. has over 40 years of experience in the manufacturing of high quality stainless steel products for the dairy, food, beverage and processing industries.</p> <p>Value proposition Reliable, simple and compact milk cooler for use in remote areas in Ethiopia, where there is no electricity or water pressure available</p> <ul style="list-style-type: none"> • Easy to use and maintain • Safe guard milk at farms gate • No moving parts • Cool down milk from 36 to 4 degrees • Small cooling units <p>Customers</p> <ul style="list-style-type: none"> • Dairy processors • Primary Dairy Cooperative / Union • Dairy investors <p>Partners</p> <ul style="list-style-type: none"> • LEI/Wageningen: LEI develops economic expertise in the field of food, agriculture and the natural environment • Celtic B.V.: Celtic Cooling designs and installs tailor made refrigeration and freezer installations, air conditioning systems and turnkey solutions for every possible purpose • BoP Innovation Center, facilitator of the public-private partnership and support in business development <p>Principle</p> <ul style="list-style-type: none"> • Make ice during the day using solar energy • A small compressor will chill the template in the water bin, creating an ice ban • Cooling the evening milk by melting the ice during the evening/night • Use of sustainable power source: the sun <p>Prototype</p> <ul style="list-style-type: none"> • A milk cooler for 320 liters of evening milk (8 x 40 liter cans) • Simple and sturdy design, only moving part is the compressor, no direct contact with the cooler • Long lifespan • Self-sufficient through solar panel • Easy operable: no switches; sun power 'ON' • Insulated Stainless Steel / PE water / ice bin • Can build up to 150 kg of ice 		<ul style="list-style-type: none"> • Public-private partnership to build sustainable business model <p>Preconditions</p> <p>Market</p> <ul style="list-style-type: none"> • Awareness of the importance of milk quality <p>Company</p> <ul style="list-style-type: none"> • Partnerships with organizations with understanding of the local market (BoPInc, LEI/Wageningen, Celtic) <p>How is the BoP involved?</p> <p>Producer</p> <ul style="list-style-type: none"> • Small holder dairy farmers • Milk producers can sell both morning and evening milk, thus larger volumes of sales • Milk is cooled before sale, thus better quality of milk is sold • Better quality and larger volumes of sales improve income for milk farmers







ISSUE: TECHNOLOGY	CASE NAME: SKEPL	CASE #: 7
<p>Case Description</p> <p>SKEPL: Shree Kamdhenu Electronics Pvt. Ltd. (INDIA) provides one stop solutions to the dairy sector Since 1996 under the brand name 'AKASHGANGA'™.</p> <p>SKEPL currently offers several technological solutions including electronic weighing scales, milk analyzers, dairy cooperative accounting software and automated milk collection systems (AMCS). It combines traditional devices of the dairy sector with information and communication technologies. It also developed the "Nano", a smaller more energy efficient, handheld milk collection processor, that is targeted for small and medium-sized cooperatives that cannot afford a fully automated milk collection system</p> <p>Value proposition Providing complete (one-stop-shop) technical solutions to dairy cooperatives, so they can offer an efficient and transparent service to farmers</p> <p>Customers Village level dairy cooperatives in India and other developing countries</p> <p>Technology and product AKASHGANGA provides:</p> <ul style="list-style-type: none"> • GPRS based data transfer from collection point to chilling plants/BMC's/dairy plants • FTP server based data transfer • SMS to milk producers confirming their amount of milk deposited on daily/periodic basis • Electronic payment systems • Financial accounting software (with Regional Language support). • Nano (Hand Held Device) based milk collection processor <p>Partners</p> <ul style="list-style-type: none"> • SKEPL partnered with Grassroots Business Fund (GBF) to receive funds for growth, network in Africa, and business support services on governance, planning and technical assistance. <p>Benefit for every system installed</p> <ul style="list-style-type: none"> • Saves farmers an hour per day in wait time • Sells 8000 liters in sample milk that can be sold rather than thrown away • Increases the annual bonus per farmer by up to 5% 		<p>Why is this case so interesting?</p> <ul style="list-style-type: none"> • It demonstrates the potential of information technology to impact livelihoods in poor, rural communities • It demonstrates that high-tech systems can be adopted in low-tech environments • Illustrate the concept of dairy hub <p>Preconditions</p> <p>Market</p> <ul style="list-style-type: none"> • Dairy farmers organized in cooperatives • Cooperatives large enough to be able to afford capital investment for automated milk collection systems <p>Company</p> <ul style="list-style-type: none"> • Partnership with GBF for funding, assistance and network <p>How is the BoP involved?</p> <p>Producer</p> <ul style="list-style-type: none"> • Approximately 400,000 farmers have been reached • Producers get better income due to efficiencies in collection • Producers value transparency • Producers have stronger incentives to produce better quality • Producers have stronger incentives to buy more cows





