



Using Small Package Sizes

BUSINESS MODEL FEATURES FOR REACHING LOWER-INCOME CONSUMERS WITH NUTRITIOUS FOODS

The **GAIN Business Model Research Project** aims to identify promising business models to reach lower-income consumers with nutritious foods. This series of briefs summarises the results of the project's systematic review of existing research and evidence to identify these approaches.



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.

HOW DOES IT WORK?

One of the simplest ways to alter affordability is to sell products in small package sizes. This is probably the most common strategy for reaching lower-income consumers, used by many companies for many different types of (food and non-food) products.



This strategy is simple: it responds to the limited cash on hand (and, in some cases, storage space) of lower-income consumers by providing a small quantity of the product at a lower price than the normal package size. It thus helps manage very low or variable levels of income.

It can also have other advantages for consumers: allowing for experimentation with new products or brands, enabling purchase of a variety of products, enabling purchase of products requiring refrigeration/freezing by those without a refrigerator/freezer, improving convenience, and taking up less storage space.

For firms, single-serve packages can lure new consumers, help promote the brand, avoid increasing prices when ingredient prices increase, and make a lower-cost version available without diluting the brand's image.

There are, however, drawbacks to this approach. For the consumer, single-serve packages often entail higher per-unit costs, as more labour, packaging, and handling are needed per unit. Small packages also require more frequent purchasing. They may also come with a larger environmental impact, particularly for single-use plastic packages.

WHAT ARE SOME EXAMPLES?

Nestlé, global

In the late 2000s, consumer-products giant Nestlé launched a series of 'popularly positioned products' to reach lower-income consumers, described as 'affordably priced, nutritionally enhanced, appropriately formatted and easily accessible for emerging consumers.' Examples include small sachets of dried milk and Maggi tomato bouillon.

Unilever, Africa

Unilever's 'Africa Popular Foods' initiative worked with local manufacturers in Africa to produce and market affordable fortified foods, such as iodised salt, many with small-sized packaging.

Dairy firms, East Africa

Many dairy firms in East Africa sell milk and yoghurt in single-serving sachets or plastic cups. This can be particularly effective at expanding access to dairy when it is used for ultra-high-temperature (UHT) pasteurised products that do not require cold storage.

FullSpoon Tamuu Nut, Kenya

This Kenyan peanut butter processor sold its peanut butter in small 40-gram sachets, making it so that it could be consumed as a snack, particularly for children, at a cheap price.

Bakhresa Grain Milling, Malawi

This miller used the 'small packages' strategy via a business-to-business approach. It provided affordable flour to small bakery businesses by selling it in small packages (by wholesale norms) of 5 to 10 kg.





WHAT SHOULD A FIRM CONSIDER?

Firms should consider the potential environmental impacts of single-use packaging.

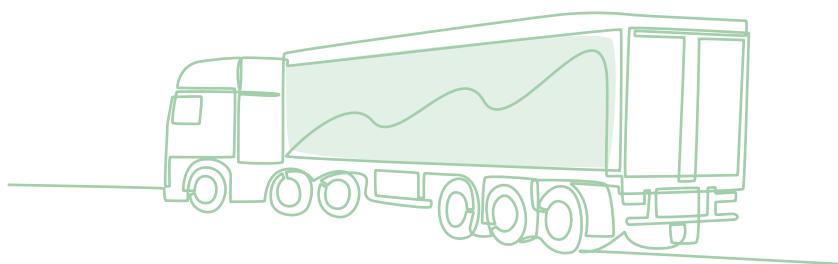
Sustainable packaging (e.g., reusable or biodegradable materials) can be an option, but firms need to carefully examine how this will impact the price and shelf-stability of the product.

From a nutrition perspective, a consequence of reducing the package size is that it reduces the nutrients available per unit sold. It is thus important to ensure the package size is large enough to make an adequate nutritional contribution to the diet. Small packages may be most appropriate for products that are nutrient-dense, as only a small amount is needed for a nutritional benefit.

This approach must be aligned to customer needs. In some settings, many lower-income people are salaried employees and have sufficient income soon after receiving their salary to buy planned purchases (like basic foods) in bulk, saving money per-unit. Consumers may also prefer larger packages if they see them as a sign of value-for-money or if they like to re-use packaging for other purposes. In such cases, single-serve packages may not be as popular.

HOW TO DEPLOY IT?

To deploy this approach, an entrepreneur could start by understanding the amount of product a customer usually uses and what they would be willing to pay for that specific amount. