



A Guide to Inclusive Business

**IN THE FAST MOVING
CONSUMER GOODS
(FMCG) SECTOR**



IBAN

Inclusive Business
Action Network

ACKNOWLEDGEMENTS

This report was commissioned by the Inclusive Business Action Network (IBAN). IBAN is a multi-stakeholder network, promoting inclusive business globally and supporting the scale and replication of inclusive business models. It engages with all different types of stakeholders and ‘connects the dots’ between the vast number of businesses, existing initiatives, networks, investors, and other actors from the global inclusive business community. To enable successful business models and partnerships, IBAN creates and shares market insights as well as best practices, and brings together relevant parties by offering peer-learning, networking, and information spaces.

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John D. Gerhart Center for Philanthropy, Civic Engagement and Responsible Business, established in 2006, pursues the development of social responsibility and active citizenship. As part of the **American University in Cairo’s** mission to serve its communities, the Gerhart Center for Philanthropy, Civic Engagement and Responsible Business, which sits under the umbrella of the School of Business, offers research, a wide variety of publications, and training programs as well as educational programs that focus on enhancing youth skills beyond higher education institutions.



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CASE STUDIES

GIZ Affordable Nutritious Foods for Women ANF4W → *Product Design and Packaging*

NATURA → *Sourcing and Production*

COFFEE CIRCLE → *Sourcing and Production*

UNILEVER Zeinab Project → *Distribution*

NESTLÉ Até Você → *Distribution*

LIVING GOODS → *Communications and Marketing*

COCA-COLA Coletivo Recycling → *Waste and Sustainable Consumption*

TETRA PAK Deeper in the Pyramid → *Organisation*

CARE INTERNATIONAL AND DANONE → *Partnerships and Ecosystem*



1 Making the Case for the FMCG Industry at the Base of the Pyramid (BoP)

4.5 billion people living at the Base of the Pyramid (BoP) have a combined spending power of \$5 trillion dollars.¹ This represents more than half of all consumer spending in developing and emerging markets. Fast-Moving Consumer Goods (FMCG), which include products such as food, drinks, personal care, and household items, are responsible for a significant share of consumer spending. For example, more than 50% of the BoP's spending power – \$2.3 trillion – is spent on food and drinks only.² Although the spending capacity of the individual is small, these numbers demonstrate how low-income communities have substantial purchasing power and provide an important market for companies producing and selling FMCG products. At the same time, companies have the opportunity to impact BoP communities positively, by developing products and services that integrate and impact livelihoods at the BoP in a sustainable and inclusive way.

The first generation of companies that addressed the BoP market did so mostly by shrinking the size of the packaging and reducing price points. A classic example of this is selling washing powder or shampoo in small sachets.³ However, this approach of 'simply selling to the poor' realised only short-term results by increasing the number of sales. To fully take advantage of the market potential of low-income communities and deliver long-term results, companies realised a more holistic approach was required by engaging the BoP at all phases of the value chain. Therefore it is essential to consider low-income communities, not only as consumers of FMCG products, but also to recognise their innovation potential as suppliers, producers, product designers, distributors, and retailers, making business ventures at the BoP inclusive.

ABOUT THIS GUIDE

This guide is targeted at reaching the global community of inclusive business players who have an interest in the FMCG sector. The guide is based on desk research, more than thirty interviews, and the analysis of over eighty case studies. Additional research is necessary in order to provide specific information at a local level. In the case of Tunisia and Egypt, studies with a local focus have already been conducted on behalf of the Inclusive Business Action Network (IBAN) and are available via www.ib-an.net and www.searchinclusivebusiness.org

The guide begins by providing an overview of key concepts, a snapshot of the FMCG industry within the BoP market as well as identifying several industry trends. The guide then dives into the most relevant parts of the FMCG value chain as well as the organisation itself and the surrounding ecosystem. The guide concludes with a list of useful resources and recommended reading for further inspiration.

A navigation system has been developed for this guide in order to make it easier for you to find important information:



In-depth information

This will help you understand better a specific concept or term mentioned.



Expert's advice corner

Here you will find useful tips and advice.



Case studies

Here you can find specific case studies and learn about companies' experiences.



Key questions to consider

These are questions to bear in mind at each step of developing your inclusive business model.



WHAT IS INCLUSIVE BUSINESS?

Inclusive businesses provide goods, services, and livelihoods on a commercially viable basis, either at scale or in a way that can be scalable, to people living at the Base of the economic Pyramid (BoP). This makes them part of the value chain of a company's core business as suppliers, distributors, retailers, or customers. In addition to these commercially inclusive activities, businesses may also pursue broader, socially inclusive goals. Inclusive businesses should promote sustainable development in all of its dimensions: economic, social, and

environmental. As inclusive businesses invest more in low-income communities, they improve access to affordable quality products and services, enhance productivity, and generate new income and livelihood opportunities across the BoP. In doing so, they enable inclusive growth and sustainable development. By targeting low-income market segments, inclusive businesses also spur innovation, strengthen value chains, build more effective operations, uncover new sources of profitability, and enhance long-term competitiveness.⁴

2

Understanding the Context

WHAT ARE FAST-MOVING CONSUMER GOODS?

The Fast-Moving Consumer Goods (FMCG) sector is one of the largest industries in the world and comprises a wide variety of products; from food, drinks, and personal care products to electronics, household goods, and more. While there is no distinct set of product categories, and what is considered as an FMCG product varies by country, FMCG items share a set of common characteristics:

- FMCG products are **low-cost items** and are purchased on a regular basis by consumers around the world. Often different companies compete by offering almost identical products.
- From a retail point of view, the **turnover** of these products is usually rapid due to their high demand.
- FMCG products deliver **low profit margins**, but this is compensated by high volume sales.
- From a sales perspective, the FMCG market is usually not impacted by economic slowdowns, as it touches upon **basic necessities**.

BASE OF THE PYRAMID (BoP)

The Base of the Pyramid (BoP) encompasses billions of people living on a few dollars a day, with the majority residing in developing countries. These low-income communities usually endure a heavy burden to gain access to basic services and products and often lack the opportunities that lead to self-sufficiency and empowerment. Such circumstances frequently translate into a poverty penalty, meaning they overpay for goods and

services, which in turn are of poor quality.⁵ BoP inhabitants often have informal, low-paid, unstable jobs with irregular income. Many get paid on a daily basis and especially in rural areas, they have limited access to transportation. This combined impact of low-income and often higher prices for basic products, translates into limited market access, generating poverty in a self-reinforcing cycle that is difficult to overcome.

INCLUSIVE BUSINESS

Many companies have tried to develop inclusive business approaches in order to generate income while better serving the needs of BoP consumers, including them throughout the value chain and working alongside them. Nevertheless, companies "have not yet cracked the code when it comes to BoP business"⁶ and they struggle to develop a holistic business strategy when it comes to tapping the full potential of the BoP market.

A well-implemented, inclusive business approach needs to be both suitable and desirable to the BoP, while at the same time creating value for the company as well as for the BoP. Inclusive business includes the BoP on the demand and/or supply side and enables companies to develop business models that leverage the resources of the BoP in ways that establish mutually beneficial partnerships.

SNAPSHOT OF THE FMCG MARKET AT THE BoP

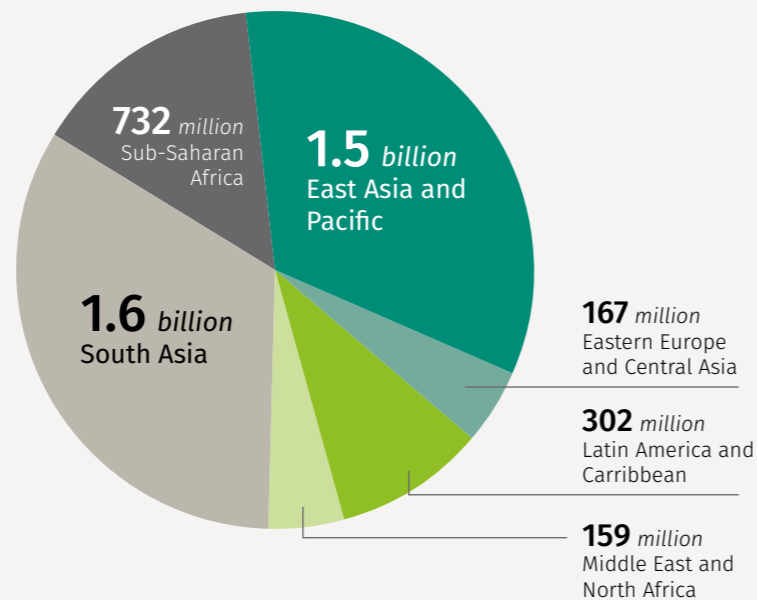
THE BoP MARKET IN NUMBERS

The majority of BoP residents can be found in South Asia (36%) and East Asia and the Pacific (34%). In most regions of the world, people with incomes below \$3 a day usually live in rural areas, while people with an income of between \$3 and \$8 a day are mostly located in urban areas. In terms of age, people at the BoP are usually younger than middle or high-income consumers:

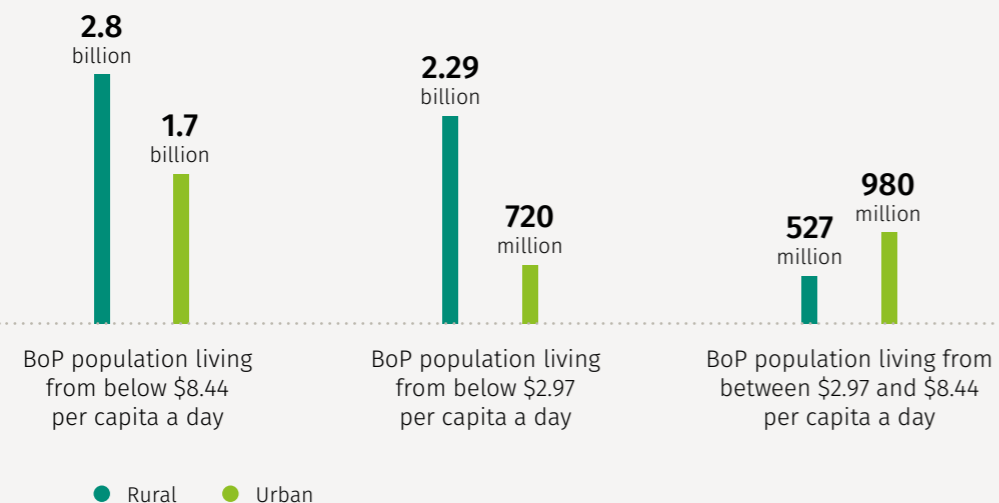
44% are under the age of twenty and 61% are younger than thirty⁷. Not surprisingly, regions with the highest FMCG consumption rates are in line with the highest BoP populations; East Asia and the Pacific (35% of consumption) and South Asia (30% of consumption) account for a total of \$1.5 trillion in FMCG consumption.



BoP POPULATION BY REGION⁸



BoP BY URBAN VS. RURAL ZONE⁹



HOW MUCH IS THE BoP SPENDING ON FMCG PRODUCTS?

The following statistics show consumption data of low-income consumers (below \$8.44 per capita a day) of FMCG products, including grains, fruit and vegetables, meat and fish, dairy, other foods, alcoholic drinks, non-alcoholic drinks, personal care, and non-durable household goods. About half of the BoP spending is expended on dairy products, grains, fruit and vegetables, meat and fish, and other foods. In Latin America and the Caribbean, a considerable amount is spent on personal care.

FOCUS OF THE FMCG PRACTITIONER GUIDE

This guide focuses on those FMCG products that enjoy the highest consumption at the BoP, have a potential for development impact, and that provide the possibility of developing inclusive business models at all stages of the value chain. This includes **packaged and fortified foods, non-alcoholic drinks, dairy products, non-durable household goods as well as personal care items**.¹⁰

FMCG CONSUMPTION AT THE BoP PER REGION IN BILLION⁹



TOP 10 COUNTRIES⁹ with the highest FMCG consumption amongst low-income consumer segments in billion

China	\$546	Brazil	\$61
India	\$472	Russia	\$60
Indonesia	\$111	Nigeria	\$54
Pakistan	\$91	Ethiopia	\$50
Bangladesh	\$69	Egypt	\$49

MACRO AND INDUSTRY DYNAMICS

The following industry trends should be considered by FMCG companies and practitioners who are already working with low-income communities or have the intention of doing so:



INCREASED CONSUMER SPENDING IN EMERGING ECONOMIES AS A MEGA TREND IN THE FMCG SECTOR

In emerging economies, consumer spending is expected to grow three times faster compared to developed countries, reaching \$6 trillion by 2020.¹¹ Asia is one region to watch, with consumer expenditure on household goods and services anticipated to rise by 8.5% over the next five years (compared to 5.6% in Western Europe), with the expectation of it reaching \$730 billion by 2018.¹² As the majority of the population of emerging economies belongs to low-income communities, it is estimated that a considerable amount of this growth will take place within former low-income communities.

In this context, it should also be noted that establishing a brand presence in emerging economies and serving low-income communities at an early stage, can help FMCG companies create loyal consumers in what will become the middle classes of tomorrow. According to OECD data from 2012, the global middle class is expected to grow to 3.2 billion by 2020 and 4.9 billion by 2030, with Asia representing 66% of the global middle-class population and 59% of middle-class consumption.¹³ In this sense, national and regional companies have a competitive advantage, as they can capitalise on their local knowledge of informal markets and existing challenges, such as inadequate infrastructure, to penetrate the BoP space at an early stage.¹⁴



URBANISATION OF THE BoP AS A KEY DRIVER FOR CHANGING CONSUMER'S CONSUMPTION PATTERNS

The top 300 cities in emerging markets, with populations in excess of 200,000 people, will contribute to one-third of the total growth in consumer spending.¹⁵ At the same time, 37%¹⁶ of the entire BoP already lives in urban areas, with indicators showing that the poor are urbanising at a faster rate than the global population in total.¹⁷ Urbanisation also results in important changes to consumption patterns within low-income communities. Living in cities provides fewer opportunities for the self-production of food, as well as increased access to packaged goods and the need to buy products. Moreover, this trend has a significant impact on FMCG companies' distribution and retail strategies, requiring them to consider how to access the last mile, not only in rural areas, but also in urban slums.



LOCAL SOURCING ON THE RISE

Sourcing raw materials from local smallholders is becoming an increasing trend. Companies such as Danone in Egypt, Starbucks in Colombia, Tetra Pak in Bangladesh, or SABMiller in India are developing local sourcing models for a variety of reasons. It can be due to political or contractual pressure to source a certain percentage from the local market, such as is the case in Ethiopia, Nigeria, and Vietnam. Local sourcing can also provide companies with the (social) license to operate in a specific market, as they directly include low-income communities into the supply chain instead of only engaging them as consumers. Avoiding import tariffs or delays due to lengthy customs procedures or the poor quality of the transportation infrastructure are also important reasons to move towards local sourcing.¹⁸



DIVERSIFICATION OF RETAIL CHANNELS

The retail landscape in developing countries is changing rapidly with more and more, largescale retailers such as Walmart, Carrefour, or ShopRite becoming key players within the retail markets of developing countries. For the BoP consumer, who usually buys from local, small-scale retailers, door-to-door sellers, or in many cases act as a small-scale retailer themselves, this will have a major impact in the near future.¹⁹ On one hand, it will threaten the existence of a vast number of small store owner's (as happened in Europe and the US previously), but on the other hand, it will provide possibilities for increased and improved product standards and quality. While big retailers are now entering the market, local value chains that cater to the BoP already exist and can be strengthened to reach BoP consumers in a more professional way. Traditional mom-and-pop stores and local mini-retailers are important entry points for FMCG producers in rural areas. Companies such as My Sari-Sari stores, based in the Philippines, are working on strengthening and professionalising these local value chains and are driving important initiatives that reach deeper into the BoP. They can also help to overcome the challenges related to informality and complex local distribution chains.



INCREASED INTERNET AND MOBILE PHONE PENETRATION

Despite internet access being slow and expensive in emerging markets, especially in rural areas, these markets are showing the highest growth rates of internet penetration worldwide. Technological advancements, such as mobile phone penetration increasing access to the internet, have major implications on customers' buying behaviour, on companies' communication with consumers as well as on retail channels. Low-income consumers are now able to educate themselves about the quality of products and make price comparisons; online advertising and an active social media presence are becoming important communication channels for FMCG companies; company-owned e-commerce websites such as P&G's online store and online retail stores such as Jumia (Kenya) or Niokobok (Senegal), are changing the retail landscape.

KEY DEVELOPMENT CHALLENGES

There are a number of development challenges that need to be taken into account when serving low-income markets in the FMCG space. While some of these challenges can be tackled by market-based solutions (e.g. development and sale of fortified foods), others can be increased by the promotion of FMCG products to BoP customers.