ISSUE: MARKETING	CASE NAME: Britannia	CASE #: 8
Case Description		Why is this case so interesting?
<p>Britannia is one of India's leading Food companies and a leading name in the Bakery and Dairy segments in the Indian marketplace. With revenues close to USD 1 Billion annually and a storehouse of power brands, Britannia is also India's favourite Food Brand.</p>		<ul style="list-style-type: none"> • Britannia brings fortified food products to the BoP without price premium • Britannia reaches 40% of total Indian households • Fortified food distributed at scale to the BoP
<p>Value proposition</p> <ul style="list-style-type: none"> • Make enjoyable food; healthy, accessible and affordable to all people, anytime, anywhere – everyday • Accessible, available and affordable: 3.5 million retail outlets and low price points, products sold from \$ 0,04 (R. 2) • 100g of Tiger Iron Zor biscuits provides 20% of energy, proteins, calcium required by average child per day 		Preconditions
<p>Customers</p> <ul style="list-style-type: none"> • School-aged children (school feeding programs) and their mothers (retail) • Britannia reaches 88 million households; 40% of total Indian households (220 million) 		<p>Market</p> <ul style="list-style-type: none"> • There are school feeding programs in place
<p>Partners involved</p> <ul style="list-style-type: none"> • NGOs: Naandi Foundation: one of the largest and fastest growing social sector organizations in India working to make poverty history • Aid agencies: GAIN: provided technical advice and financing during the development and piloting of the first fortified biscuits (Tiger) 		<p>Company</p> <ul style="list-style-type: none"> • Strong established brand of Britannia • Distribution in place • Partnership with NGO Naandi for creating awareness • Partnership with aid agency GAIN for pilot finance and technical assistance
Customer Relationship		How is the BoP involved?
<p>Activities conducted, marketing channels and media used:</p> <ul style="list-style-type: none"> • With introduction of "Eat Healthy, Think Better" campaign in 1997, Britannia focused on building its individual brands • Britannia plans to increase advertising and marketing spending to 10-12% of sales over the next few years from a current 7% (2009) • Britannia has invested significantly into driving iron awareness in India through mass media campaigns • Via storytelling about two brothers children are targeted (one doing well academically, the other doing well at sport) • Mothers are targeted with a hard-hitting 'expert' campaign which seeks to educate mothers about the extent of iron deficiency in India, and the repercussions of the same • School feeding programs are also partially positioned as a social brand building exercise 		<p>Consumer</p> <ul style="list-style-type: none"> • School kids through school feeding programs • Awareness creation among mothers on iron deficiencies • billion of packs sold in 2007, 35% of consumption comes from low-income groups < 25 USD/month • Consumer feedback for taste and structure at trials
<p>Approach to developing customer insights</p> <ul style="list-style-type: none"> • Decision to fortify biscuits with iron not based on consumer research, but on outcomes national family health survey • With 3 billion packs of Tiger and Milk Bikis sold in 2007, there was clear brand awareness and acceptance that could be leveraged for fortified foods • Trials with the iron fortified Tiger biscuits were organized to define the perfect taste structure 		
<p>Education and awareness</p> <ul style="list-style-type: none"> • Britannia leveraged India's popular storytelling medium to drive home the message of nutrition • Raised awareness about the product as well as the problem (energy and iron deficiency) 		



