

# SUMMARY REVIEW



## ***Marketing Nutrition for the Base of the Pyramid- Hystra, 2014***

### **Background**

Families living at the Base of the Pyramid (BoP) spend an average of 60% of their income on food, a combined \$3 trillion globally. (Intro- pg. 5)

Undernutrition accounts for about 45% of infant and young child mortality, causing over 3 million deaths annually. (Intro-pg. 5)

### **Effects of malnutrition include:**

- Stunting/wasting
- Shorter stature
- Child development delays
- Future learning difficulties
  - Decreased lifetime earnings
- Longer-term health issues

### **About Hystra:**

*“Hystra is a global consulting firm that works with business and social sector pioneers to design and implement inclusive business approaches that are profitable, scalable and eradicate social and environmental problems.”*

*For more information, visit  
[www.hystra.com](http://www.hystra.com)*

On terminology- Undernutrition and malnutrition are **not** the same thing. Malnutrition can be the result of insufficient food **or** an unbalanced diet. Undernutrition is the result of insufficient diet. Thus, if one is undernourished, he or she is also malnourished. Yet just because one is malnourished it does not mean he or she is undernourished.

# Eight lessons learned from other organizations' experience implementing nutrition projects



## Lesson 1: Marketing nutrition is not (only) about health.

### Two important product prerequisites to any successful BoP marketing initiative:

- **The “Bliss Factor”**
  - The immediate satisfaction provided to customer after purchasing
    - Satisfaction in the form of taste, pride, confidence, etc.
- **Appropriate product form**
  - Product must match local tastes and habits.
  - Can be easily integrated into daily routine.

### Other important product qualities:

- **Convenience**
  - BoP parents are pressed for time, if not more than richer parents.
  - Services like delivery and convenient packaging can accelerate product adoption and even justify a price premium.
- **Aspirational brands**
  - Strong visual identity
  - Trusted brand name
  - Use of symbols and evocative imagery
    - Red tiger bottle in Danone’s *Milkuat* (Indonesia)
      - Tiger is national symbol of bravery and red is the color of the flag.
      - Name means “strong milk.”



### CASE STUDY: *Britannia- Corporate engagement with health and nutrition in India*

Sold 6 billion packs of biscuits per year in 2007 and reaching 60% of Indian households (90% of Indian households consume biscuits). Mantra is to “do well while doing good.”

In 2008 Britannia fortified biscuits with micronutrients.

#### Results:

- Compound Annual Growth Rate of 18% in the last 8 years
- Quadrupled sales in last 8 years

**Relevance:** The corporate sector can be effectively motivated to expand product line to BoP market.



Danone *Milkuat* “Tiger Bottle”

## Lesson 2: BoP consumers are ready to pay more for nutritious products they value.

### **People are willing to pay more for better products**

- Low-income families are ready and able to pay 5-8 times the price of traditional foods to feed their children with similar quantities of a product they perceive as better.
- People want the “most expensive product they can afford.”

### **“Magic price”: The price point at which the consumer cost is both affordable and convenient**

- **Affordable**
  - Within the realm of one’s purchasing power independent of third party permission. This is especially important in areas where men control all aspects of financial decision-making.
- **Convenient**
  - Price that may correspond to a coin or note that buyers are likely to have on hand (i.e. charging one coin for one sachet of nutrition supplement powder).
    - This could be appropriate for more expensive sales like latrines if individual payments are made in convenient amounts.
- **There is often room for two products or more with different values and magic prices.**
  - It is important to diversify products and prices in order to reach broader spectrum of market.

**IMPORTANT POINT: Marketers of complementary food should not aim at a “cost plus” pricing approach (i.e. adding a minimum margin to their production costs to keep prices as low as possible). They should instead seek out a “magic price” that doesn’t seem overly cheap.**

## Lesson 3: Effective promotion leverages trust and aspirations.

### **Education is not enough**

Key will be to establish new norms, making a new behavior accepted and desirable.

### **Behavioral change**

#### **Use of professionals**

- Health professionals have been the most effective for promoting initial trials of fortified foods and supplements for young children and infants.