IT IS EXPENSIVE TO BE PART OF THE BoP

As in most other areas of household consumption, FMCG products tend to be more expensive for the BoP than they are for other customers. People at the BoP normally lack choice, as well as information, to compare prices and have to buy the products available to them, especially in rural areas. At the same time, they cannot afford to buy in bulk and sachet options usually increase the unit price.

THE POOR ARE UNDERNOURISHED

Malnutrition remains a serious problem globally. While poor consumers spend approximately 60% of their income on food,²⁰ malnutrition is both a major cause of death and developmental delay (mental as well as physical), especially in children. Market-based solutions offering, for example, fortified food to the BoP that is more nutritious, is one important way in reducing problems, such as malnutrition or stunted growth. At the same time, the rapid influx of carbonated drinks and overly-sweet products can lead to poor nutritional choices and medium and long-term health impacts within low-income communities, as there is little knowledge available of beneficial dietary habits. While FMCG products are partly responsible for this trend, many companies are working towards offering solutions to these nutritional problems.

INCREASED PACKAGING WASTE WITH NO PROPER WASTE HANDLING

While selling packaged goods to low-income consumers is, without doubt, bringing better quality products with higher hygiene standards to the BoP space, the packaging waste that is left behind - especially sachets - can turn into a major waste problem. While bigger packages, such as PET bottles, are normally part of a formal or informal waste management system, sachets especially are not normally being reused. Although there are initiatives under way, such as Unilever's four 'R' approach,²¹ most packaging waste ends up in landfills and more needs to be done to improve sustainability.

BoP PRODUCERS AND THE INFORMAL SECTOR

BoP communities have limited options to travel and producers lack access to these markets to sell their products. As a consequence, they often have no other choice than to sell to local employers or middlemen and frequently have to operate in the informal economy. Their economic transactions are outside state-controlled systems and sometimes are not even money based transactions; hence they are vulnerable to exploitation by middle men and local distributors.²² This complex reality is important for FMCG companies to consider when targeting BoP communities and their potential as suppliers and producers. Many companies are trying to overcome these issues by directly sourcing from local producers.

3

A Step-by-Step Approach to Developing Your Inclusive Business Model

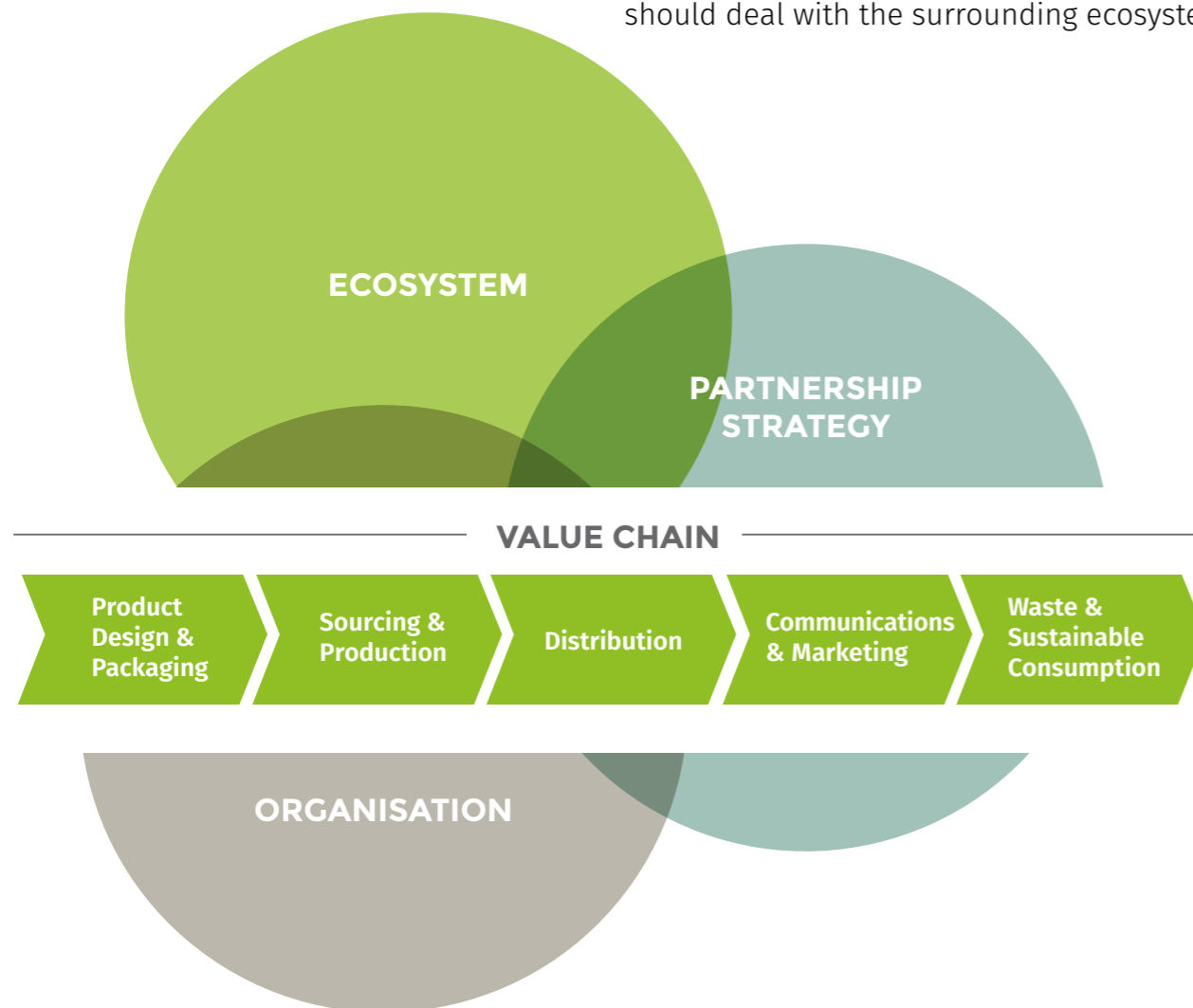


Photos: ©Coffee Circle, ©CAD





To develop a solid strategy for an inclusive business approach to the FMCG sector, the following model can help you to ask the right questions as well as providing practical guidance. The model analyses how a company manages their inclusive business strategy, deep diving into the five steps of the FMCG value chain, as well as taking an in-depth look at how a company should be organised to venture into, or improve, their inclusive business strategy. It is accompanied by information regarding the partnership strategy that defines how the organisation should deal with the surrounding ecosystem.



THE VALUE CHAIN PROCESS

At the core of the model, you can find the different phases of the value chain that are of particular relevance to the FMCG space:

- **PRODUCT DESIGN AND PACKAGING:**
How do you develop an attractive product to satisfy the needs of the BoP?
- **SOURCING AND PRODUCTION:**
How do you integrate the BoP as suppliers and workers?
- **DISTRIBUTION:**
How do you make your product available to low-income communities? How can you engage and involve the BoP as micro retailers?
- **COMMUNICATIONS AND MARKETING:**
How do you market your product to low-income communities and how do you communicate with this market segment?
- **WASTE AND SUSTAINABLE CONSUMPTION:**
How can you make sure you do not create a negative impact with regards to sustainability?

ORGANISATION

The value chain areas are surrounded by the organisational perspective, which will help to define to what extent your company is ready to venture into the BoP space. It is especially important to understand if your organisational set-up is the right one, if you have sufficient financial and human resources dedicated to the development of your inclusive business model, and what is your long-term strategy to penetrate the BoP space.

ECOSYSTEM AND PARTNERSHIP STRATEGY

As you are not going to be operating as an isolated venture, the surrounding ecosystem, as well as the way you partner with players from this ecosystem, are relevant areas to take into account. Having access to the right partners when moving into a complex environment, such as the BoP, is crucial and this chapter will provide you with an overview on who to partner with at the BoP in order to create win-win strategies.

HOW TO USE THE MODEL?

Each of the different parts of this model can be read individually depending on the focus of your business model, service, or product. Each aspect of the model will provide you with:

- Insights into the different aspects of your business model
- Examples from other companies that are already operating in the BoP space
- Typical challenges and opportunities that you could face
- Guiding questions to be considered when developing your own inclusive business model

THE VALUE CHAIN PROCESS

Product Design and Packaging

The concept of designing products for low-income consumers has evolved significantly since the original idea of selling to the BoP, mostly by simply reducing package size and selling products in very small quantities. It has become increasingly clear that companies wanting to develop products that will be successful in the BoP market segment, need to co-create products with low-income consumers and develop solutions that are not only cheaper, but also fulfil a number of other characteristics.

Accepted by the BoP community and adapted to their needs

FMCG companies need to have an in-depth understanding of BoP consumers needs and their consumption and buying behaviour, so that they can design products that are accepted by the BoP community and adapted to the local environment.

HOW TO

Conducting market research on the target market, consumer and product category is indispensable when it comes to designing FMCG products for the BoP as there is not a 'one size fits all' model. Since traditional market research is often complicated due to the availability of data, conducting research in the field using participatory methods allows companies to design products tailored to BoP consumers. In India, the PepsiCo team carried out in-depth research and found out that adolescent girls in small towns often suffered from iron deficiency. To respond to this need, the company developed 'Lehar Iron Chusti', an iron-fortified snack which specifically tackles iron deficiency.

Leverage the existing ecosystem, i.e. BoP community members of local NGOs can help FMCG companies to conduct focus groups and/or surveys with the BoP community and thereby gain insights into the most appropriate product design. Living Goods in Myanmar, Uganda, Zambia and Kenya closely collaborates with its door-to-door sales agents when designing new product offerings.

Well packaged

FMCG products, especially food and drinks, need to be packaged in a way that protect them from going bad, even under extreme conditions, such as very high temperatures and lengthy delivery times. Moreover, in traditional trade stores, packaging is an important way of marketing and communicating your product to BoP consumers, who are very sensitive to packaging based on their needs, culture, and tastes.

HOW TO

Liaise with local NGOs and/or packaging companies to come up with the best possible packaging solutions. Tetra Pak has developed the business unit 'Deeper in the Pyramid – DiP' that works together with FMCG companies and NGOs to develop products for the low-income consumer segment. This unit provides packaging solutions that are specially designed to meet the needs of BoP consumers.

Adapt product packaging to retail capabilities. Products have to suit the individual storage capacity of small retailers while being displayed to consumers in an attractive way. One of the innovations from the Tetra Pak DiP unit is a vertical storage system that allows small stores to hang products, as in most cases the amount of storage capacity and display space they have available is limited.

Affordable

BoP consumers live on low, and usually unpredictable, incomes. They often get paid on a daily basis and need to manage their money well. FMCG products have to be low in price to be affordable for low-income consumers.

HOW TO

Small-sized packaging decreases the price per unit, making products affordable for low-income communities. In India, for example, almost 90% of all shampoo is being sold this way.²³ In Latin America, Henkel adapted the pack size and the price of various products, such as dishwashing detergent, to meet local needs and low-income levels.

Use of bigger packages, such as family packs, can also be economically interesting for low-income consumers because the price reduces when the quantity purchased increases. This is especially relevant for products which BoP consumers believe to be essential for their day-to-day lives. In China, for example, when low-income consumers buy toothpaste, they tend to choose larger family packs (120g-179g) which provide better value for money.²⁴

Reducing costs in the value chain can enable FMCG companies to offer products at a lower price. Opportunities to do this include a thorough cost-benefit analysis of value chain phases, sourcing raw materials locally, or by leveraging existing sourcing and distribution networks. In Latin America, for example, SABMiller, in collaboration with Fundes, developed the '4e Camino al Progreso' program which leverages the networks of existing traditional and informal small-scale retailers.

Identifying the right price points, i.e. knowing how much the low-income consumer is willing to pay, is key to ensuring the success of a FMCG product. This can be achieved by running test sales in low-income communities, such as A/B price testing, or by conducting surveys or focus groups with the BoP. PepsiCo India, for example, conducted benchmark analysis and test marketing to establish the right price point for its product 'Gluco+', a drink with isotonic salts and rehydration capabilities.

Good quality

There is a common misperception that low-income consumers base their purchase decisions solely on price. In fact, the BoP consumer does not necessarily buy the cheapest product, but looks for the best quality product at the lowest price. The reason for this is purchasing products which fail to deliver the expected value translates into 'lost money'. With income limited, products cannot be purchased anew but have to be consumed until the product is finished. In a competitive market, those FMCG products offering the best value proposition will win.

HOW TO

In-depth analysis of the origin of raw materials and of the quality of production processes can help FMCG companies increase the quality of their products. Natura sources its raw materials directly from local communities based in the forest and works together with them to ensure better quality products.

Investing in Research and Development and innovation can enable FMCG companies to come up with the right formula and develop a good quality product at a reasonable price. L'Oréal India has established 'The Project Development Center in Mumbai' which utilises research and testing to ensure L'Oréal continues developing products that suit Indian styles and needs.



CHALLENGES

DESIGNING FMCG PRODUCTS WITH A DEVELOPMENT IMPACT

There is excellent potential for FMCG companies to go a step further when it comes to designing products for the BoP, by not only reducing size and co-developing products with them, but also by designing products with potential development impact. The most common way of doing this is through fortifying food, an important means of addressing health issues resulting from poor nutrition. However, other FMCG products can also be designed to tackle specific BoP needs. Below are some examples:



From the food and drinks industry

Together with GAIN, Grameen Danone (Bangladesh) developed the fortified yogurt 'Shokti', which is targeted at Bengali children in low-income communities and sold at a very low price. The yogurt has been specifically designed in response to the nutritional needs of children in Bangladesh.



From the personal care sector

Colgate-Palmolive (India) Limited launched a toothpaste called 'Colgate Active Salt Neem' to address the inflammatory gum problem of pyorrhoea, a severe inflammation of the gums and tooth sockets. Colgate Active Salt Neem was designed for the needs of the Indian population and developed based on the belief that Neem, a tree mostly found in India, offers dental benefits.



From the household goods sector

Unilever's 'Surf Excel Quick Wash', a detergent for hand washing laundry, claims to reduce not only water consumption but also the time taken for rinsing by 50%. Developed with India in mind and against a context of scarce fresh water resources, the product helps protect the use of natural resources.

CHANGING THE BoP CONSUMER BEHAVIOUR

FMCG products which are unknown to the BoP and/or whose benefits are poorly understood by low-income communities require a change in the BoP consumer behaviour. Unfortunately, changing consumer behaviour requires substantial investment decisions in marketing and consumer education and can be a tedious process with success not necessarily guaranteed. For example, improving nutrition and changing eating habits through nutritious food products, can be challenging. PROOFS Bangladesh, an NGO working in Bangladesh that uses 'Nutrition Sales Agents' to distribute nutritious products and hygiene products, underlined the difficulties in changing consumer behaviour. To bring about this change in behaviour, Nutrition Sales Agents provide educational messages and hold group sessions.

THE WASTE MANAGEMENT CHALLENGE RESULTING FROM SMALL SIZE PACKS

Small size packaging is a good way to attract low-income consumers. However, from an environmental point of view, sachets are creating a vast amount of waste in countries where no proper recycling and waste management systems exist. Hence, product design that addresses the environmental impact of the waste generated by its packaging is a strong need. Dematerialisation of products, alternatives to non-degradable materials, and products that allow re-usable consumption systems will become essential in influencing the future trends of the industry. See chapter on Waste and Sustainable Consumption for further information.



FORTIFIED FOODS

Fortified Foods are foods enriched with micronutrients, i.e. vitamins and minerals, to make a product more appealing and/or to tackle health problems due to dietary deficiencies. The latter is especially the case in developing countries. WHO has made food fortification one of its four strategies to counter nutrient deficiencies and has developed some helpful guidelines (see 'Further Reading'). The most common fortified foods are cereals and cereal-based products, milk and milk products, fats and oils, accessory food items (i.e. salt), tea and other drinks, and infant formulas.

However, entering the fortified food product segment at the BoP is not risk free, with companies lacking necessary knowledge; packaging costs are often higher, reducing profit margins that are already under pressure further; marketing effort is required to build the consumer base; companies need sufficient financial resources to break even. Collaborating with an organisation with experience in this area can help define a sound business case. GAIN, for example, has successfully supported several companies in this regard.

MARKET RESEARCH AT THE BoP

Conducting market research in the BoP is more challenging than in traditional markets, as little information on habits, needs, etc., is available. Market research, therefore, requires working with BoP consumers to understand their needs, rather than trying to design the product at headquarters or in regional offices. In this sense, market research at the BoP must take into account the following components:

Analyse the **political, economic, and social environment** in which the consumer from the BoP lives, including the size of the BoP market, target group (age, gender), location (urban/rural), competitors' landscape, regulations, etc.

Investigate the **BoP as a consumer**, including lifestyle, daily habits, consumer preferences, aspirations, desires, and motivation.

Further information on market research at the BoP, including helpful tools, can be found here.