ISSUE: MARKETING	CASE NAME: Gizikita	CASE #: 9
Case Description		Why is this case so interesting?
<p>Gizikita is a product line of Danone that was launched in Indonesia. 50% of the 240 million Indonesians live on less than three dollars a day; 98% of the children under age five suffer from malnutrition. Danone, in partnership with Indonesian authorities, has unveiled the Gizikita range, with nutritious products at an affordable rate.</p> <p>Value proposition Serve low-income consumers with affordable products that contribute significantly to nutritional status of population.</p> <ul style="list-style-type: none"> Gizikita is a range of three products <ul style="list-style-type: none"> Milk powder for pregnant and lactating women Porridge for babies 1-2 years old Topping for small children 2-5 years old Affordable, 1 serving roughly costs 7% of daily expenses, 1 serving costs 0.15 E <p>Customer segments Danone has product ranges for middle-income consumers in Indonesia. The Gizikita range specifically targets low-income consumers that have a household spending of 1.5 to 3.2 euros a day. This segment is known to suffer from malnutrition.</p> <p>Resources</p> <ul style="list-style-type: none"> It is a low-cost recipe Maximum use of local raw materials Low-cost packing process Cheap single-serving sachets <p>Customer relationship</p> <ul style="list-style-type: none"> Marketing efforts specifically target to create nutrition awareness among mothers serving provides up to 50% of the RDA of vital nutrients. <p>Malnutrition is widespread, Danone partners with the Indonesian authorities to contribute to the nutrition status of especially young children, through three products:</p> <ul style="list-style-type: none"> Milk powder (30 gr): Fe, Vit A, Zn, Ca, Folic acid (25% of RDA), and protein (7% RDA) Porridge (35 gr): Fe, Vit A, Iodin, Zn, Ca (50% of RDA) and protein (20% of RDA) Topping (5 gr) Fe, Vit A, Iodin, Zn, Ca (50% of RDA); Vitamin C (20% of RDA) <p>There is a lack of education on nutrition:</p> <ul style="list-style-type: none"> Danone launched awareness campaigns in partnership with NGOs Educatoinal games are held at Posyandus (Indonesian Community Health Centers, local and well settled organizations). Dosage is quite important for nutritional complements, therefore adequate educational campaigns are important. PKPU (Indonesian NGO) recruits and trains nutritionists bases on a Gizikita toolkit. 		<p>• Well-known brand (Danone) launches new brand that specifically targets the poor</p> <p>• It launched a range of products to address the issue of malnourished children, catering to mothers, babies and children respectively.</p> <hr/> <p>Preconditions</p> <p>Market</p> <ul style="list-style-type: none"> Existing infrastructure of health centres <p>Company</p> <ul style="list-style-type: none"> Partnership with NGOs and (local) governments on creating awareness Using existing entry points to households (community health centres) <hr/> <p>How is the BoP involved?</p> <p>Consumer</p> <ul style="list-style-type: none"> Three groups are targeted: lactating and pregnant women (milk powder), babies (porridge) and young children (topping) <p>Producer</p> <ul style="list-style-type: none"> Maximum use is made of locally produced products, opening up opportunities for local producers <hr/> 



ISSUE: MARKETING | **CASE NAME: Laiterie du Berger** | **CASE #: 10**

Case Description | **Why is this case so interesting?**

Laiterie du Berger is a Senegalese milk company. In 2005, Bagoré Bathily realized that almost 90% of the milk consumed in Senegal was imported in powder form. Yet nearly 4 million people, primarily Peuls, were living as traditional livestock herders and could produce milk. Armed with this insight, he launched a business that sells dairy products made from locally collected milk, thus improving living conditions for herders.

Value proposition

Source and process milk from semi-nomadic Fulani pastoralists living along the Senegal River, and sell it at an affordable rate

Distribution

- 90% of retail outlets are on sandy narrow roads, inaccessible by truck
- To be able to serve these at a rate of less than 6E a week, they introduced the Pouss-Pouss model.
- Pouss-Pouss (rickshaws) are equipped with cool boxes
- Robust, ecological, low-cost and can easily get everywhere

Customer Relationship

- Branded as Dolima
- Promoted as healthy and natural
- Promoted as typical Senegalese
- Affordable at 100 FCFA = 0.15 euro
- There is a strong cattle breeding culture in Senegal, therefore the consumption of dairy is deeply rooted.
- Laiterie Du Berger made two important changes in their marketing strategy:

First, they changed the name to Dolima, which means “give me more” in Wolof. It was promoted as a healthy and natural product, that was produced in Senegal (in contrast to imported powdered milk). Sales went up by 300%.