#### **Marketing messages**

- Messages need to be targeted and culturally specific, monitored, evaluated, and adjusted when necessary.
- Need to be aligned and consistent with the messages of other nutrition and health actors. (i.e. government, NGOs, and other companies)
- Aspirational messages work best.

#### **Convince the entire ecosystem of the caregiver**

- Mothers are under scrutiny regarding how they raise their children
- It is necessary to convince the father, stepmother, neighbors, etc. Do not ignore cultural norms for decision-making roles.
- Public commendation and rewards for compliance
  - i.e. “being a good mother” ceremonies that publicly commend mothers for ensuring their children are healthy

### **Case studies of behavior change incentive structures include:**

- Conditional cash transfer programs
- Access to credit as a reward for investing in health
- Using social norms and peer pressure
  - *London handwashing campaign*
    - This marketing campaign had success with the slogan, “Is the person next to you washing with soap?”

## Lesson 4: Constant reminders and incentives drive compliance.

### Compliance with program objectives is key for social objectives and sustainability

Reliable product availability and sales force retention is vital to economic sustainability and customer compliance.

### Compliance is very difficult to measure

Sales average is not always indicative of compliance.

- Just because products are sold, it does not mean that they are being used properly.

### The use of Information and Communication Technology to build program sustainability

ICT can be used to:

- Communicate with distributors and consumers
- Encourage compliance through text message reminders
- Facilitate mobile money transfers
  - Makes distribution safer for sellers if they don't have to carry much money around
  - Easier to monitor and record transactions



## Lesson 4: Constant reminders and incentives drive compliance. (cont.)

### Ways to induce compliance for nutritional supplements

- **Daily home delivery**
  - **Daily SMS reminders**
  - **Subscription schemes**
  - **Quick and visible evidence - “seeing is believing”:**
    - Quick changes in child behavior, strength, weight gain, anemia
    - Visual demonstrations to induce behavior change
      - Making biocontamination visible
      - Hydrogen sulfide water solution
        - Reacts with microbiological contaminants in two bottles- one filled with treated water, the other filled with untreated water
        - Turns contaminated water black, while the other remains clear
  - **Tangible short-term rewards for compliance**
    - Cell phone minutes, toys for children
  - **Dedicated after-sales mechanism**
    - Ensures that people have the resources to understand the product and use it effectively
- i.e. Support hotlines, check-ups by sales professionals

#### Hydrogen Sulfide Demonstration:

Contaminated water with hydrogen sulfide added pictured on right in contrast to clean water with hydrogen sulfide on left.



## Lesson 5: In rural and mature markets, traditional retail is the most cost efficient distribution channel.

Traditional distribution channels cost 25 to 30% of consumer prices at scale (including the advertising and channel management cost, as well as the margins of wholesalers, resellers, and small shops).

### **Push- supply side**

**Goal: Incentivize retailers to carry product**

- Strategically invest in relationships with a selection of retailers rather than trying to supply all the shops and potential vendors
  - Provide retailers with promotional materials
  - Visit monthly to avoid stock outs
  - Create loyalty schemes

### **Pull- demand side**

**Goal: Create demand at consumer, retailer, and wholesaler levels.**

#### **Marketing strategies**

- *Above the line (ATL)*- mass media, TV
  - Usually not a cost-effective investment to convince BoP customers to purchase innovative products
  - Can be effective for:
    - Assuring distribution chain of the company is serious and legitimate
    - Convincing people already engaged in the market to switch to a new brand
    - Building brand recognition
- *Below the line (BTL)* - locally based, personal
  - Local and personal demonstrations and advertisements
  - Customers can feel and touch product.
  - Effective for:
    - Inducing first sales and building customer satisfaction
    - Triggering positive word-of-mouth (the most cost-effective marketing tool)

**In general, BTL has shown to be more immediately effective.**

### **Push and Pull is expensive, but becomes more cost effective with success**

The share of revenue spent on marketing and sales should decrease as:

- Distributor become more familiar with the product and needs less convincing to sell to customers
  - Sales force productivity increases, lower employee turnover
  - Revenues increase



## Lesson 6: In urban markets, door-to-door sales can create demand and build client loyalty.

### Key Points:

- In a new market, door-to-door sales can play a key market-building role.
- In an existing market, home delivery (in the case of fortified foods) can be helpful.