➔ www.bopinc.org/files/updates/bop_insights_publication.pdf



Photo: ©Living Goods



KEY QUESTIONS TO CONSIDER

- Do you know what the needs of your current and potential customers are?
- How can your organisation contribute to help BoP communities meet their needs?
- How can your product/service respond to some of the social challenges of the region?
- Do you have the knowledge, resources, and technical capabilities to provide such products/services?
- Will your product/service add value, taking into account the role and position of competitors?
- Which organisations should you work with to provide products/services that cover such needs?
- Which legislation should you take into account when designing your products/services?



THE EXPERT'S ADVICE CORNER

Leverage the power of the BoP community

FMCG companies should not just look upon the BoP as consumers, but also as co-creators when designing the product. There are various ways of involving the BoP into the design of the product, such as organising local focus groups, conducting small to large-scale surveys with the communities, and using local product designers. FMCG companies have to decide on the most appropriate way depending on the local environment, its network, and the resources they have available. However, only with the engagement of the BoP in product design, will the product take a step closer to success.

Replicate what is working well

When entering a new market, it is usually easier to adapt a product which has worked well in other markets to the local environment, than creating a new one. Nevertheless, FMCG companies need to make a significant effort to thoroughly analyse the local market (i.e. BoP needs, consumption and buying behaviour, cultural aspects, etc.) to ensure the product's success.

Let the BoP community test your product

Offering product trials to the BoP allows FMCG companies to collect direct feedback from the community regarding their products and improve them accordingly, reducing the risk of market failure and building trust with the community before officially launching the products. This is normally done through handing out free samples or selling a test product at a very low price.



CASE STUDY

The ANF4W project: developing and designing nutritious products for women

THE ANF4W IN GHANA

'Affordable Nutritious Foods for Women (ANF4W)' is a GIZ program implemented in Bangladesh, Ghana, Kenya, and Tanzania with the goal of improving the nutrition of women of reproductive age. In Ghana, the ANF4W project partnered with the Children Investment Fund Foundation (CIFF), DSM Sight & Life and Ajinomoto to provide support to four local companies to develop food products fortified with a mix of essential vitamins and minerals based on international recommendations, and suitable in meeting the needs of women of reproductive age. ANF4W worked hand in hand with these four companies across the value chain, from product design through to distribution and marketing. In terms of design, it was essential to develop affordable products adapted to the local environment, corresponding to the nutritional needs of women of reproductive age.

UNDERSTANDING THE NEEDS AND CONSUMPTION BEHAVIOUR OF WOMEN OF REPRODUCTIVE AGE

The ANF4W team first conducted an in-depth study in the field to understand the needs of women of reproductive age, their consumption, and their buying behaviour. This study gave several important consumption insights. A Ghanaian meal is usually made up of soups and stews, with sauces accompanying the starchy staples. Except for foods offered in smaller sized portions, which are more expensive and considered less filling, plate/meal sharing is common in Ghana. Liquid consistency is preferred among breastfeeding women because liquids are thought to enhance breast milk production. In terms of food purchasing patterns, women prefer ready-to-eat foods which are less likely to be shared with other family members. Pregnant and lactating women spend on average \$3.00 USD a week. These findings provided ANF4W with compelling information and established the basis of the affordable and nutritious ready-to-eat products.

MAKING SURE COMPANIES HAVE THE CAPABILITY TO DEVELOP THE PRODUCTS

The ANF4W team also carried out an assessment to identify suitable local food processing partners. Several criteria were reviewed, such as the knowledge and willingness to produce fortified foods. It was important for ANF4W to identify companies that were willing to design and develop affordable nutritious products of good quality and at the same time had the capabilities to do so. The assessment revealed that several companies in Ghana were waiting to launch new food products and that there was an active research and development environment favourable to developing new fortified products for women.

DESIGNING AND DEVELOPING THE PRODUCTS

After drawing conclusions from all the studies, the four selected local companies worked on the design and development of affordable and nutritious, ready-to-eat, food products with the support of ANF4W. Samba Foods, a food and spice processing company, developed a fortified shito sauce. Yedent Agro Food Processing designed a fortified instant porridge. Mass Industries developed a fortified biscuit and Healthilife a fortified soya drink. All these products are fortified, nutritious, and affordable while being adapted to the women's nutritional needs and at the same time, are in line with their preferences and the consumer's habits. The products have been tested with pilot groups and they were well received by consumers. They will be commercialised in March 2017.



Sourcing and Production

There are an estimated 400-500 million smallholder farming households living in developing countries that are supporting livelihoods for between 1.5 and 2.5 billion people.²⁶ Following the trend of sourcing more and more locally, FMCG companies have the opportunity to positively impact these smallholders, small-scale farmers, or factory workers by integrating them into their supply chains. In this sense, BoP consumers that are being targeted by the companies can also be their potential suppliers and producers that they need, in order to develop an effective supply chain. This dimension is essential to understand, since strengthening relationships with the BoP as suppliers and producers helps FMCG companies to maximise economic benefits and, at the same time, generate positive social impact and encourage economic and social empowerment of low-income communities. To make supply chains inclusive in this way, support of low-income communities through capability building, skills development, equipment, and possibly financing, will be required.

CHALLENGES

SAFETY AND QUALITY ISSUES

Local sourcing often goes hand in hand with limited adherence to safety, health, and environmental standards. This is especially a major problem in the food sector. A wide range of product and industry standards have been developed. Certifications help consumers to distinguish between good and bad quality and safe and unsafe products. However, securing these certifications can be a long and costly process for companies, especially for small and micro companies entering the market.

SKILLED WORKFORCE

Low-income communities often lack the necessary skills to maximise the output of their production. As a consequence, they often encounter difficulties in providing raw materials or products which meet the quality standards that the FMCG companies are looking for.

COMPLEX SUPPLY CHAINS

Supply chains are normally very complex and involve a wide range of different levels and stakeholders. Understanding the dynamics and complexities of the supply chain, as well as the local ecosystem impacted, is a challenge and often very complicated to understand when starting operations in a new country.²⁹

STANDARDS

Especially in the food industry, companies must adhere to a wide range of standards. While some are mandatory due to legal regulations or because they are demanded by consumers, others are voluntary. Mandatory standards are basic quality and safety standards such as the 'Codex Alimentarius Guidelines' on food standards or the 'Global Good Agricultural Practices (Global G.A.P.)' on farm management practices; voluntary standards are specific, as are social standards, such as the 'Fair Labor Association (FLA)' on workers' rights or 'Fairtrade International (FLO)' on fair trading conditions.²⁸

Some of the **advantages of developing inclusive supply chains** are:

For the company

Legitimacy in the local market

Especially international companies, which are foreign in the local market, need to secure their licenses in order to operate. In Bangladesh, Danone developed the Grameen Danone program and worked hand in hand with small milk farmers. This allowed the company to position itself as a main dairy player in the country and to gain legitimacy in the local market.

Improved quality and productivity

With many smallholders lacking skills and quality equipment, there is huge potential to raise levels of quality and quantity in sourcing and production. In Ecuador, the national dairy company Floralp works with small dairy farmers. The company provides training and advice, ranging from how to better use their land for pasture to how to improve hygiene standards. In turn, this has helped the milk producers to improve both the quality and quantity of their production and as a result, provided Floralp with higher quality milk.

Secure supply

In a complex environment with fluctuating demand and volatile commodity prices, FMCG companies have to find ways to secure supply for production of their products, thereby making themselves less dependent on these factors. Working with local suppliers is one way to secure the supply of raw materials. Coca-Cola Brazil works with communities from the Amazon Forest through the 'Coletivo Floresta' project to source and secure the acai needed for its acai beverage, commercialised in Brazil.

Positive brand reputation

Engaging low-income communities in the sourcing and production of a product through fair practices (i.e. good working conditions, reasonable wages) can create a positive brand image for the company within the community. Through 'Behind the Brands', a project from Oxfam's 'GROW' initiative, Oxfam analyses large food companies' policies and activities with regards to various issues, including how they are treating workers, farmers, and women as part of their supply chain. Unilever received the best scores in all three areas which contributed to creating a positive image for the company.

For the low-income community

Guaranteed fair prices and wages

In most developing countries, fair wages are difficult to secure for small producers since they are often in a vulnerable position when it comes to negotiating prices with intermediary resellers. Working directly with FMCG companies allows small producers to secure increased prices. Honey Care Africa is a Kenyan company specialising in producing high quality honey and that works with part-time beekeepers to source the honey that it needs. The beekeepers are small-scale farmers living in rural communities in Kenya. The company provides them with highly productive bee-hives, training, and equipment while at the same time buys their production at a reasonable price, which allows them to secure fair wages.

Increased skills and capacities

Providing training and support to small farmers and producers, is often part of the commitment made by FMCG companies and allows small-scale producers to develop new skills and capabilities to improve the quantity and quality of their production. Skills' development ranges from how to manage your land to how to adopt more hygienic practices. As an example, Nestlé works with small milk producers and they have developed trainings and manuals detailing good farm practices for each district in the countries it operates in. The company has 10,100 Nestlé sourcing staff and supply chain support staff working in the field worldwide.

Increased planning security

One of the biggest challenges for small-scale producers in developing countries is to ensure that their production will be bought at a fair price. When they become direct suppliers to FMCG companies and provide them with raw materials, they are sure that their production will be bought and they can work on improving the quantity and quality of their output. Natura, a Brazilian cosmetic company, works with local communities from the Amazon Rain Forest to directly source the raw materials the company requires for their beauty products. The local communities benefit from this relationship, as they are confident that the raw materials will be purchased and used by Natura on a regular basis and they do not have to worry about the lack of regular income.

Women's empowerment

Women are often a vulnerable group in low-income communities and can be empowered by involving them in the supply chain. The 'Dairy Hub Community Infrastructure Improvement Project (CIIP)' is a collaborative effort between Engro Foods Limited and CARE International in Pakistan and it aims to support women from rural communities economically and socially, by providing a sustainable income to dairy farmers in Tando Allahyar and Mirpurkhas Provinces. There are 300 direct beneficiaries from this project and 1,100 indirect beneficiaries, composed of 800 females and 300 men.



THE BoP AND AGRIBUSINESS

While non-packaged and processed food is not the focus of this guide, aspects relating to agribusiness and smallholders are closely linked to the topics discussed here. Smallholders in areas from farming to forestry, to animal husbandry and fish farming create livelihoods for more than two billion people and integrating these farmers into more inclusive value chains creates important opportunities for employment, entrepreneurship, and the establishment of micro, small and medium enterprises. Taking into account the relevance and size of this sector, a separate guide on 'Growing business with smallholders'²⁷ was published by GIZ.



INCLUSIVE SOURCING SOLUTIONS FOR THE FMCG INDUSTRY AT THE BoP

To achieve these benefits, FMCG companies have a number of different options available on how to nurture inclusive sourcing:



Provide the necessary sourcing infrastructure

Apart from trainings, companies can develop facilities and infrastructure that contribute to an improved sourcing process (milk collection centres for instance)

Danone Egypt created with CARE International (CARE) the 'Milk Collection Community Egypt (MCCs)' project to empower small milk producers through capability building and training. The goal of the MCCs project was to improve the quality of the milk produced by small farmers and at the same time to secure high quality milk production for Danone's products. Danone developed milk collection centres to facilitate milk collection. Farmers living close by deliver the milk directly while collectors pick up the milk from farmers living further away. See Case Study 'Danone and CARE International' in section 'Partnerships and Ecosystem'.

Provide financing solutions

Provide the sourcing community with financing, i.e. in the form of microloans and subsidies

Groupe Délice is a Tunisian company producing dairy products, juices, and drinks. Recognising the importance of providing more than just training to farmers, the company worked with a micro-finance institution to provide them with financing solutions which in turn helped them improve their financial capability to grow their businesses (farmers usually lack access to the conventional banking system).



THE EXPERT'S ADVICE CORNER

Take a long-term perspective

Setting up inclusive sourcing and production mechanisms requires significant investments and could further reduce already-low profit margins. However, in the long term, these investments will pay off and if implemented correctly, will be rewarded with improved quality, increased production, a secure supply chain, and a better reputation for the company within the community.

Control your supply chain by collaborating with your supply chain partners

Gain an in-depth understanding of the key players in your supply chain and enter strategic partnerships with the relevant stakeholders. For example, you might collaborate with a local NGO, an industry organisation, or with local co-operatives to secure the raw materials needed to produce your goods.

Set up a local workforce

If your financial resources allow, establishing a workforce in the local market is recommended, as they can better manage the relevant stakeholders of the supply chain, such as co-operatives, sourcing, and storage facilities, etc.

WAYS OF INCLUSIVE SOURCING

Adhere to mandatory and voluntary standards

Ensure that the company complies with industry standards and other locally relevant regulations

Kraft Heinz Company encountered issues in securing its supply of high quality cocoa beans mainly because cocoa producers in Ivory Coast – 90% of which are smallholders – work under poor labour conditions and receive low prices for their products. Since 2013, Kraft Heinz Company has adhered to practices that support sustainable agriculture for cocoa supply and all cocoa bought is 100% 'UTZ' certified.³⁰ The goal of UTZ certification is to create a program with effective certification and traceability tools for socially and environmentally responsible cocoa production that meets the needs of both producers and markets, including the payment of fair prices.

Develop direct sourcing

Purchase the raw materials required directly from farmers or local co-operatives and pay adequate prices. Companies can either buy the quantities as and when needed or commit to purchasing a fixed quantity

In Colombia, Alpina works closely with small milk producers to guarantee the high quality milk that it needs for its products, while at the same time securing the necessary quantity. The company has implemented a well-developed infrastructure in order to collect the milk in a cost-effective and product efficient manner.

Provide technical capability building and/or manufacturing equipment

Provide smallholders, small-scale farmers, and/or factory workers with appropriate training to do their jobs and equip them with good quality machines and other equipment required to process and/or produce a certain product

Nestlé is sourcing most of the vanilla it uses from Madagascar, one of the world's leading producers of vanilla. Natural vanilla is used by the company to flavour products, such as ice cream and confectionery. Given the importance of their roles in the value chain, farmers in Madagascar needed to have the necessary education and skills to produce high quality vanilla. Nestlé created a responsible sourcing strategy which included providing training to the farmers, while at the same time complying with local and national regulations and laws, labour practices, environmental impacts, and creating shared value.



CASE STUDY

Coffee Circle

ABOUT COFFEE CIRCLE

Coffee Circle, a German start-up, has offered an alternative to mass coffee for more than five years. They offer premium coffee, made from carefully roasted organic beans, and have two main objectives: to establish the art of good coffee in Germany and at the same time, directly support their suppliers (mostly coffee farmers from Ethiopia and Colombia) through fair prices. In 2015, suppliers were paid on average 104% more than the world market price and 71% more than the Fairtrade minimum price. Instead of sourcing coffee that is already labeled Fairtrade, the company established direct relationships with farmers growing the coffee beans in Ethiopia, ensuring the coffee production fulfils both ecological and social standards.

SOURCING FROM THE ETHIOPIAN HIGHLANDS

To be able to provide this service, Coffee Circle has established close relationships with co-operatives in Ethiopia and is paying prices that are three to four times higher than the world market price, in order to motivate small-scale farmers to increase investment in ecological and traditional farming methods, and to improve production processes further. The relationship with the supplier co-operatives is without intermediate parties and the Coffee Circle team is directly involved with the suppliers in Ethiopia, hence eliminating middle men and being able to select the coffee themselves, guaranteeing the required coffee quality.

At the same time, the company invests into projects €1 for every kilogram of coffee sold. These projects are jointly implemented with the coffee farmers, local organisations, and local authorities and this further strengthens the relationship with the farmers, while supporting small communities to be more resilient.

CHALLENGES AND LESSONS LEARNED

Coffee Circle has replaced third party certification by direct contact with the coffee co-operatives. Collaboration with farmers and strict principles of trade ensure that the coffee beans are produced in an ecological and fair way. In the past, Coffee Circle had financed the official certification for one of their co-operatives. However, the co-operative was unable to take over the yearly fee of €3,000 to maintain this certification. One of the reasons was European organic certification is only relevant to European customers and not to those from other regions of the world. The co-operative would have required a different certification for every region it sold coffee to, which was too expensive to finance. Coffee Circle therefore decided to further invest in training and skills development for the co-operative instead of certification schemes, which has proven to be more important in guaranteeing social and ecologically-fair, quality premium coffee.

THE WAY FORWARD

As part of their commitment, Coffee Circle is working on new partnerships to further strengthen regional development as well as the coffee value chain in Ethiopia. As such, it is planned to integrate the current 'WASH' project (implemented in collaboration with Welthungerhilfe) into a regional project on agrobiodiversity, supported by the German Ministry of Economic Development – BMZ.



