Serving lower-income consumers: the business and nutrition opportunity

Lower-income consumers represent a large market, estimated at 4 billion people worldwide. Many low-income consumers' diets are lacking in food diversity and quality. There is a business opportunity for private companies to help improve this by providing safe, nutritious foods that meet customers' needs at an affordable price – as long as they do so in ways that are profitable and financially sustainable for the company.

Business Model Adaptations for Egg Products

WHY EGGS?

Eggs can be sources of high-quality proteins, essential fatty acids, and essential micronutrients like zinc, vitamin A, folate, selenium, choline, and B vitamins. Given their nutrient density, even a small amount of egg can do a lot to make a diet more nutritious and reduce the risk of illnesses related to micronutrient deficiency, such as vision problems related to inadequate vitamin A consumption. Eggs are also easy to prepare in a variety of ways. However, they are often relatively expensive and under-consumed in many low- and middle-income countries.

WHAT ARE SOME APPROACHES USED IN THE EGG SECTOR?

Cross-subsidisation – One product is sold with a larger margin, with excess profit used to subsidise another product sold at a smaller margin. Firms can sell the same product to different consumers (e.g., export, institutions, supermarkets), or different product lines to different consumers, at different prices.
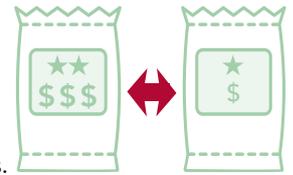
Example:
Danone Milkaut, Indonesia – Marketed a premium fortified milk-based beverage in an appealing, tiger-shaped bottle; those profits enabled selling a basic version at about half the price (with a smaller margin).

Quality segmentation – Firms can grade a product by quality, directing the lower-quality but still useable product to the lower-income market at a lower price.
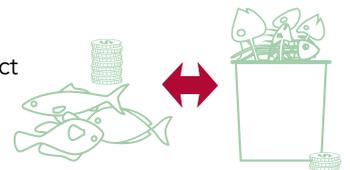
Example:
Some egg producers in Rwanda provided some low-quality eggs – like those that are small, cracked, discoloured, or dirty – to employees for free and sold the remainder to the local low-income community at half the price of normal eggs. High-quality eggs were sold to higher-income urban markets.

Distribution hubs – Aspects of distribution are grouped together instead of done separately, to improve efficiency and cost-sharing, reducing costs overall.

Example:
Copia, Kenya – Rural customers purchase various food and non-food goods through local sales agents, paying in cash or with mobile money and obtaining assistance as needed. Each order is grouped with others in the area to be fulfilled in one shipment to the agent.

Bespoke last-mile distribution network – A new last-mile distribution network, specific to a company or product, can be created to reach lower-income consumers. This involves recruiting and training a new workforce of distribution/sales agents; equipping them; and providing appropriate pay, incentives, and supervision.

Example:
FanMilk, West Africa – Sold frozen dairy desserts through about 25,000 mobile street vendors who reach lower-income urban and peri-urban areas, including customers who do not have freezers and thus could not store such frozen foods at home.

Support existing retail networks – Retailers can be supported through micro-distribution models, capacity building, marketing support, or access to financing. This can incentivise selling a new product and improves capacity to do so.

Example:
Alqueria, Colombia – Targeted retailers in small towns and remote areas by deputising a local resident as a distributor, using his/her home as a warehouse for its milk, and financing a small delivery vehicle adapted to rural conditions.

Direct sales in underprivileged areas – Undertaking retail sales directly can help cut out the costs of intermediaries and allow companies to more directly control pricing. When done in low-income settings with limited access to affordable nutritious foods, this can help to reach lower-income consumers.

Example:
An egg producer – in Mozambique offered direct-to-consumer sales from the production site, making eggs available more cheaply (15% below market price), in a place that consumers can easily access on foot or bike.

WHAT ARE SOME SPECIAL CONSIDERATIONS FOR THE EGG SECTOR?

Eggs can pose food safety risks, particularly when eaten raw or when the eggs in question are damaged or poorly stored, so firms should be careful when applying new business model features to ensure these do not compromise safety.

Eggs are also delicate to transport, and improper handling can lead to high levels of loss, so it is important to pay close attention to their transport, handling, and storage.

To Learn More:

Nordhagen, S, Demmler KM. 2023. How do food companies try to reach lower-income consumers, and do they succeed? Insights from a systematic review. *Global Food Security*. Doi: 10.1016/j.gfs.2023.100699.

MozAgri: https://www.mozagri.com/index.php/blog/goat

Copia: https://copiaglobal.com/copia-impact/

Berthault L, Darodes A, McGrath LK. 2022. Leveraging Direct Sales Forces for Impact at the Last 100 Meters: Lessons learned from practitioners. Paris: Hystra.

Gaertner K, Ishikawa E. Shared Prosperity through Inclusive Business: How Successful Companies Reach the Base of the Pyramid. Washington, DC: International Finance Corporation (IFC); 2014.

While we hope this offered useful advice, users should always consider their company's circumstances when adopting new approaches – and make sure that they are used as part of a broader viable business model. The examples cited come from a 2022 document review and may not be fully up to date.

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