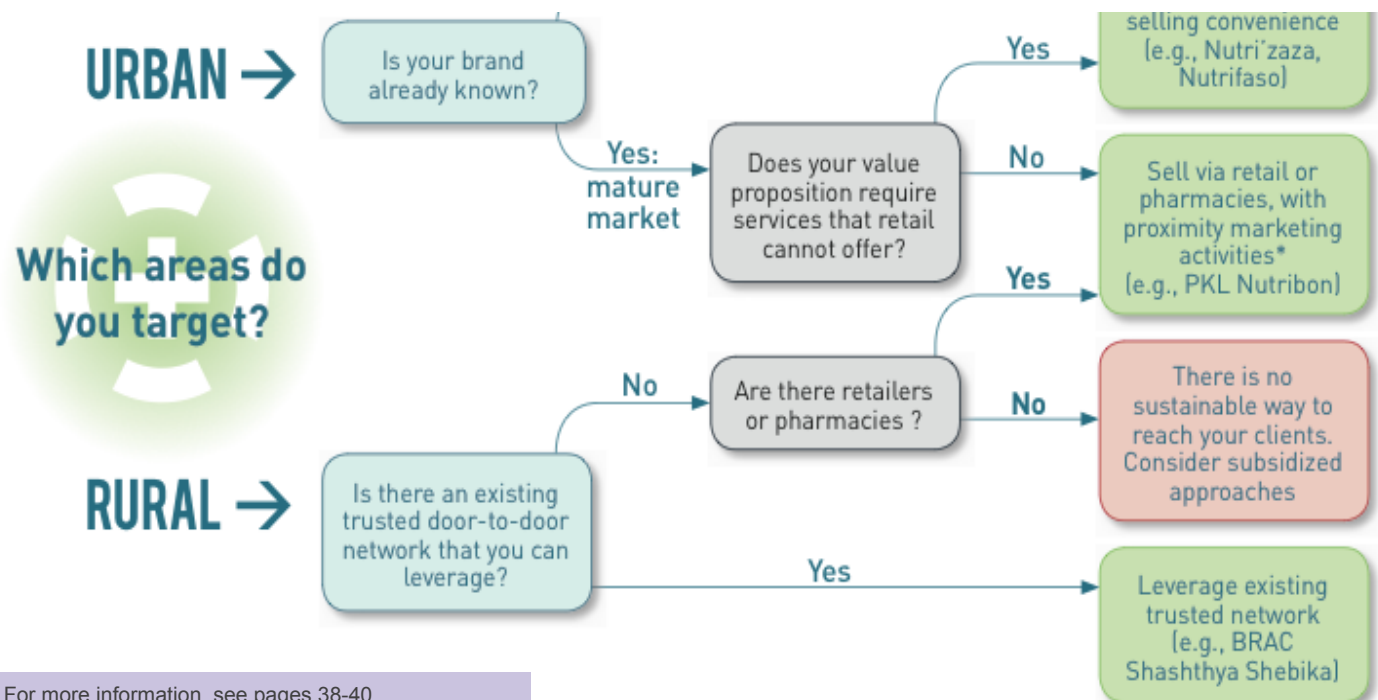
### Home delivery

- Reliable deliveries and quick order fulfillment are necessities.

### Door-to-door sales

- Only makes economic sense (for food) if sales workers sell only one type of product, and in dense enough (urban) areas.
- Challenges of door-to-door model:
  - Not enough contact with people when trying to sell in rural areas.
  - Multi-category basket of products is too complex for a low-skilled or less-educated sales force.
    - Results in low sales force retention and high overhead costs to recruit and train more salespeople

**If using door-to-door methods in a rural area, you must leverage a pre-existing credible network active in the same area, pay on a commission basis, and not bear the cost of creating and managing this network.**



# Lesson 7: Optimizing sales force productivity requires following private sector best practices and innovating frugally.