Photos: ©Coffee Circle, ©Natura



CASE STUDY

Natura, 'bem estar bem' – 'Wellbeing/Being well'



NATURA AND ITS PHILOSOPHY

Founded in 1969, Natura is a cosmetics company based in Brazil that commercialises its products in twenty countries around the world. The company's approach is to provide well-being to its customers through natural products and at the same time integrating the environment and communities into its business model. Over time, Natura has implemented a model of responsible, socio-environmental management with business practices that respect traditional culture, the environment, and generate shared benefits for all of the value chain partners.

SOURCING FROM THE BRAZILIAN FORESTS

Natura started to collaborate with local communities in the Brazilian Rain Forest (Amazon) in 1999 and was one of the first Brazilian companies to develop a supplier relationship with local communities based on mutual benefits. Sourcing raw materials from local communities offers Natura competitive advantages since it enables the company to deliver innovative, natural products at affordable prices. The company reduces supply chain costs and risks because it is working directly with its suppliers. At the same time, using raw materials from the forest stimulates product innovation, as there are multiple properties that can be used in cosmetic products, and it strengthens Natura's position as a socio-biodiversity brand working with natural products.

This mutual benefits approach developed by Natura aims at generating positive social impact for the communities involved in the sourcing process. Their family income is increased, while at the same time their production quality improves, efficiency increases and higher added value incorporated through trainings provided by Natura. The company currently works with thirty-two supplier communities, impacting more than 3,000 families in Brazil.

The communities extract more than 100 different types of raw materials from the forest which are then processed into cosmetic products. For example, 'Murumuru' nuts are collected from palm trees and dried in the community, before being processed in an oil processing unit to make the Murumuru butter used in moisturising creams and shampoos. Over the years, Natura has developed best practices and guidelines to ensure mutual benefits when working with local communities, while at the same time guaranteeing the conservation of biodiversity and the environment.

CHALLENGES AND LESSONS LEARNED

The biggest challenge Natura encountered when sourcing from local communities was to find a balance between the respect for the local and traditional culture of communities living in the forests and the business need for profit. Logistics, communication, and planning volumes were also challenging, with the raw materials located in remote areas where access is not always easy.

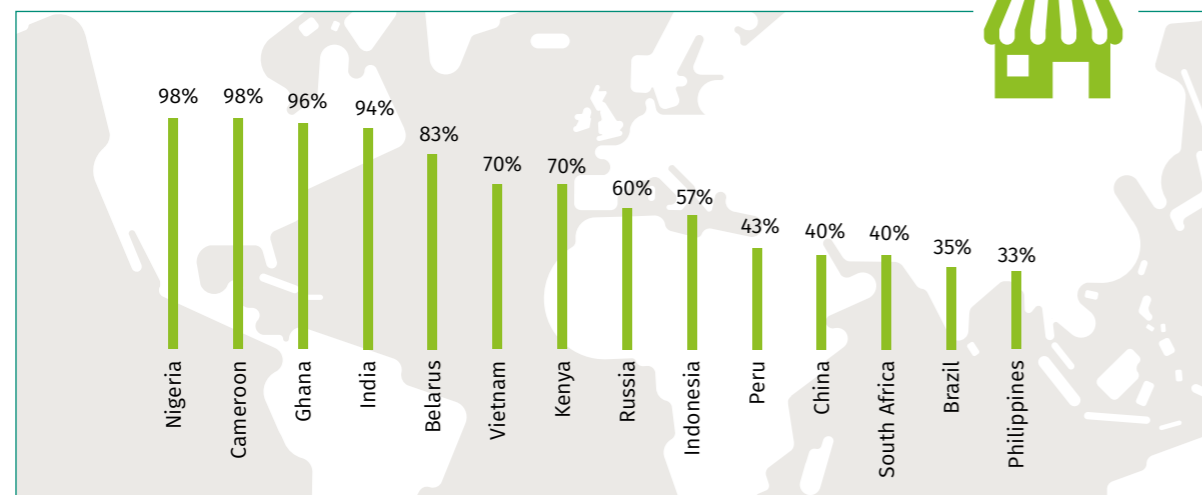
Throughout the whole sourcing process, the company understood the importance of having direct contact with the communities, and providing trainings to generate trust and nurture better-quality production. Investing in human capital has been a key ingredient in Natura's success and this sourcing strategy is fully aligned with its core business and overall sustainable mission.

Distribution

Delivering FMCG products to low-income communities on time and cost-efficiently is one of the key challenges faced by FMCG companies, especially when it comes to the last mile distribution. Low-income consumers typically buy FMCG products from

small shops, kiosks, or from door-to-door sellers. In emerging markets, these traditional trade channels account for more than 60% of all sales. In Nigeria, Cameroon, Ghana, or India, traditional trade can account for a market share of more than 90%.³¹

SHARE OF TRADITIONAL TRADE IN EACH MARKET ³²



However, the landscape is slowly changing with large retailers beginning to enter the market and online marketplaces becoming available to low-income consumers.

Adopting a distribution strategy, that is not only adapted to the local environment, infrastructure, and the product itself, but which is also inclusive (i.e. involving low-income communities), is key to success. There are various ways of involving the BoP: through door-to-door sales agents, retailers of mom-and-pop stores, or as distributors of products (micro entrepreneurs).



WHAT IS THE LAST MILE?

In supply chain management, the last mile refers to the final leg of a product's destination. Last mile is often referred to as the last mile problem, as it is not only logistically challenging, but also the most expensive and least efficient step in the supply chain. This is especially the case for low-income communities in developing markets which live in hard-to-access areas.



WHAT IS THE REALITY OF TRADITIONAL SMALL-SCALE RETAILERS AND MICRO DISTRIBUTORS?

When selling FMCG products through small shops and micro distributors, a number of challenges that are faced by these small entrepreneurs need to be taken into account; in many cases they are 'entrepreneurs by necessity' and have limited options other than to start their own businesses.³³ This implies that they normally lack access to finance in order to grow the business and at the same time are selling to people with limited incomes, which in turn keeps their businesses in survival mode. Inclusive distribution can be an opportunity to empower these low-income entrepreneurs, while at the same time, reaching new markets. Skill's development and access to finance are crucial ways to improve the situation of these entrepreneurs, while at the same time, making your own distribution more successful.

Photos: ©giz

CHALLENGES

For many FMCG companies, delivering the product to the BoP consumer in an efficient and timely manner is one of the major bottlenecks in the value chain, because...

... the BoP is hard to reach.

Fragmented or non-existing distribution channels and poor transportation systems with unmade roads, make it difficult for companies to reach low-income communities.

While in rural areas, distance and accessibility due to inadequate road networks, is a major problem. Urban and peri-urban areas, slums, and shantytowns where much of the BoP lives, often have poor roads and there can be security concerns when entering these areas.

... FMCG products require regular distribution and inventory management.

FMCG products are high volume, short shelf life products that need to be available constantly. As small-scale retailers at the BoP are not able to store large quantities of the product – be it due to limited space, limited financial resources, decay, and/or caducity of the products – FMCG companies need to be able to distribute their products to their retailers on a regular basis and in small quantities.

... guaranteeing cooling throughout the entire supply chain is complicated.

Guaranteeing an uninterrupted cooling chain is an important challenge for many companies, especially in the dairy sector. Lack of or unreliable access to electricity, especially in rural areas, can quickly destroy products.

... distribution costs are high.

This increases transaction costs, which in turn leads to higher product costs or reduced margins for FMCG producers. This is especially critical for SMEs as often their financial capacity is limited. Using existing distribution channels is one option which allows companies to reach the BoP in a more cost-efficient way.

WHICH DISTRIBUTION MODEL SHOULD A FMCG COMPANY CHOOSE TO OVERCOME THESE CHALLENGES?

(Adapted from: Business Fights Poverty. "How can we scale distribution and sales networks that create opportunities at the BoP? Emerging Lessons and Opportunities for Partnership." (To be published in December 2016))

DISTRIBUTION MODEL	WHEN TO CONSIDER THIS MODEL AT THE BoP	WHAT TO BEAR IN MIND	EXAMPLES
<p>Door-to-door sales</p> <p>Local sales agents, mostly from the BoP community, sell products in person.</p> <p><i>There are two types of door-to-door sales:</i></p> <p>Proprietary: Companies recruit their own sales agents.</p> <p>Shared: Companies leverage an existing network of sales agents.</p>	<p><i>Door-to-door sales works best:</i></p> <p>In rural areas with limited availability of small stores.</p> <p>In urban areas that are hard to reach with traditional trucks (due to lack of road and highway infrastructure/safety issues).</p> <p>When companies are promoting specific FMCG products which are unfamiliar to the BoP market.</p> <p>When the benefits of FMCG products require explanation and face-to-face conversations to stimulate consumer's behavioural change.</p> <p>When mainstream media and regular marketing channels are unable to reach the BoP.</p>	<p>Recruiting reliable sales agents from the community is essential. Take your time on this.</p> <p>Make sure you provide BoP sales agents with the necessary tools to succeed, such as detailed knowledge of the product (very important) as well as marketing and sales skills.</p> <p>The number of potential consumers must be high enough and sales must repeat for BoP sales agents to generate enough revenue. Another option is to hire sales agents who are only working part-time but with other sources of income.</p> <p>Turn your door-to-door sales agents into entrepreneurs by applying a micro-franchising model</p>	<p>Danone in El Salvador has recruited female micro-entrepreneurs, ('Kiteiras'), to sell its products in low-income communities using a door-to-door selling strategy and providing basic training to the women.</p> <p>Through a micro-franchising model called 'Project Shakti', Hindustan Unilever (HUL) markets and sells its health and beauty care products to low-income consumers in rural villages in India. Mainly women, but also recently men from the villages became micro entrepreneurs and act as salespeople and brand-builders across fifteen Indian states.</p> <p>In Uganda, Kenya, Myanmar, and Zambia, Living Goods collaborates with well-respected, part-time sales agents from the BoP community. While guaranteeing some extra income, this does not make the sales people solely dependent on the distribution of Living Goods' products.</p>
<p>Traditional trade</p> <p><i>(mom-and-pop stores)</i></p> <p>Products are sold via small-scale retail stores, mostly informal kiosks, which are run by members of the low-income communities.</p>	<p><i>Sales via mom-and-pop stores work best for FMCG products and brands:</i></p> <p>That are well-known by BoP consumers.</p> <p>That BoP consumers specifically ask for.</p>	<p>Train BoP retailers on how to position and market your product correctly, as they might have limited knowledge and capabilities.</p> <p>Make sure you can provide regular distribution and supply in very small quantities, as mom-and-pop stores have limited sourcing capacity.</p> <p>BoP consumers tend to purchase from local retailers with whom they have strong connections and trust.</p>	<p>Through its 'School of Sellers', Fundación Nutresa, offers a training and advisory program to help owners of small sale points to improve their operations and increase their sales.</p> <p>My Sari-Sari stores in the Philippines sell using the 'tingi' method, meaning that customers can buy goods in small quantities for a day's use. Such stores form an important economic and social location in a Filipino community and are used by FMCG companies as effective and cost-efficient distribution channels.</p>
<p>Modern food retailers</p> <p>Products are sold in convenience stores which target low-income communities as part of their value proposition.</p>	<p><i>Sales through modern food retailers works best when:</i></p> <p>The target communities are located in urban areas.</p> <p>The FMCG product you are selling is non-perishable.</p> <p>The product is competitively priced.</p> <p>The type of product is demanded by the BoP.</p>	<p>Typically, modern food retailers do not target the BoP specifically. There are some companies that have developed specific chains targeting low-income consumers that are appropriate for reaching deeper into the pyramid.</p> <p>Consider combining modern retailers with small-scale retailers to ensure higher penetration of your product and to also reach rural BoP communities.</p>	<p>Mansour Company was one of the first companies to introduce the supermarket concept in Egypt. In 2006, it opened a new chain called 'Kheir Zaman (KZ)' to serve lower income communities. Today, KZ is mainly serving low-income areas in greater Cairo.</p>



MICRO-FRANCHISING AT THE BoP

Micro-franchising is a good way for FMCG companies to not only set up an efficient distribution network, but also to promote and nurture entrepreneurship among low-income communities and thereby contribute to the economic development at the BoP. While companies offer an existing supply chain, product and brand identity, necessary business tools and trainings, mentorship, etc., franchisees distribute and/or sell the product within their communities. There is not a 'one size fits all' micro-franchise model, since the most appropriate model really depends on the needs of the market. Fan Milk is a dairy, icecream, and juice company that uses two distribution channels; it sells its products through existing retailers but it also has a network of bicycle vendors who operate as micro-franchisees. The franchisees purchase the initial bicycle kit (bicycle with cooler) and then buy the products that they are going to sell on a daily basis from a depot. You will find a good read by AcumenFund in the guide's 'Further Reading'.



KEY QUESTIONS TO CONSIDER

- The consumers you are targeting, where are they located (rural/urban/peri-urban)?
- How good is the infrastructure supporting these areas?
- Is there demand for your product and are your customers aware of your product?
- What type of distribution channels are already in place in the low-income communities that you are serving or aim to serve?
- Is it possible to use existing distribution channels or do you need to develop your own?
- What kind of partnerships can you develop to increase your distribution access?
- What investments in skills development are required to improve the distribution channels for your product?



THE EXPERT'S ADVICE CORNER

Broaden your distribution access creating win-win partnerships with local organisations

Collaborating with local organisations (NGOs, cooperatives, local SMEs, local social enterprises, etc.) can help FMCG companies to reach the BoP efficiently by leveraging these organisations' infrastructure and existing networks. Read more in section 'Partnerships and Ecosystem' on how to find the right partners.

Tailor your distribution and retail strategy... ... to the local environment

FMCG companies need to set up a distribution and retail network that matches the target community, the local environment, and that is within the reach of the company's available resources. In order to pursue this, FMCG companies need to acquire a thorough understanding of both the local infrastructure and the local retail landscape, and should understand how the local retailers operate and organise themselves.

... to your product

The distribution strategy should be adapted according to your consumers' awareness and needs. Your organisation needs to define whether to adopt a push or pull distribution strategy, taking into account the efforts required in making the product accessible to them.

Develop the capabilities of your distributors and retailers

Strengthening the skills of your distributors and retailers through capability building will not only improve sales, but will also strengthen the relationship with your distribution and retail network. Such capability building processes include providing product positioning advice to retailers, training on the product's short and long-term benefits to door-to-door sales agents as well as management, negotiation, or sales skills. The cost and effort for training small-scale distributors and retailers is often underestimated, and can be a major challenge when trying to achieve scale and developing a successful distribution network.

Leverage technology

The use of mobile phones or the internet is not yet considered as the most effective tool to reach low-income consumers in developing countries, due to the lack of access to the internet that these consumers usually face and the high cost of ICT services. In the long-term however, it is a powerful tool which can help FMCG companies grow their distribution as well as developing marketing strategies that target low-income communities. Currently GPS and other software systems are useful in identifying geographical data in the rural BoP and providing insightful information for developing a custom-made distribution strategy.³⁵ A successful example of how to use ICT services in today's world is the online platform Niokobok in Senegal, which allows the urban (overseas) diaspora to order products for their relatives living in rural areas. The FMCG products are then distributed from local warehouses to the communities.



CASE STUDY

Nestlé Até Você – When Nestlé comes to you

WHAT CHALLENGES DID NESTLÉ FACE AND WHAT WAS THE APPROPRIATE DISTRIBUTION MODEL?

Nestlé's products are popular in Brazil but the company found it difficult to distribute its products to BoP consumers, especially in urban slums or 'favelas'. Low-income communities living in favelas typically purchase FMCG products from 'mercadinhos' or small-scale retail shops rather than from modern retail shops where Nestlé traditionally sells its products. In addition, Nestlé's typical distribution system utilises trucks delivering large quantities of products, but in the case of Brazil these could not be used due to the narrow streets of the favelas, and because of safety concerns.

Nestlé Brazil's goal was to develop a tailor-made distribution model which would allow the company to deliver its products to the low-income communities of the favelas that were currently beyond its reach. In 2006, Nestlé came up with a distribution system called Nestlé Até Você based on the concept of 'Nestlé Comes to You'. This program was a door-to-door sales system involving micro distributors and direct sales agents, both of which came from the local communities.

INVOLVING LOW-INCOME COMMUNITIES AS DISTRIBUTORS AND DIRECT SALES AGENTS

Micro distributors buy the products from Nestlé, in turn they assemble the assortments that direct sales agents require, and then sell these to them. Most of the micro distributors come from the informal work sector. The direct sales agents are mostly women who are trusted within their communities. This activity enables these women to generate a main or complementary income for their household.

Nestlé provides sales guidance and training to the direct sales agents in order to ensure they acquire the necessary sales capabilities and skills to distribute its products. The training also has an educational aspect so that sales agents can explain to consumers the nutritional dimensions and benefits of Nestlé's products.