Second, they changed the strategy towards a more focused product line, dropping several products like liquid yoghurts and fruit juices. This led to a more focused marketing effort. Again boosting sales, by 60%

Sourcing

- Collect from roaming herders twice a day
- Provide veterinary support
- Provide insemination services
- Provide cattle feed
- Provide training
- Provide access to bank services and education for herders

- Laiterie du Berger made two important changes in its marketing strategy resulting in strongly improved sales
- Branding emphasized local production and natural product.
- Narrow product line led to focussed marketing

Preconditions

Market

- Strong cattle breeding culture in place

Company

- Able to improve quality of milk at production level
- Local brand name
- Partnership with Danone.communities to set up Pouss-Pouss model.

How is the BoP involved?

Consumer

- Low income consumers are reached with a price point of 100 FCFA = 0.15 euro

Producer

- Over 600 farmer families are involved. They receive income from sales and training to improve production

Employee

- Several employees are involved in the Pouss-Pouss model





4 General insights

Micro-distribution

The challenges related to distribution at the BoP are centered on the 4As: Availability, Affordability, Awareness, and Acceptability. The availability of products is challenged due to generally poor infrastructure, geographical disbursement and the lack of existing networks of distribution. Affordability mainly refers to low purchasing power and products prices. The lack of product awareness due to low literacy level and underused communication channels also challenges the establishment of reliable distribution channels. Finally, acceptability that relates to cultural diversity and suitable product design significantly influences the penetration of BoP products.

The cases presented in the previous section show case potential insights to alleviate these distribution challenges. They either build new channels like in the case of Unilever, create new partnership with NGOs centered around distribution and make use of existing channels piggy backing on dealers and (rural) retail networks. From a dairy company stand point (either milk producer or processor), these different strategies differ in terms of original investment, involvement of the company itself, brand control, flexibility, time to market or speed to scale. For instance, using existing channels is surely the fastest route to market and scale but the lowest in terms of flexibility and brand control.

Highlighted in most of our cases and by recent reports¹, retaining the distribution force at the BoP is often a challenge resulting in high churn unless specific measures are taken to prevent it. Competitive compensation is of utter importance especially the balance between fixed compensation and commission. In the case of Coca Cola, sales agents are mainly compensated via wages. Factors that influence positively the level of churn for BoP distribution include having full time sale employees or the use referral recruitment from fellow sale forces agents.

In the Kenyan context, creating a JITA like organization (i.e., primarily focused on distribution) could help strengthen the link between Duka's and Milk producer/Dairy processors. This company would focus on distribution of milk to start with and then processed products with the buy-in of Kenyan processors. The key here is that a common distribution platform would be shared by processors and producers alike and the business differentiator would be left at the product level.

Decentralized processing is also another way to reduce the distribution chain for processor and GDFL has used this strategy to mitigate this distribution challenge (and the one of cooling) in Bangladesh.

Cooling/technology

The issue of milk cooling and consequently increase in milk quality is a recurring theme in the cases identified in the international illustration. The issue is addressed in different ways as described thereafter:

- Shortening the supply chain by having a decentralized collection or local product consumption
- Improve cooling via technology especially at the farm gate (last mile)
- Reduce the need of cooling by developing a local market or a "instant consumed" product

The last-mile cooling has also received a major attention at three different levels of operation:

¹ http://www.hystra.com/opensource/Full_report_Marketing_for_the_BOP.pdf



- At the farm gate: using small scale solar power cooling storage unit (e.g., Mueller B.V) or self cooling milk vessel (e.g., adiabatic cooling). The cooling technology is often scale down from existing large milk tanks and combined with renewable decentralized energy source (e.g., biomass, solar).
- Transportation unit to cooling center using transportable unit (e.g, Danone) or ice pack truck
- At the cooling center with instant Cooling (KoolWay) or ice water cooling OM/IB (Packo)

The closer to the farm gate the more innovative, untraditional technology and small scale capacity unit.