## There is a large space for improvement

- Sales vary widely between salesmen
  - The best salespeople sell over 10 times more than the least performing ones.
- This means that there is a significant opportunity for improvement of social impact, company sales, and sustainability

## Optimization of sales force effectiveness

Door-to-door sales force routes can be optimized to be more effective and targeted based on market potential analysis

## Utilization of information communication technology (ICT)

Potential beneficial uses:

- Promoting new products to customers and retailers
- Monitoring sales force performance and areas of local demand
- Communication of best practices between sales agents and managers
- Sending messages to motivate the sales force

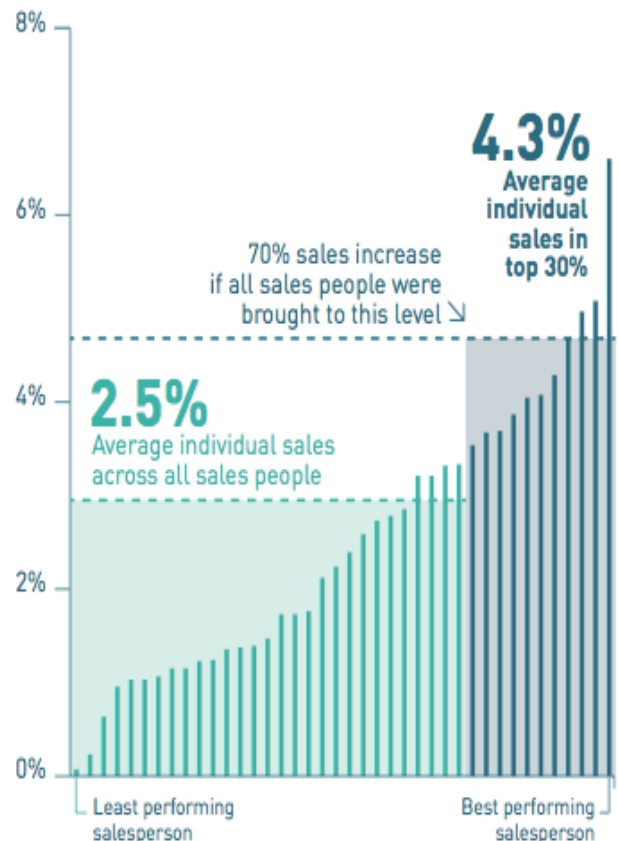
## Instilling sense of purpose and comradeship can improve sales performance

- It is important to create a forum for sharing best practices
- Sales is a difficult and often solitary job. Team building is crucial to boost team members' motivation

## Importance of investing “frugally” in distribution to expand reach of sales force

- Modest investments can make a large impact, specifically through transportation equipment.

Sales per salesperson as % of total sales



## \*There must be differentiation between roles and stages of market development

When building a brand, market development salespeople should be paid a fixed salary as they build trust and familiarize the brand and variable pay to incentivize results. When the brand becomes more familiar and trust is established, a variable incentive pay can be instituted.

**Relevance:** There should be different standards for success and pay in the early stages of market development. This can reduce issues of high employee turnover and the associated costs.

## Lesson 8: Broadening customer base is key to building a sustainable business.

**Expanding market beyond target population can be necessary to sustainably impact the initial target population.**

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### **Use of “cross subsidization” to expand product line**

- Developing a premium product to cover costs of cheaper product.
  - Appeals to a broader market range.
  - Allows cheaper product to stay at a “magic price” despite fluctuations in material costs.
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### **Leveraging large-scale institutional orders**

- Can increase sales volume and help capture economies of scale.
- Can build familiarity of product to build demand and market.
- **MUST BE DONE CAREFULLY**- Cannot be done where product is already available for sale so as to not disrupt these fragile markets.

For more information, see pages 46-49

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Product of IDE WASH Knowledge Management Dept.

10/15/ 2014