ENSURING RESULTS AND SCALING-UP IMPACT

Nestlé increased its sales among BoP consumers by reaching 600,000 homes throughout eighteen states with its direct sales agents. At the same time, Nestlé created jobs for more than 6,000 direct sales agents and over 160 micro distributors involved in the distribution model. In that sense, the program involves low-income communities not only as consumers, but also directly in the value chain, fostering job creation and social inclusion through income generation. In 2010, the company took a step forward in its strategy to reach low-income consumers and launched 'Nestlé Até Você a Bordo', the first floating supermarket to deliver its products to the riverside populations' of the Amazon. The floating supermarket concept allowed Nestlé to sell directly to the communities from Northern Brazil that they could not reach with Até Você and who were cut off from purchasing FMCG products.





CASE STUDY

Unilever, the Zeinab Project: empowering women through a door-to-door sales model

THE LACK OF OPPORTUNITIES FOR WOMEN IN EGYPT AND THE ZEINAB PROJECT

Women are considered the backbone of Egyptian families and society but they face several challenges in starting up and growing businesses, including access to finance and a lack of business skills. Rural areas and Upper Egypt are particularly impacted by the lack of economic opportunities and women living in these regions are considered among the most disadvantaged groups in Egypt.

In line with Unilever's ambitious sustainability plan that seeks to enhance the livelihood of millions of people around the world by 2020, Project 'Zeinab' was launched in Egypt to provide economic opportunities for women within Unilever's value chain and at the same time expand Unilever's outreach.

Project 'Zeinab' is a door-to-door sales model with women delivering Unilever's products to the doorsteps of low-income communities. The saleswomen come from the target communities and have direct access to often marginalised and difficult to reach people. The program was first piloted in 2012 with a group of fifty women from one of Alexandria's poorest rural areas and was then extended to other rural parts of Egypt.

CREATING A POSITIVE SOCIAL AND ECONOMIC IMPACT

The main challenges were related to women's illiteracy and their lack of knowledge about marketing and sales. However, through Unilever's experts, the company was able to train these women to become Unilever sales agents in highly marginalised and poor areas of Egypt. The women were taught how to read and write and they were offered training by Unilever's sales experts on how to promote the company's products and become door-to-door saleswomen.

Project Zeinab was inspired by the successful implementation of Unilever's Shakti project in India. In Egypt, the Zeinab door-to-door sales model has allowed Unilever to strengthen its distribution capacity by reaching out to new BoP consumers and unleashing the potential of untapped markets. At the same time, Unilever has created more than 350 jobs for women and has given them the opportunity to improve their socio-economic status within their communities.

Communications and Marketing

FMCG's product characteristics, as well as BoP market specifics, highly influence how companies communicate and market their products to low-income consumers. The FMCG sector is considered a highly competitive industry, being made up of many similar products with limited price differences to offer comparable added value between them. In this regard, marketing the product correctly and finding the right way to communicate with BoP consumers can have a significant impact, both from an economic point of view and socially, specifically considering the potential development impact that such products can have. However, when reaching out to BoP markets, FMCG companies have traditionally concentrated on overcoming the burdens of distribution in order to make the product accessible, rather than focusing on market promotion and establishing effective messages to make the product attractive.

Communication and marketing strategies need firstly to clearly understand the perceptions and demand priorities of BoP communities and secondly, to be able to convey convincing messages that engage them in participatory relationships that go beyond the traditional producer-customer liaison.



CHALLENGES

LOW LITERACY AND LANGUAGE BARRIERS AT THE BoP

Communications and marketing strategies at the BoP have to take into account high levels of illiteracy and/or the fact that unique languages/dialects are spoken. Although this is a challenge across all industries, FMCG companies can tailor their communications and marketing materials by using effective visuals (i.e. demonstrations, symbols), colours, etc. In Ghana, for example, GIZ is supporting the development of a specific label that helps consumers to identify fortified foods, and by doing so, overcoming illiteracy and language barriers.

COUNTERFEIT BRANDING

As information is often limited and many consumers are illiterate, they often rely on the brand alone. Counterfeit branding is a problem from two sides: on one hand it can lead to food safety-related or other quality and health issues: on the other hand, it harms the brand of those companies marketing their products to low-income consumers. To combat counterfeit branding, P&G in Egypt is working on the collection and recycling of its shampoo bottles. Each collected bottle is one bottle less that can be used to distribute product imitations into the market.

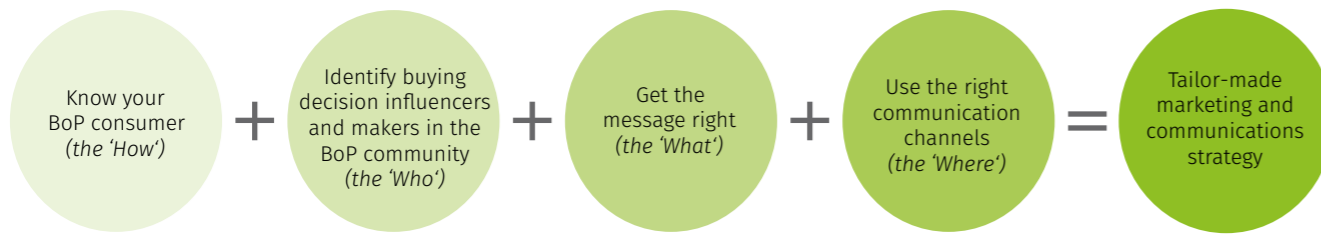
STRATEGIES FOCUSED ON ACCESS AND NOT ON OUTREACH

BoP consumers are not 'traditional consumers' who respond to regular push-pull marketing strategies, but should be considered as careful 'money managers' who consider expenses as investments and whose returns need to be maximised. With such communities, simply getting the products out there is not enough. Product communication must be aligned to real needs and demands and BoP consumers have to fully understand why such products will provide them with worthwhile benefits, using their limited and often unpredictable income.

LIMITED RESOURCES FOR MARKETING AND COMMUNICATIONS

Profit margins are generally low for FMCG products and even lower when sold to the price-sensitive community of low-income consumers. Small size companies especially suffer from limited financial resources and have constrained budgets or even no budgets at all for marketing and communications, hence they have to find alternative ways to convince consumers to buy their products.

THE DEVELOPMENT OF A TAILOR-MADE MARKETING AND COMMUNICATIONS STRATEGY



KNOW YOUR BoP CONSUMER (THE 'HOW')

FMCG companies must get to know what triggers purchase among low-income consumers and also understand BoP consumer patterns. Based on this understanding, communication materials need to be adapted, i.e. choose the right language, decide on appropriate colours for posters and labels, etc. Insights from market research can be helpful (please see Product Design and Packaging). Bidco Africa – a large East African marketer in edible oils, margarine, baking powder, soaps, and detergents – is conducting in-depth studies amongst its target communities to ensure labels and colour perceptions are aligned with the features of its product

IDENTIFY INFLUENCERS AND DECISION MAKERS IN THE BoP COMMUNITY (THE 'WHO')

Messages have to target those who are making the buying decisions; depending on the product and the local environment, there are different family or community members who are involved when buying decisions are made. In the case of fortified foods for children, the parents are the ones who take the decision to buy the product and it is important that they are convinced that the product can provide real solutions to their children's health problems.



GET THE MESSAGE RIGHT (THE 'WHAT')

As mentioned above, consumer education as well as traditional marketing and communications, work together in a segment where many consumers have limited experience of being the direct recipient of marketing campaigns. The unique value proposition of a product has to be clearly defined and needs to be adapted to the characteristics of the market segment. Alpina's approach is to improve the well-being of their customers by offering products of good quality at an affordable price. Alpina's message is that its dairy products are beneficial for health and they have developed several specific products which tackle health and/or nutritional problems. This clear message has proven to be effective in building the brand's reputation for providing healthy and affordable products.

USE THE RIGHT COMMUNICATION CHANNELS (THE 'WHERE')

FMCG companies have to identify the most appropriate communication channels for low-income communities. Compared to developed countries, some marketing channels such as mass media are less relevant. For low-income communities, the following channels have proven to be successful:

COMMUNICATION CHANNELS

Face-to-face marketing

Low-income consumers' value highly face-to-face marketing and this can be a great marketing tool when a product/brand demands changes in consumer behaviour. Face-to-face marketing can take various forms, such as door-to-door sales agents, implementation of road shows, or local events. It might require significant resources, but leveraging existing networks, e.g. marketing via door-to-door sales agents, can be a cost-effective way of doing this.

Marketing at mom-and-pop stores

As traditional trade is the most important retail model for FMCG goods in many countries, marketing within the store through posters, branded furniture, promotional packages, and product displays is an effective way to create brand awareness.

Radio

Radio is a good way to address low-income consumers in many countries, as it is a widely used medium, especially in rural areas. It is relatively cost-effective and reaches a significant percentage of the target group, similar to television advertisements in medium to high-income markets.

Use respected community personalities as change agents

Especially for products that require a change in behaviour, such as fortified food, an interesting communication/marketing channel can be the use of trusted persons in the community, such as health workers, community leaders, church leaders, etc. In the case of fortified foods, for example, health workers are trusted to understand the benefits of a healthy product.

Word-of-mouth

Word-of-mouth via the BoP community (i.e. family members, friends, community leaders, retailers, etc.) is a powerful and cost-efficient marketing tool to promote FMCG products to low-income consumers in hard to reach areas. Word-of-mouth marketing only works when a FMCG product/brand is already well known in the market and when BoP consumers have been previously satisfied with the product/brand.

EXAMPLES



Nestlé created the 'Cooking Caravans' marketing campaign to raise awareness and create attention for its nutritious food products. The caravans travel across Central and Western Africa, organising cooking demonstrations, presentations on fortified food, and interactive discussions to generate attraction and awareness.



The fortified UHT yoghurt in Ecuador, developed by Reybanpac with Tetra Pak packaging, has benefited from important in-store displays, which when combined with face-to-face marketing, created trust and demand for the product.



Engro Foods, a Pakistani multinational FMCG company, uses radio to spread its messages and make sure BoP consumers are aware of its products. Combined with printed advertisements displayed on buses, trucks, and trams, radio has proven to be an effective marketing tool in Pakistan.



Living Goods' model is based on direct sales agents who sell their products door-to-door and at the same time, educate communities on the positive health benefits of its products. This generates word-of-mouth endorsements and creates trust and confidence in Living Goods' products and the brand (see Living Goods' case study).





MARKETING FORTIFIED FOOD FOR CHILDREN - A SPECIAL CASE

When marketing fortified food suitable for children, a few important points need to be taken into account, such as products that replace breast milk cannot be promoted actively. In 1981, the World Health Assembly adopted the 'International Code of Marketing of Breast Milk Substitutes' and further strengthened this recommendation by later resolutions. Amongst others, it promotes breastfeeding exclusively in the first six

months of a baby's life and forbids the promotion of formula, bottles, and teats. The WHO is currently developing a resolution to clarify and guide appropriate promotion of foods for infants and young children. While companies need to follow national legislation only, a number of organisations, such as GAIN, will only work with those organisations that comply with the code.



KEY QUESTIONS TO CONSIDER

- Does your organisation understand the real needs and desires of the BoP population that you are targeting?
- What are the specific needs of the BoP population that your product is responding to?
- What is your product's added value that makes it more attractive?
- What is the most pertinent communication strategy to make customers aware of your product?
- How do you create and maintain long-term customer relationships in the BoP?
- How do you ensure your customers become loyal to your brand?
- What habits need to change in order to promote a more sustainable and engaged consumption?



THE EXPERT'S ADVICE CORNER

Seeing is believing

Offering free samples of your product or special promotions when launching a product, gives BoP consumers the opportunity to try your product and can build trust with the somewhat risk averse, low-income consumers. Moreover, this is an especially good practice for products whose benefits are not known to low-income consumers or that demand a change in consumer behaviour. For Living Goods, for example, this is a common practice used to build trust within the community for their health and nutritional kits.

Reward BoP consumers for buying your FMCG product

FMCG companies should think of ways to create customer retention among low-income communities through cost-efficient tools such as stamp cards. In Colombia, Éxito, the market-leading supermarket in Colombia, offers store cards to its shoppers which can be obtained by the cardholders without either a banking history or formal income.



CASE STUDY

Living Goods – The power of word-of-mouth

DIRECT SALES AGENTS AS COMMUNITY HEALTH PROMOTERS (CHPs)

Living Goods is a non-profit organisation operating directly in Uganda and Kenya and through partners in Zambia and Myanmar. Its goal is to improve the well-being and wealth of low-income communities by providing healthy and nutritious products directly to their doorsteps. In each country, Living Goods works together with a network of direct sales agents called 'Community Health Promoters' (CHPs), whose task is to assess and treat preventable diseases in children under five (malaria, pneumonia, and diarrhea), to follow the progress of women during pregnancy, to educate communities on positive health benefits, and to promote and sell products (a mix of health and FMCG products) door-to-door. While the focus is on health products, FMCG products are added to the basket to provide families with nutritious food products which have a positive health impact, while at the same time increasing the income of the agents.

Living Goods' CHPs come from the target communities and are endorsed by the local leaders. They live in the areas where they operate and understand the needs of their peers. They are trained to become community health workers. They become trusted among their communities and inspire other members. The CHPs organise health talks and other events where they teach people how to improve their health and directly market Living Goods' products through demonstrations, explanations, and interactive discussions. This creates a word-of-mouth mechanism within the community which contributes to building trust and confidence in the Living Goods' brand and their products. Living Goods also uses radio broadcasting to communicate about its products, although the company clearly states that direct marketing is a much more powerful tool because people like to see the products in real life before buying them.

To foster this trust and at the same time, make sure the agents have the necessary skills and capabilities, Living Goods train its CHPs. The trainings include an iCCM (Integrated Community Case Management) module combined with sales and business formation training, including product knowledge. Upon completion, the agents are given certification which contributes to building Living Goods' reputation and brand within the community.

AN EXAMPLE FROM UGANDA

Since 2007, Living Goods has been working in Uganda where it collaborates with the BRAC NGO. Living Goods and BRAC have combined their resources and talents to build a more sustainable community health worker's platform. The products distributed by the CHPs in Uganda include the fortified porridge 'Living Goods Healthy Start'. This fortified porridge benefited from Living Goods' direct marketing strategy; the CHPs approached parents of sick children in need, carried out some tasting sessions and explained the nutritional benefits of the porridge. Once the product had proven to be helpful and likeable, the word-of-mouth mechanism came into play and the porridge became not only accepted by the communities, but demanded by them.

"Justine (Living Goods Community Health Promoter) brought me a sample of Healthy Start back in September," explains Edward Sempaka from Uganda, a father of five children. "The children love it, they love the flavour. When Healthy Start runs out, they complain about the usual maize porridge and tell me to call Justine to bring more."



Photo: ©Living Goods

Waste and Sustainable Consumption

Sustainable consumption at the BoP needs to address the twin challenges of inclusive and efficient consumption, meaning that access to goods and services for the poor should be provided in order to increase human development, while at the same time preserving natural resources.³⁵ In the area of FMCG products, the biggest challenge by far in this regard is waste management, which is the major focus of this section. Sachets and other packaged FMCG goods being used to reach low-income communities in developing countries are creating a significant waste problem, as in many cases, little or no formal waste management infrastructure is in place. While waste management is the concern and responsibility of the public, companies still have an important role to play. It is, therefore, critical to create awareness of existing waste challenges and to encourage the development of sustainable packaging as well as the creation of partnerships with other organisations or public authorities.



INTEGRATED WASTE MANAGEMENT STRATEGY OF THE COMPANY

PREVENTION

Design packaging that reduces waste or is biodegradable.
Promote refill models that do not require new packaging.



RECYCLING

Use recycled materials when developing new packaging.



RECOVERY

Use packaging materials, such as plastic or sachets for energy generation.



DISPOSAL

Create awareness and support BoP communities in the safe disposal of packaging waste.



PARTNERING WITH THE ECOSYSTEM

- Strengthen waste collectors and recyclers.
- Integrate/work closely with local authorities and governments to create sustainability.



SUSTAINABLE CONSUMPTION IN PRACTICE

Sustainable consumption is defined as “the use of services and related products which respond to basic needs and bring a better quality of life while minimising the use of natural resources and toxic materials, as well as emissions of waste and pollutants over the life cycle of the service or product, so as not to jeopardize the needs of future generations.”³⁶ While sustainable consumption is often perceived as a concept for high-income markets, many companies are working on providing goods and services that address

the twin challenges of inclusive and efficient consumption. This means that products and services should include aspects of saving natural resources, while addressing the needs of low-income communities in parallel. However, at the same time, some ranges of other products sold as FMCG products to the BoP are more controversial with regards to sustainable consumption, as they are only designed to fulfill consumption needs and are not taking into account other aspects, such as nutrition or the environment.

CHALLENGES

LITTLE OR NO FORMAL WASTE MANAGEMENT STRUCTURES

Legislation covering disposal, treatment, and recycling is weak in many developing countries. While there might be informal systems for collection and recycling through waste pickers or informal recyclers, formal structures are rarely in place. This is especially true for those types of packaging wastes, such as sachets, that do not have a clear value in the recycling market. While in many countries the recycling or reuse of plastic bottles is common place, sachets are usually dumped in landfills or end up as litter, as they are multi-layered and there are limited incentives for recycling.

CONSUMPTION HABITS OF THE POPULATION

Currently, global municipal waste generation is approximately 1.3 billion tons per year and it is expected to increase to approximately 2.2 billion tons by 2025. This would represent an increase in per-capita waste generation from 1.2 kg to 1.42 kg per person. Therefore, it seems obvious that population consumption habits have to change significantly in order to ensure a sustainable relationship with the ecosystem. In this sense, the FMCG sector, given the ‘quick consumption’ nature of the products that it supplies, is on the frontline of agents of change that need to lead the transition to more sustainable consumption habits.

SHORTAGE OF VIABLE, ENVIRONMENTAL, AND COST-EFFECTIVE ALTERNATIVES TO PLASTIC

It is estimated that thirty percent of landfill waste is comprised of packaging.³⁷ Today there are technically viable alternatives for developing biodegradable packaging, such as glass, plastic additives (in the form of conventional biodegradable thermoplastics that use metal compound additives called prodegradant concentrates (PDCs)), or more innovative packaging systems made, for example, from milk protein or other materials. But all of them face significant barriers to being promoted globally, especially when targeting the BoP market segment, where profit margins are very low and price sensitivity is very high.

PROGRAMS WILL ONLY WORK IF THEY ARE INTEGRATED INTO NATIONAL STRUCTURES

Only if the local government and other relevant local players are included from the beginning, can programs for waste management be scaled and hence create an impact. Waste management is a public responsibility and companies have to avoid creating parallel structures that are not accepted by government stakeholders.

EXISTING SOLUTIONS

Companies are experimenting with a variety of solutions that include developing sustainable packaging, providing value for existing packages,

such as sachets and other plastic waste, and supporting existing recycling and collection models to make them more sufficient and sustainable.

SOLUTIONS	MAJOR CHALLENGES	EXAMPLES
<p>Develop sustainable packaging: From developing packaging using recycled materials, such as recycled polyethylene terephthalate (PET) bottles, through to the development of biodegradable packaging materials.</p>	<p>Acceptance of recycled packaging by consumers. End consumers might be sceptical about the quality of products using packaging recycled by the informal sector.</p> <p>While it is technically possible to develop biodegradable packaging, the price of this type of packaging is an important barrier in the price-sensitive BoP market segment.</p>	<p>Bonafont is collaborating with waste collectors to improve working conditions, as well as the quality of waste recycling, in order to increase the supply of recycled PET for its bottle production.</p>
<p>Promote refill modelsthat do not require packaging, and are therefore more affordable and require less middle men.</p>	<p>Guarantee the quality of the product as consumers bring their own containers.</p>	<p>In Kenya, milk vending machines are used where consumers can bring their own containers and decide how much they want to pay for the milk. The quantity paid for is then dispensed by the milk vending machine.</p>
<p>Create value from existing packages, especially sachets: Development of new technologies, to make the recycling of packaging materials attractive.</p>	<p>Sachets especially, as a major packaging medium, are difficult to recycle, as they are multi-layered.</p> <p>Technological solutions or value needs to be created, as no market exists for collection.</p>	<p>In India, Unilever is currently testing pyrolysis that can turn sachets into fuel oil and recover up to 60% of its embedded energy.</p>
<p>Improve collection of packaging materials to increase the recycling rate: Informal waste collection systems for many packaging materials, especially for bottles (shampoo as well as drinks), exist. Supporting and strengthening this market can improve the living and working conditions of waste handlers, while at the same time improve recycling rates and decreasing the environmental impact from packaging waste.</p>	<p>Structures for the recycling of packaging waste are informal and the collection of waste is normally not part of the core business of a company.</p>	<p>In Egypt, P&G provides financial support to the Mokattam Recycling School, which pays recyclers for each collected bottle. Through this project, P&G not only increases recycling capacities, but also reduces the risk of counterfeit products that make use of original P&G packaging.</p>

While these are all interesting initiatives, they are, however, small contributions to this important challenge and few/no organisations have so far managed to scale their efforts in the area of supporting waste management. To be able to reach the necessary scale, waste management and sustainable consumption must be effectively integrated into the company's overall strategy,

clearly taking the waste hierarchy into account and focusing primarily on the reduction of waste through sustainable production and innovative packaging methods, as well as by finding the right entry points to support the local ecosystem. The following questions can help you to develop this integrated strategy:



KEY QUESTIONS TO CONSIDER

- What are the major impacts generated by your products in low-income communities?
- Does your organisation know the ecological footprint of the life cycle of your product?
- How can your organisation minimise environmental impact through improved design, packaging, or distribution of the product?
- How can your organisation work with BoP communities to propose consumption habits for products that will generate less waste?
- With whom could you partner to improve recycling, recovery, and disposal?



THE EXPERT'S ADVICE CORNER

Engage in shifting the consumption habits of the population

Engage with communities in understanding their consumption habits and organise participatory processes jointly with them, to identify viable ways of promoting a more sustainable way of consuming your product.

Link product design to waste reduction through the product life cycle

Product design can be an effective tool to reduce waste through product life cycle consumption. Ensure the Research and Development department of your organisation is engaged in innovative product design and has re-use systems and waste reduction goals as key priorities within their product

design proposals. Furthermore, engage users from BoP communities in the design process to ensure their concerns and innovative contributions are taken into consideration.

Develop a partnership strategy for reducing waste

Solving the challenges of waste generation for FMCG products cannot be done alone. Your organisation needs to identify and engage with the broad spectrum of potential partners that can contribute to minimising the impact of the waste generated. This engagement should lead to ensuring the externalities, collateral impacts of production, and consumption patterns of the sector are taken into account and jointly addressed.



CASE STUDY

Coletivo Recycling, working with recycling co-operatives

THE COLETIVO MODEL

The Coca-Cola Company is a leading drinks company. Brazil represents the company's fourth-largest drinks market, with sales valued at nearly \$43 billion in 2013. Moreover, with almost 27% share of the drinks market, the company has a leading presence in Brazil. From 2000 onwards, Coca-Cola Brazil realised that, in order to increase its presence in low-income areas, it had to take a different approach to 'business as usual' and connect in a different way with its potential BoP consumers. The company created the Coletivo model in 2010, in order to work directly with low-income communities and involve them both as consumers and as producers, suppliers, distributors, sales agents, or even recyclers. The goal was to help solve social problems, such as unemployment and the lack of specific skills, while at the same time capturing a significant business opportunity. Coletivo has several programs focused on different phases of the value chain, Coletivo Recycling targets waste and the recycling value chain.

SUPPORTING RECYCLING CO-OPERATIVES

Coletivo Recycling formalises the recycling value chain. It supports recycling co-operatives by improving their professionalism using a social methodology of assessment and reward. During a six months' assessment, the co-operative's management and operations are examined by a field analyst and an action plan is co-created. Following the assessment, the Coletivo Recycling project provides infrastructure and training to increase efficiency and sustainability. The program elevates self-esteem and strengthens dignity and honour for the waste pickers, who usually work in the informal sector.

The program is active in 304 co-operatives across nineteen states in Brazil. It works with around 6,000 co-operative members. In line with other Coletivo programs, Coletivo Recycling aims to generate both business benefits and social impacts. The program allows the company to recycle their packaging into new ones through 'Bottle-to-Bottle' technology (using recycled PET bottles to produce new ones), while directly working with low-income communities.



Photo: ©Coca Cola

ORGANISATION

The key question that needs to be addressed when deciding whether to develop an inclusive business strategy that addresses BoP communities, be it as consumers, producers, or distributors, is whether your organisation is prepared with the right attitude and assets to enter such markets.

There are many ways to evaluate the readiness framework of an organisation working with the BoP. Similarly, a broad range of business model innovations exist that have driven a certain degree of success when working with low-income communities.

However, business model innovation, especially working with BoP communities in the FMCG industry, implies the need for a massive organisational change process that can end up challenging existing governance models.

Considering the industry dynamics of the FMCG sector, specifically the rise in consumer spending in emerging economies and changing consumer patterns based on the BoP urbanisation process, organisations must review thoroughly their governance structure and organisational strategy, beliefs, and culture, if they want to succeed in working within the BoP.

ACTIONS TO ENSURE YOUR ORGANISATION IS FIT TO WORK WITHIN THE FMCG BoP SECTOR

- 1 ENSURE YOUR ORGANISATION UNDERSTANDS THE OPPORTUNITY
- 2 CONFIRM THE RIGHT CORPORATE CULTURE IS IN PLACE
- 3 MAKE SURE YOU HAVE AN INNOVATIVE STRATEGY
- 4 CORROBORATE YOU HAVE THE REQUIRED RESOURCES
- 5 ENSURE YOU HAVE PROPER ACCESS TO THE MARKETS

✓ ENSURE YOUR ORGANISATION UNDERSTANDS THE OPPORTUNITY

It is important to ensure that the organisation understands the opportunities which are at stake and the relevance that they have for the organisation. Ensuring the organisation is aligned and focused on jointly seizing the opportunities arising from the BoP, specifically when considering current FMCG trends, is essential if a successful strategy is to be developed. Obtaining support from senior leadership is critical in regard to this point, as it is depending on their decisions to secure appropriate financial and non-financial resources, to mainstream an inclusive business model into the core business strategy, and eventually to create a safe space for a business model that usually requires additional time to generate impact and returns, while involving greater risk.³⁸



KEY QUESTIONS TO CONSIDER

- Is there awareness within your company of the commercial opportunities available from accessing low-income markets?
- Is there clarity surrounding the inclusive business opportunities working with the BoP in the FMCG sector and the implications that arise from focusing on it?
- Is there an understanding of what other organisations are already doing?
- Are there suggestions coming from your team regarding the added value of the organisation working with these communities?

EXAMPLE

DEVELOPING MARKET INSIGHTS TO IDENTIFY OPPORTUNITIES

When developing Coletivo Retail, an eight-week, job training and life skills program for young people aged from 15 to 25, Coca-Cola Brazil realized that the key to success was to build a network and engage strongly with local retailers and the local community. In addition to conducting market research, the company set up a cross-functional team to lead the design process. Fifteen of the company's senior executives lived in the favelas of Rio de Janeiro and other cities; other company leaders' also lived with local families to get to know the local community better. The market insights gained through this direct interaction with the community contributed significantly to the successful design of the project.

✓ **CONFIRM THE RIGHT CORPORATE CULTURE IS IN PLACE**

Corporate culture is commonly defined as the set of experiences, habits, and beliefs that characterise an organisation. It allows for the values and priorities of the group to be defined, helps express the rules of action, and establishes conduct parameters between the organisation and the ecosystem in which it interacts. When aiming to work with FMCG products such as food and drink, or personal care products that have such a direct impact on the nutrition and health of the communities, operating with an organisational culture that encourages new partnerships, innovation, and willingness to adopt different perspectives, is essential for creating long-term synergies that will guarantee success.



KEY QUESTIONS TO CONSIDER

- Do you have an organisational culture that encourages new partnerships, innovation, and willingness to adopt different perspectives to work with BoP communities and generate joint value?
- Does your organisation have the support from the advisory board and top managers to engage in BoP strategies?

EXAMPLE

CREATING CORPORATE CULTURE FOR FMCG INCLUSIVE BUSINESS

Danone's 'Ecosystem Fund' has an effective governance structure in place, consisting of four bodies who take on the roles of executing, advising, and overseeing the Fund's work: the Guidance Committee (including members from Danone's Executive Committee), the Board of Directors, the Social Innovation Committee, and the Fund Team. When it comes to project implementation, the projects supported by Danone's Ecosystem Fund apply a co-creation approach; projects are initiated by Danone's local subsidiaries and are then co-built with local NGOs to deliver a solution with social impact.

✓ **MAKE SURE YOU HAVE AN INNOVATIVE STRATEGY**

Having an innovative strategy is considered essential for success when working with the BoP. This implies having a worthy vision and mission statement that clearly describes the added value you intend to provide. It also involves defining strategic objectives that look to achieve the interpretation of such a vision and mission, and it suggests outlining specific actions in the form of projects and programs oriented towards achieving such objectives.



KEY QUESTIONS TO CONSIDER

- Does your organisation have a vision and mission that is aligned to working and generating value within BoP communities in the FMCG sector?
- Does your organisation have defined strategic objectives and specific actions that aim to generate a positive social impact through profitable economic activities within the FMCG sector?
- Is there a robust Monitoring and Evaluation system in place to track the achievements of such a strategy?

EXAMPLE

INNOVATIVE STRATEGIES FOR THE BoP

Unilever's 'Sustainable Living Plan' is the company's blueprint for achieving its vision: "to grow our business, whilst decoupling our environmental footprint from our growth and increasing our positive social impact". The plan defines three goals: (i) improving health and well-being, (ii) reducing environmental impact, and (iii) enhancing livelihoods. Each has a clearly defined strategy, actions to be taken, and targets to be achieved. Moreover, the company has put in place regular reporting channels to monitor performance against targets, i.e. the annual report and a performance monitoring system.³⁹ Regarding inclusive business - part of the 'enhancing livelihoods' goal - Unilever aims to positively impact 5.5 million people by 2020; the goal is to engage with at least 500,000 smallholder farmers in the supply network; to create and improve the incomes of 5 million small-scale retailers in the distribution network; and the participation of young entrepreneurs in the value chain.⁴⁰

✓ **CORROBORATE YOU HAVE THE REQUIRED RESOURCES**

Strategy implementation requires resources including financial resources, human capital, infrastructure, knowledge management, and information technology. Organisations need to ensure they understand both the type and the amount of resources required, and how to manage them in an efficient and effective way. Due to the high dependence of the FMCG sector on robust distribution systems, together with intensive marketing requirements and the relatively short life span of the products, efficient resource management when working with low-income markets, is specifically needed.



KEY QUESTIONS TO CONSIDER

- Is your organisation aware of the resources required to implement successful inclusive business models?
- Does your organisation have available such resources in-house or does it need to develop capabilities and partnerships to ensure their availability?
- Does your organisation have a resource manager who will be in charge of ensuring the proper and efficient use of resources?

EXAMPLE

PROMOTING EFFECTIVE RESOURCE MANAGEMENT EFFICIENCY

Britannia, an Indian biscuit brand, partnered with GAIN and the Naandi Foundation to develop, pilot, and distribute an iron-fortified version of its Tiger biscuits. While GAIN provided the technical advice about food fortification, as well as financing during the development and pilot phase, Naandi distributed the biscuits to schools. Today, 50% of Britannia's product portfolio is enriched with micronutrients.

✓ **ENSURE YOU HAVE PROPER ACCESS TO MARKETS**

Beyond the strategy, one of the most relevant dimensions to ensure profitable, sustainable, and inclusive business is to ensure access to markets. Ultimately, for the business to prosper, products and services need to reach customers who are willing to buy them. As described above, the FMCG sector is heavily dependent on distribution, price strategy, and packaging, hence the need to guarantee that the products can properly reach customers, especially low-income communities living in remote rural areas.



KEY QUESTIONS TO CONSIDER

- Has your organisation identified demand for FMCG products from low-income consumers and defined its territorial priorities?
- Does your organisation have a cost-effective distribution channel that bridges the last mile to reach low-income consumers?
- Is the pricing and packaging of your FMCG product appropriate for consumers with limited income?

EXAMPLE

CREATING MARKET ACCESS TO FMCG

Tetra Pak's 'Deeper in the Pyramid (DiP)' business unit was created to specifically focus on low-income communities. Together with its partners (FMCG companies, NGOs, local partners), the DiP unit is developing approximately fifty new products per year, designed specifically for the low-income consumer segment. All DiP products are developed around the principles of being affordable, attractive, and available to low-income consumers. In April 2015 for instance, the partnership between DiP and Lactalis resulted in the launch of 'Teama', a white cheese specifically targeted at low-income communities. Cheese is an important part of the modern diet of Egyptians who eat cheese throughout the day. The small packaging size provided by Tetra Pak (Tetra Brik® Aseptic 125 ml package) made the product attractive, convenient for on-the-go consumption, and most importantly, available at an affordable price to BoP consumers. Please see the case study on Tetra Pak DiP for further information.

Ultimately, when working with low-income communities, a responsible organisation needs to differentiate between a traditional business whose sole goal is to generate economic profits and guarantee a return on investment, from an inclusive and sustainable business that complements such economic return with social, economic, and/or environmental impacts.

In fact, inclusive business in the FMCG sector can result in an improvement in the nutrition, health, and lifestyle of communities; can reduce waste and environmental impacts through the reduction of packaging materials and water conservation; can set up international standards around sustainable sourcing; or alternatively, promote ethical consumption and support social enterprises.