In several instance, cooling and technology (like in the case of SKEPL) use an infrastructure of dairy hubs (one stop shop) to ensure continuity between producers and processors in terms of milk quality. Hubs can also become small scale processing units that bring part of the solution to the issue of cooling by shortening the life cycle of the product.

When it comes to innovative devices to be sold to the BoP as illustrated in a recent study² (hystra study) from various sectors (dairy as in the Mueller case but also energy or water) and confirmed from the selected cases, the main challenge in selling innovative devices is not so much to provide an affordable device but much more to provide a risk free experience with strong after sale services for instance and to rely on below the line marketing (note that these conclusions while true for innovative devices like cooling tanks might not be true for fast moving goods like dairy products).

Marketing/health

The cases presented in the international illustration are consistent in the potential combination of techniques and pre-requisites in terms of marketing strategies especially for healthy (dairy) products.

- Family pressure is frequently used as a motivational reason to buy a given products (e.g., kids to mother)..
- Authority pressure is repetitively used when it comes to healthy products especially schools and health centers as a vehicle of it
- Known brands especially local brands are leverage with nutritious elements to facilitate the entry into the dairy product market
- A double route to market is often used via a retail segment that would target the mother for instance and an institutional segment like schools that would target directly children. In two cases, mothers (especially when it comes to healthy dairy products) were the prime target of existing marketing campaigns

While the international illustration is not based on inductive reasoning (hence the authors do not claim that insights are truth in all cases), it is worth noticing that cases uses a blend of above the line and below the line marketing (in comparison to the fact the below the line marketing has proven to be more efficient for increasing sales of innovative devices for the BoP).

In several cases (e.g., Gizikita, Britannia), marketing campaigns are reinforced through hybrid partnerships between a given company and an organization from the non for profit sector (NGOs, public authorities). Obviously true for institutional market, it remains equality true when targeting the retail market.

² http://www.hystra.com/opensource/Full_report_Marketing_for_the_BOP.pdf



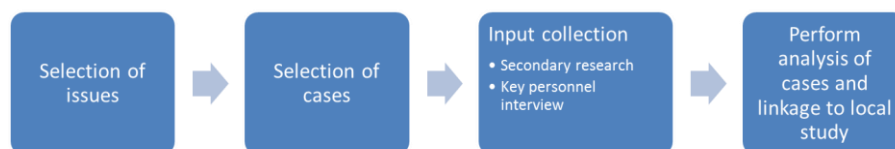
The “locally produced” factor and the anchoring of marketing strategy into traditional consumption of milk has also been an important success factor for increasing sales. In that regard, the high correlation of milk usage with tea consumption in Kenya should be seen as an advantage and built upon rather than an impediment.

True for the case of Britannia, the cost of having healthier products (in that case fortified biscuit) was not translated into an increase of price for the consumers. The increase of cost was absorbed mainly by the suppliers of Britannia.

5 Methodologies

The international illustration uses a mix of case study analysis, expert interviews and secondary research.

In order to perform an insightful benchmark of key initiatives that have reached impact at the BoP in the dairy and beverage sectors, the following steps were followed:



First, a set of issues was selected in coordination with the RSA team that reflects key challenges encountered in Kenya revealed by the first steps of the supply and consumer studies. Based on this selection a list of 10 cases was selected based on the following criteria (listed in order of influence from high to medium)

- Relevance to issue (high)
 - Distribution
 - Cooling
 - Technology
 - Marketing
- Social Dimension (medium)
 - Is the product and service solving the problem?
 - Number of BoP involved or reached
 - Promotes leadership of low-income community leaders
 - Improves access to a better development of BOP community
- Economic Dimension (medium)
 - Increases company's income in new markets
 - Diversifies company's portfolio of products and services
 - Increased BoP income
- Potential for scale (medium, mainly qualitative)
 - Main condition for the business model to scale
 - Main conditions for the business model to replicate

The selection of cases is primarily targeted at illustrated issues/challenges of the Kenya market and second when possible they represent the “best in class”. As such, the authors do not claim that all cases are fully successfully or scaled but they all represent a valuable illustration for the issues pre-selected.



The source of these cases came from 3 different activities:

- From the report “access to food and improved nutrition at the BoP” performed by the BoP Innovation Center in 2012 where 150 cases were selected based on the aforementioned criteria

Project BoP Inc.	Access to Food and Nutrition for the BoP
Project Description	Design of a 5 year program to actively engage Dutch agro food related company in inclusive business opportunities in East and West Africa. Part of the preparatory work consisted of a study to identify possible strategies that the private sector can develop in food security and improved nutrition at the Base of the Pyramid. Key lessons are identified in terms of barriers to growth, scaling processes and objectives, adequate business models and customer needs. Note: similar studies have been developed on energy, ICT, and water Access. http://www.bopinc.org/index.php/en/updates/publications/item/136-access-to-safe-water-for-the-base-of-the-pyramid
Client	Dutch Ministry of Foreign Affairs
Participating companies	
Country and region	Africa, Latin America, Asia

- The current running programmes of the BoP Innovation called 3 pilots for pro-poor innovations and 2SCALE where BoPInc has first hand access to insights of these BoP business pilots

Project BoP Inc.	Towards Strategic Clusters in Agribusiness through Learning in Entrepreneurship (2SCALE)
Project Description	The project aims to include 1 million smallholder farmers and 5000 other SMEs in around 450 viable agribusiness clusters. Those clusters will target local, mostly BoP markets, improving food security and developing competitive agro-food industries.
Client	Dutch Ministry of Foreign Affairs & IFDC
Participating companies	
Country and region	15 countries in sub-Saharan Africa

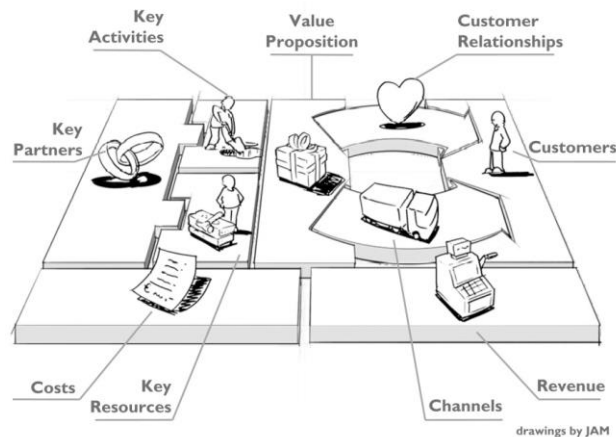
Project BoP Inc.	3 Pilots for Pro-Poor Innovation
Project Description	Facilitate and manage the successful introduction of three business innovation pilot projects (sector food, energy, health) and to capture and share learning of innovation business development in BoP, in order to support other companies in the future on this business development process
Client	Dutch Ministry of Foreign Affairs (DGIS)
Participating companies	
Country and region	Kenya, Bangladesh, Rwanda, Ethiopia, Vietnam

- Network experts of BoPinc. For instance the case of SKEPL was provided during an interview with the Business Call to Action (BCtA)



Following the selection, the 10 cases were developed via existing or additional secondary research for all of them focusing on the issues at hands. For a subset of them, especially the ones where BoPInc could access under time and budget constrains to key players (e.g., Mueller marketing and new business director), key personnel was interviewed.

Each case was elaborated using the business model canvas as a framework of presentation and analysis.



The 9 dimensions of the canvas are described thereafter:

- Customer segments: for whom do we aim to create value? Who are our most important customers?
- Value Propositions: what do we offer to whom? What value do we deliver to a customer in a given segment? What needs do we satisfy?
- Channels: how do we reach each customer segment? What is easiest for the customer?
- Customer Relationships: how do we build and maintain these? How do they fit effectively in both the customer's world and our own?
- Revenue Streams: for what will our customers pay? How much? How would they prefer to pay?
- Key Resources: what resources are essential to deliver our Value Propositions through the Channels and maintain our Customer Relationships?
- Key Activities: what are the most important things you must do to make your business work?
- Key Partnerships: who are our Key Partners and why? What Key Resources do they provide and what Key Activities do they carry out? What's in it for them? What relationship should we have?
- Cost Structure: what costs are implied by our Business Model? Which are largest? What is fixed and what is variable? What drives them?

Only dimensions relevant for the analysis were displayed for each case. Furthermore analysis was completed with desk research on the latest insights from the BoP expert community (hyastra report).