CASE STUDY

The Tetra Pak 'Deeper in the Pyramid (DiP)' Business Unit

ABOUT TETRA PAK AND THE DiP BUSINESS UNIT

Tetra Pak is the world's leading food processing and packaging solutions company. Working closely with its customers and suppliers, the company provides safe, innovative, and environmentally sound products that meet the needs of people in more than 175 countries around the world. Tetra Pak's motto "PROTECTS WHAT'S GOOD" reflects its vision to make food safe and available everywhere. As part of this promise, in 2012, Tetra Pak created the 'Deeper in the Pyramid (DiP)' business unit, a global cross-functional unit with a particular focus on low-income communities. The DiP unit aims at producing safe, healthy, and nutritious food products accessible to BoP consumers. At the same time, it allows Tetra Pak to tap into significant new business opportunities due to BoP consumers representing the middle-income bracket of tomorrow.

WHAT MAKES THE TETRA PAK'S DiP BUSINESS UNIT SUCCESSFUL?

The DiP Business Unit has allowed Tetra Pak to focus on low-income consumers by having an organisational structure that is devoted to this consumer segment, while allowing the integration of the related product offerings into the company's core business. With full support of the top management, the DiP unit aims to develop a team with the relevant skills and interests that will facilitate appropriate solutions for low-income communities.

To measure the success of this work, the DiP unit has also introduced a number of Key Performance Indicators (KPIs) that, among others, monitor the number of projects and volume generated and form part of the overall Tetra Pak business model.

"The DiP model helps Tetra Pak connect with its heritage and values and to continue our sustainability work." Gisele Gurgel, Marketing Director and Global Director of the DiP Unit.

PARTNERSHIPS AND ECOSYSTEM

Partnerships have become an essential mechanism to help address many of the challenges faced by the FMCG industry as well as helping to generate joint value with BoP communities. Working through partnerships not only helps to identify new resources, reach new markets, increase profits, enhance reputations, and create employment, but also allows consolidation of the relationship with key players of the ecosystem and enables stakeholders to maximise their impact on development goals.

To ensure success in partnership management, one needs to define clearly what the organisation wants from the partnership and to understand what can be offered in return.

Similarly, specifically in the areas related to the FMCG sector, organisations must identify the action areas that are most compatible with the sector's key challenges and perform an in-depth analysis of the added value each specific ecosystem stakeholder can contribute to the partnership's goals.

When framing the FMCG ecosystem, it is important to consider the development stage of the company to make sure the ecosystem strategy fits and is adapted. In all cases, the following four major ecosystem dimensions must be taken into account: sustainable ecosystem management, ecosystem governance structures, innovation and competitiveness, and human well-being.

Sustainable Ecosystem Management

Considering the environmental impact of the FMCG sector, specifically in the area of waste management through the packaging of its products, it is important to identify the main players working in these areas and to understand their core strategies. Enhancing synergies among the stakeholders of the ecosystem and working with a sustainable framework, is essential in order to respond to the FMCG development goal challenges.

Ecosystem Innovation and Competitiveness Drivers

Understanding how the sector enhances competitiveness as well as understanding how its stakeholders promote synergies and trade-offs among them to spur innovation, is crucial if you are going to take advantage of the opportunities that the FMCG market can offer. Identifying and engaging through partnerships the FMCG stakeholders that are driving competitiveness, is a crucial key to success.

Ecosystem Governance Structures

Ecosystem governance normally deals with the governance system of key stakeholders in relation to aspects such as decision-making, social interaction, and power relations. In relation to the FMCG sector, key questions that need to be addressed include finding out who in the ecosystem is entitled to be involved in deciding which approach to enforce. This dimension allows the identification of which players are relevant to engage with in specific partnerships addressing particular FMCG goals.

Human Wellbeing Ecosystem Contributors

With FMCG products impacting almost every aspect of human life, it is essential to identify and engage those ecosystem stakeholders' that have the potential to make a difference to the various social development challenges of the sector. Especially when working with BoP communities, it is necessary to integrate the different stakeholders' perspectives on human needs and pursue partnerships that broaden the understanding of the FMCG contribution to the different dimensions of human wellbeing.

Some of the traditional FMCG stakeholders that are more relevant in the enhancement of each one of the four ecosystem dimensions described above, are the following:

ECOSYSTEM STAKEHOLDERS	MAIN ATTRIBUTES	ADDED VALUE TO THE FMCG SECTOR
PUBLIC INSTITUTIONS	Develop and manage aspects, such as taxation, legislation, employment regulations, and enabling environments.	Crucial to develop enabling environments to promote entrepreneurship and business innovation in a sustainable and inclusive way. Main group responsible for creating regulatory frameworks that help enhance a more sustainable and environmentally friendly FMCG value chain, including packaging and waste management dimensions.
BoP COMMUNITIES	Crucial contributors that form the local economy and provide the biggest added value, participating as suppliers, producers, consumers, and distributors.	One of the biggest potential markets for FMCG products. Key contributors to the sector's innovation potential and providers of knowledge of future market insights.
SUPPLIERS	Main providers of sub-products and services used as core inputs into the FMCG production chain.	Contributors to more sustainable and inclusive supply chains. Can be engaged through equal business opportunities encouraging the local economy and developing entrepreneurship opportunities among the local community.
PRIVATE SECTOR ORGANISATIONS	Major job employment generators, enhancers of the economy promoting economic growth and creating a culture of innovation.	They are forming the ecosystem of producers and distributors that enable the supply of goods to consumers.
NGOS AND LOCAL ORGANISATIONS	Provide knowledge, experience, and capabilities from non-state service providers that implement development projects, increase public awareness of development issues, and create social frameworks for development policy issues.	Ideal catalysers between FMCG corporate initiatives and BoP communities. Such organisations are essential to help corporations understand the development challenges of BoP communities and design inclusive cross-sector partnerships to increase development impact through the FMCG's value chain.
DEVELOPMENT AGENCIES AND INTERNATIONAL ORGANISATIONS	Provide development funds, technical cooperation, policy frameworks, and enabling environments for more sustainable and inclusive economic sectors.	Become major contributors, encouraging more sustainable consumption and production patterns of FMCG products. Provide assistance through enabling public-private partnerships that maximise the impact of the FMCG sector, contributing to achievement of sustainable development goals.
ACADEMIA AND RESEARCH INSTITUTIONS	Knowledge generators and providers of applied research. Key suppliers of analytical research and capability building programs.	Key contributors to applied research and piloting that can be useful to help producers and innovators from the FMCG sector to achieve more sustainable products.

Working via partnerships contributes to several FMCG benefits that address the development challenges being faced by the sector. Some of the more relevant ones are described as follows:

Improving distribution of FMCG products to last mile approach

A partnership culture can improve and enhance infrastructures and networks, providing improved distribution systems for product delivery at the last mile. In Uganda, Living Goods leverages the network of the BRAC NGO to distribute its products, including a fortified porridge, to communities in urban and especially in rural areas.

Creating and strengthening a joint culture among FMCG stakeholders

Given the different voids and lack of synergies among partners within the FMCG ecosystem, enhancing a joint culture generated through partnerships could promote management systems oriented towards social impact, guaranteeing results, expanding knowledge generation, and information sharing, as well as spurring innovation and better communication systems amongst the players. The Senegalese dairy company, La Laiterie du Berger, collaborated with the Enda Graf Sahel NGO and the Ministry of Education, to develop a specific program based on the distribution of a fortified product to school-age children in Senegal. All stakeholders shared the common goal of improving the diet and nutrition of children in Senegal and have joined together to maximise their impact.

Improving sustainability of the FMCG value chain

Partnerships can reinforce the engagement of key players working on improved packaging design as well as the collection and recycling of waste. In Mexico, Bonafont partners with Pasa, Ashoka, and Mundo Sustentable, to reduce the company's environmental footprint by using recycled PET to produce its bottles.

Diversifying and increasing resources through joint mobilisation

One of the main challenges the FMCG sector faces, is the need for intensive Research and Development funding in order to provide infrastructure for logistics or to promote pilot cases for testing. Partnership building in this context can become a successful mechanism for increasing funding and promoting co-funding structures through new and non-traditional partners, to respond properly to such financing needs. Through financial support from GAIN and the International Finance Corporation (IFC), Tetra Pak was able to offer Reybanpac's fortified yoghurt product to low-income consumers in a safe and affordable package, matching the product and the target group's needs.

Enhancing the possibility of economies of scale for FMCG social impact

As the FMCG sector has a direct impact on the social development goals of communities, identifying successful initiatives that can deliver a positive impact would benefit significantly from being up-scaled and replicated. Partnerships have proven to be a successful mechanism for providing such processes. For the Danone Ecosystem Fund, "Be replicable/be scalable" is one of the criteria applied to support and co-create projects with local NGOs to achieve social impact.

Improving knowledge generation and management of innovation in the FMCG sector

Knowledge generation and innovation are crucial factors to improve the added value of the FMCG sector. Once again, partnerships have an essential role in embedding such concepts. In Ghana, GIZ within its ANF4W project, collaborates with four local companies to develop fortified food products to meet the needs of women who are of reproductive age. The partnership combines the resources, knowledge, and talents of all stakeholders in order to innovate, create, and design food products that are adapted to the needs of women of reproductive age.

Such a partnership approach, although commonly accepted by all, appears to be more challenging than it seems, as BoP communities very frequently operate against a background which lacks proper platforms, where information flows are weak, and the informality of the sector constrains the creation of suitable partnerships.



KEY QUESTIONS TO CONSIDER

- Does your organisation have sufficient knowledge of the partnering process and the skills / mind-set required to build successful partnerships?
- Have you analysed the strengths and limitations of your own organisation and do you know exactly what you want from partnerships?
- Have you analysed the ecosystem and dedicated time to identifying potential partners who can contribute to its ultimate goals?
- Have you calculated the amount of resources needed for implementing the partnership and identified who would fund the partnership?
- If the partnership is in implementation phase, do clear partnership objectives, defined commitments, and benefits exist as well as the roles and responsibilities of the partners?
- Are you paying significant attention to relationship management as well as to project management, to ensure success?
- Is there an effective project plan in place, complete with a monitoring and evaluation framework, that focuses on results and which emphasises economic, social, and environmental impact?



THE EXPERT'S ADVICE CORNER

Identify a vision of why to partner

Developing an inspirational vision is critical in engaging both individuals and partner organisations to participate in delivering a common goal that has a transformational impact. Use the vision to engage partners and align them to a joint action plan.

Understand your strengths and weaknesses

Understanding your core strengths and identifying the main limitations of your organisation will be critical in understanding what you require from partners and what you can provide to them. This will be essential if the objectives set by the long-term vision of the partnership are to be achieved. The process helps to highlight core resources required beyond financial assets and helps the organisation understand their core competencies in value generation, while identifying areas that need to be strengthened.

Ensure you analyse the ecosystem and identify core partners

Analysing the ecosystem and learning how to interact with it, is one of the most relevant aspects of partnership building. This implies carrying out an analysis of the political, economic, social, and legal aspects of the environment, mapping key players and considering the viability of potential partners for compatibility and potential future alignment of activities.

Proper action plan with Monitoring and Evaluation system

It is essential to develop a proper action plan to successfully build partnerships as well as having in place a robust evaluation system to assess the partnership performance, and learn from the successes and failures of the implementation process. A comprehensive monitoring and evaluation system provides extensive knowledge about the implementation status and the challenges being faced to improve the partnership's results.



CASE STUDY

CARE International and Danone: when aligning efforts generates economic and social impact

THE MILK COLLECTION COMMUNITY PROJECT IN EGYPT

Danone's mission is to promote health through food to as many people as possible while having a dual commitment to business success and social progress. To fulfil this mission, the company is working in partnership with several organisations, such as NGOs and local groups, and it has developed the Danone Ecosystem Fund to support the partners of Danone's ecosystem especially in developing countries (farmers, suppliers, subcontractors, transport partners, distributors, etc.)

Within the Danone Ecosystem Fund framework, Danone Egypt partnered with CARE International (CARE) to create the 'Milk Collection Communities Egypt (MCCs)' project to empower small milk producers through building their capabilities and training. In Egypt, the production of milk is realised mostly by small farmers who on their own have little production capacity, but counted as one make up 80% of Egypt's total milk production. Milk prices are low and as a result farmers do not have the resources to improve the quality of the milk that they produce.

The goal of the MCCs project was to improve the quality of the milk produced by small farmers. At the same time, the model allowed Danone to secure high quality milk production for their products. Farmers living close by to the MCCs deliver the milk directly, while collectors pick up the milk from farmers living further away. The MCCs conduct a quality check of the milk and provide training to the farmers to help them to improve their milk quality. The centres also provide a range of services, such as feeding and veterinary services, to make sure hygiene standards meet Danone's requirements.

Between 2011 and 2013, a total of six MCCs were set up in Beni Souif, Al Fayoum and Al Beheira. In January 2014, phase II began and is planned to take place for a further three years. This new project aims to strengthen the old MCC's and establish fourteen new MCC's, reaching more than 5,000 farmers and creating more than 132 jobs.

BENEFITS OF THE PARTNERSHIP BETWEEN CARE INTERNATIONAL AND DANONE

The development of the MCCs has provided competitive advantages for Danone while at the same time contributing to CARE's mission to fight poverty and achieve social justice.

Danone Egypt has been able to strengthen its relationship with local milk suppliers by capitalising on CARE's positive reputation amongst the rural communities in Egypt. Through the project, Danone Egypt has secured up to 13% of its fresh milk needs used for its dairy products with traceable quality and hygiene.

The partnership has had a positive social impact, since the MCCs created more than 132 job opportunities and addressed the chronically high unemployment rate in rural Egypt. More than 4,287 small farmers were empowered through increased sustainable revenue streams and capability building by CARE, along with more than 3,033 women involved in the milk production.

The partnership between Danone Egypt and CARE is a successful example of two organisations joining efforts, knowledge, and resources to maximise social and economic impact. Through the partnership, a sustainable ecosystem around the supply chain of milk production has been established, ensuring high-quality dairy products for Danone's customers and at the same time, offering economic opportunities for milk producers.



Photo: ©Danone

OVERVIEW ON CASE STUDIES

The table below gives an overview of the case studies mentioned in this guide, including links, if further information is required.

COMPANY/INITIATIVE	COUNTRY/REGION	RELEVANCY	FURTHER READING
ALPINA	Colombia/ Latin America	Sourcing and Production	Base of the Pyramid 3.0: Sustainable Development Through Innovation and Entrepreneurship
BRITANNIA	India/Asia	Organisation, Product design and Packaging	Britannia, Naandi and GAIN: A Public-Private Partnership for Delivering Nutrition through Fortification in India
BONAFONT (DANONE)	Mexico/Latin America	Waste and Sustainable Consumption, Partnerships and Ecosystem	Guide for the development of inclusive business based on closing the life-cycle of waste
COCA-COLA/COLECTIVO	Brazil/Latin America	Waste and Sustainable Consumption	Thirsty for More - Coca-Cola's Shared Value Approach with Communities Across Brazil
COCA-COLA/COLECTIVO FLORESTA	Brazil/ Latin America	Sourcing and Production	Coletivo: Supporting Recycling Cooperatives in Becoming Self-Sustaining Businesses
COFFEE CIRCLE	Ethiopia / Africa	Sourcing and Production	Good Coffee - Good Conscience
COLGATE/ACTIVE NEEM SALT TOOTHPASTE	India/Asia	Product Design and Packaging	Colgate goes disruptive for Active Salt Neem toothpaste
DANONE/DANONE ECOSYSTEM FUND	Global	Organisation, Partnerships and Ecosystem	Danone écosystème - Looking back at 5 years of Commitment to the Danone Ecosystem
DANONE	El Salvador/ Latin America	Distribution	Best Practices for BoP Door-to-Door Distribution
DANONE & CARE/MCC	Egypt/MENA	Partnerships and Ecosystem, Sourcing and Production	Marketing Nutrition for the Base of the Pyramid - Introducing successful practices for improved access to nutritious complementary foods: Key lessons from case studies
DANONE GRAMEEN/ GAIN	Bangladesh/Asia	Product Design and Packaging, Sourcing and Production	Grameen Danone Foods Ltd
ENGRO FOODS	Pakistan/MENA	Sourcing and Production	Marketing Mix of EngroFoods
FLORALP	Ecuador/Latin America	Sourcing and Production	Inclusion is 'business as usual' for Ecuadorian family-owned dairy company Floralp
FUNDACIÓN NUTRESA	Colombia/Latin America	Distribution, Waste and Sustainable Consumption	Guide for the development of inclusive business based on closing the life-cycle of waste
GAIN, TETRA PAK & REYBANPAC	Ecuador/Latin America	Communications and Marketing Partnerships and Ecosystem	Tetra Pak Magazine Theme: Deeper in the Pyramid No. 104 2015
GIZ/BMZ	Ghana, Kenya, Tanzania, Bangladesh/ Africa & Asia	Product Design, Partnerships and Ecosystem	Affordable Nutritious Foods for Women (ANF4W)
GROUPE DÉLICE	Tunisia/MENA	Sourcing and Production	Groupe Délice
HENKEL	Brazil/Latin America	Product Design and Packaging	Henkel Sustainability Report 2015
HONEY CARE AFRICA	Kenya/ Africa	Sourcing and Production	Micro-franchising: Development of a Micro-franchising System in Mexico
KRAFT HEINZ COMPANY	Global	Sourcing and Production	Heinz Sustainable Sourcing

COMPANY/INITIATIVE	COUNTRY/REGION	RELEVANCY	FURTHER READING
LA LAITERIE DU BERGER	Senegal/Africa	Partnerships and Ecosystem	Le produit Dolima Doolé
LIVING GOODS	Uganda, Kenya, Myanmar and Zambia/Africa & Asia	Communications and Marketing, Partnerships and Ecosystem	Living Goods - A Sustainable System for Fighting Poverty and Disease
L'ORÉAL	India/ Asia	Product Design and Packaging	L'Oréal unveils new research & innovation center in India
MANSOUR GROUP	Egypt/Mena	Distribution	Egypt FoodRetail Sector
NATURA	Brazil/Latin America	Product Design and Packaging, Sourcing and Production	Annual Report 2015 - Natura Brasil
NESTLÉ/ATÉ VOCÊ	Brazil/Latin America	Distribution	Nestlé launches first floating Supermarket in the Brazilian North Region
NESTLÉ	Madagascar	Sourcing and Production	Sourcing Vanilla
NIKOBOK	Senegal/Africa	Distribution	La start-up africaine de la semaine : comment Niokobok met l'e-commerce au service de la diaspora sénégalaise
NOVOZYMES	Global	Product Design and Packaging	The Novozymes Report 2015
P&G	Egypt/MENA	Waste and Sustainable Consumption, Partnerships and Ecosystem	TWO in ONE: A model from Cairo capturing CSR and Social Entrepreneurship Together, "Mokattam Recycling School"
PEPSICO/ "LEHAR IRON CHUSTI"	India/Asia	Product Design and Packaging	PepsiCo's Health Push - Global Nutrition Unit Sells 'Good for You' Products in India
PROOFS	Bangladesh/Asia	Waste and Sustainable Consumption	How the PROOFS team set out to find Bangladesh's Jamie Oliver
SABMILLER/ 4E CAMINO AL PROGRESO	Colombia, Peru, Ecuador, Panama, Honduras, and El Salvador/ Latin America	Product Design and Packaging	Empowering Small Businesses in Corporate Value Chains: The Case of SABMiller's 4e Camino al Progreso Program
SARI SARI	Philippines/Asia	Distribution	Sari-Sari stores: Maximizing distribution opportunities
TETRA PAK/DEEPER IN THE PYRAMID (DIP) BUSINESS UNIT TETRA PAK/ LENU TRI	Global	Organisation, Partnerships and Ecosystem	Tetra Pak Magazine Theme: Deeper in the Pyramid No. 104 2015
UNILEVER/SUSTAINABLE LIVING PLAN	Global	Organisation	Unilever Sustainable Living Plan, Mobilising Collective Action: Summary of progress 2015
UNILEVER HINDUSTAN LIMITED (HUL)/ PROJECT SHAKTI	India/Asia	Distribution	Hindustan Unilever: Scaling a cost-efficient distribution and sales network in remote markets
UNILEVER HINDUSTAN LIMITED (HUL)/SURF EXCEL QUICK WASH	India/Asia	Waste and Sustainable Consumption	Hindustan Unilever Limited - Surf Excel
UNILEVER/ZEINAB PROJECT	Egypt/MENA	Distribution	Expanding opportunities on our value chain

This section provides an overview of international and national organisations and networks operating in the BoP market and consumer goods industry. A list of relevant books, articles, and websites can help practitioners to dive further into the topics.

A wide range of national and international institutions can support efforts for companies that would like to enter BoP markets in the area of FMCG products. This section highlights a number of organisations and institutions that offer support in the areas of implementation and financing. The list is not exhaustive, but rather provides a general overview of resources for FMCG and inclusive business for further exploration. Additionally, a list of suggested further reading provides links to useful documents and websites.

IMPLEMENTATION SUPPORT

This section includes organisations working globally or locally within inclusive business in the area of FMCG products. Organisations can be entry points for knowledge, support, networks, or partnerships in different parts of the value chain.

BUSINESS SUPPORT AND NETWORK SERVICES

Business Call to Action

Launched in 2008, the Business Call to Action (BCTA) aims to accelerate progress in achieving the Millennium Development Goals (MDGs) by challenging companies to develop inclusive business models that offer the potential for both commercial success and development impact.

➔ www.businesscalltoaction.org

Business Fights Poverty

Business Fights Poverty is a network of professionals harnessing business for social impact. It was founded in March 2008 to pioneer new ways of fighting poverty, utilising economic and business opportunities by groups and individuals.

➔ www.businessfightspovetry.org

BoP Innovation Centre (BoPInc)

BoPInc provides services and tools to help develop inclusive businesses within the 'Base of the Pyramid'. Their mission is to develop new business activities along with entrepreneurs and companies that are aimed at delivering value to and with communities in the BoP.

➔ www.bop-inc.nl

Global Alliance for Improved Nutrition (GAIN)

GAIN is an international organisation that was launched by the UN in 2002 to tackle human suffering caused by malnutrition. The organisation is delivering improved nutrition to an estimated 892 million people in more than thirty countries, around 350 million of whom are women and children.

➔ www.gainhealth.org

IDEO

This organisation, based in USA, seeks to bring human-centered design to people facing poverty and works with non-profit organisations, social enterprises, and foundations to create solutions (also mobile based) to poverty-related challenges.

➔ www.ideo.org

Inclusive Business Action Network (IBAN)

IBAN is a multi-stakeholder network promoting inclusive business globally and supporting the scale and replication of inclusive business models. It engages all different types of stakeholders and 'connects the dots' between the vast number of businesses, existing initiatives, networks, investors and other actors from the global inclusive business community. To enable successful business models and partnerships, IBAN creates and shares market insights as well as best practices and brings together relevant parties by offering peer-learning, networking and information spaces.

➔ www.ib-an.net

NextBillion

Launched in May 2005, NextBillion is a community of business leaders, social entrepreneurs, NGO managers, policy makers, academics and others exploring the connection between development and enterprise. to create a sustainable future for business, society, and the environment.

➔ www.nextbillion.net

Responsible & Inclusive Business Hubs (RIBH)

The RIBHs serve as regional focal point for companies and startups. They give advice regarding the implementation and mainstreaming of inclusive business and responsible business in Southeast Asia and the MENA region. They provide information and contacts and have implementation know-how and extensive networks related to inclusive business.

➔ www.giz.de/Wirtschaft/de/html/2398.html

SUN Business Network

The SUN Business Network aims to harness the expertise, reach, and market impact of the private sector to improve nutrition for consumers. Globally, the SUN Business Network is managed by GAIN and WFP and further supported by an advisory group comprised of senior business leaders.

➔ www.sunbusinessnetwork.org

The Consumer Goods Forum

The Consumer Goods Forum is a global industry network that is driven by its members. It brings together the CEOs and senior managers of some 400 retailers, manufacturers, service providers, and other stakeholders from 70 countries.

➔ www.theconsumergoodsforum.com

The World Business Council for Sustainable Development (WBCSD)

WBCSD is a CEO-led organisation of some 200 forward-thinking global companies. It is committed to galvanising the global business community to create a sustainable future for business, society, and the environment.

➔ www.wbcscd.org

DATA AND MARKET INSIGHTS

Practitioner Hub for Inclusive Business

The Practitioner Hub is an online platform that provides practical information and resources to the practitioners and facilitators of inclusive business. It provides a space for practitioners to connect, share experiences, and gain new insights to help their inclusive business ventures grow.

➔ www.inclusivebusinesshub.org

FSG

FSG is a mission-driven consulting firm supporting leaders in creating large-scale, lasting social change. It seeks to help foundations, businesses, non-profit organisations, and governments accelerate progress by re-imagining social change.

➔ www.fsg.org

Euromonitor

Established in 1972, Euromonitor International is a company specialising in strategy research for consumer markets. The company provides data, analysis, and market research on products and services for every region, country, category, and channel.

➔ www.euromonitor.com

World Development Indicators (WDI)

WDI is a collection of development indicators produced by the World Bank, compiled from officially recognised international sources. It presents global development data and includes national, regional, and global estimates.

➔ <http://data.worldbank.org/data-catalog/world-development-indicators>

Global Consumption Database

The Global Consumption Database is a one-stop source of data on household consumption patterns in developing countries.

➔ <http://datatopics.worldbank.org/consumption>

World Resources Institute

WRI is a global research organisation that collects data on issues at the intersection of environment and development, including cities and housing.

➔ www.wri.org

MULTILATERAL ORGANISATIONS

Asian Development Bank (ADB) – Inclusive Business Initiative

The Asian Development Bank has developed an inclusive business initiative supporting inclusive business in Asia and the Pacific through two types of technical assistance projects: "Promoting Inclusive Growth through Business Development at the Base of the Pyramid" and "Inclusive Business Support".

➔ <https://www.adb.org/themes/social-development/inclusive-business>

Inter-American Development Bank (IDB) – Opportunities for the Majority

The IDB Group's 'Opportunities for the Majority' (OMJ) invests in innovative business models that provide high-quality goods and services for low-income populations in one of the IDB's twenty-six borrowing member countries, located in Latin America and the Caribbean.

➔ <http://www.iadb.org/en/resources-for-businesses/financing-for-bop-businesses-in-latin-america,5764.html>

International Finance Corporation (IFC) – Inclusive Business

IFC invests in companies with inclusive business models, offering goods, services, and income opportunities to men and women at the base of the economic pyramid.

➔ www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Inclusive+Business

The International Labour Organization (ILO)

ILO seeks to advance opportunities for women and men to obtain decent and productive work where freedom, equality, security, and human dignity prevail.

➔ www.ilo.org

United Nations Development Program (UNDP) – Growing Inclusive Markets

The Growing Inclusive Markets (GIM) initiative is a UNDP-led global, multi-stakeholder research and advocacy initiative that seeks to understand, enable, and inspire the development of more inclusive business models around the world, that can help to create new opportunities and better lives for many of the world's poor.

➔ www.undp.org/content/undp/en/home/ourwork/funding/partners/private_sector/GIM.html

Food and Agriculture Organisation of the United Nations (FAO)

The FAO is a United Nations agency that leads international efforts to defeat hunger.

➔ www.fao.org/home/en

United Nations Industrial Development Organisation (UNIDO)

UNIDO is the specialised agency of the United Nations that promotes industrial development for poverty reduction, inclusive globalisation, and environmental sustainability.

➔ www.unido.org

The World Food Program

The World Food Program is the world's largest humanitarian agency fighting hunger worldwide. WFP is part of the United Nations system and is voluntarily funded.

➔ www.wfp.org

USAID

USAID is a leading U.S. Government agency that works to end extreme, global poverty and enable resilient, democratic societies to realise their potential.

➔ <https://www.usaid.gov>

FURTHER READING

These publications can provide a greater understanding of the FMCG sector and the BoP market. While some are rather general, others have a focus on specific issues and/or regions. Most of the documents listed can be found on the internet by entering the document title into a standard search engine.

General

Casado Cañeque, F. & Hart, S. (2015) · *Base of the Pyramid 3.0.*

IFC (2014) · *Shared Prosperity through Inclusive Business – How Successful Companies Reach the Base of the Pyramid*

Inclusive Business Section of the World Business Council for Sustainable Development www.inclusive-business.org

McKinsey · *Consumer Packaged Goods*

Ted London (2016) · *The Base of the Pyramid Promise – Building Businesses with Impact and Scale*

The Practitioner Hub for Inclusive Business
www.inclusivebusinesshub.org

Trends and Market Insights

_ GLOBAL

Deloitte (2015) · *Consumer Product Trends – Navigating 2020*

KPMG (2014) · *Sector Report – Fast-Moving Consumer Goods in Africa*

McKinsey (2011) · *Consumer Packaged Goods – Global Growth Compass*

McKinsey (2010) · *Trends that will shape the consumer goods industry*

UNDP & KPMG (2016) · *SDG Industry Matrix – Food, Beverage and Consumer Goods*

GIZ (2011) · *Fast growth and big impacts: How Emerging Market Multinationals are advancing sustainable development*

_ ASIA

PricewaterhouseCoopers (2014) · *2015-16 Outlook for the Retail and Consumer Products Sector in Asia*

_ AFRICA

Deloitte (2014) · *The Deloitte Consumer Review – Africa: A 21st Century Review*

Product Design and Packaging

_ FOOD FORTIFICATION

WHO & FAO (2006) · *Guidelines on food fortification with micronutrients*

_ MARKET RESEARCH

BoPInC (2012) · *Inclusive marketing research*

_ SOURCING AND PRODUCTION

GIZ (2012) · *Growing Business with Smallholders – A Guide to Inclusive Agribusiness*

Distribution

_ GLOBAL

AcumenFund (2008) · *Microfranchising at the Base of the Pyramid*

Deutsches Institut für Entwicklungspolitik (DIE) (2016) · *Discussion Paper: Making Retail Modernisation in Developing Countries Inclusive*

MIT – Practical Impact Alliance (2015) · *Best Practices for BoP Door to Door Distribution*

Nielsen (2016) · *Successful Strategies in Traditional Trade Around the Globe*

_ AFRICA

Nielsen (2015) · *Africa: How to Navigate the Retail Distribution Labyrinth*

_ ASIA

Nielsen (2015) · *Maximising Traditions: The Shop. Shopper. Shopkeeper*

Communications and Marketing

A.T. Kearney (2011) · *How the World's 5 Billion Low-Income Consumers Decide What to Buy*

Payaud, Marielle A. (2014) · *Marketing Strategies at the Bottom of the Pyramid: Examples from Nestlé, Danone and Procter & Gamble*

Simanis, Erik (2009) · “At the Base of the Pyramid. When selling to poor consumers, companies need to begin by doing something basic: They need to create the market” in *Wall Street Journal*

Simanis, Erik & Duncan, Duke (2014) · “Profits at the Bottom of the Pyramid” in *Harvard Business Review*

_ FOOD FORTIFICATION

Hystra (2014) · *Marketing Nutrition for the Base of the Pyramid – Introducing successful practices for improved access to nutritious complementary foods: Key lessons from case studies*

WHO (2016) · *Marketing of breast-milk substitutes: National implementation of the international code*

_ LATIN AMERICA

Barki, Edgard & Parente, Juracy (2013) · *Consumer Behaviour of the Base of the Pyramid Market in Brazil*

Waste and Sustainable Consumption

WWF (sponsored by Credit Suisse) (2016) · *Asian Fast Moving Consumer Goods: A Sustainability Guide for Financiers and Companies*

UNEP/Wuppertal Institute Collaborating Centre on Sustainable Consumption and Production (CSCP) 2010 · *How can Business Encourage Sustainable Consumption in Base of the Pyramid Markets?*

GIZ (2015) · *Guide for the development of inclusive business based on closing the life-cycle of waste*

Organisation

Peter Drucker (2002) · *Managing in the Next Society*

McKinsey (2012) · *Making innovation structures work*

Partnerships and Ecosystem

GAIN (2016) · *Strengthening the Enabling Environment for Scaling-Up Access to Good Quality Complimentary Foods*

Business Action for Africa, Harvard Kennedy School and The Partnering Initiative (2013) · *A New Global Partnership with Business: building a post-2015 development framework to achieve sustainable prosperity in Africa*

Tennyson, R. (2005) · *The Brokering Guidebook, Navigating effective sustainable development partnerships*

UNDP (2008) · *Creating Value for All: Strategies for Doing Business with the Poor*

1 IFC (2014). IFC Shared Prosperity through Inclusive Business. Available at http://www.ifc.org/wps/wcm/connect/bf203d80463da1548c90bd9916182e35/SharedProsperitythruBiz_FINAL.pdf?MOD=AJPERES

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Published by

Inclusive Business Action Network
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Printed by

GIZ Bonn

Photo credits

Cover photo: ©World Bank
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Publication Date

November 2016



4.5 billion people living at the Base of the Pyramid (BoP) have a combined spending power of \$5 trillion dollars. Fast Moving Consumer Goods (FMCG) are responsible for a large share of this spending in low-income communities. At the same time, companies have the possibility to create a positive impact on these communities by developing products and services that integrate and impact livelihoods in a sustainable and inclusive way.

This guide is targeted at reaching the global community of inclusive business players who have an interest in the FMCG sector. It makes the case for the FMCG Industry at the BoP and dives into the most relevant parts of the FMCG value chain as well as the organisation itself and the surrounding ecosystem. Presenting lessons learned and proposing innovative approaches, the guide provides practical advice for organisations on how to develop and strengthen their inclusive business model.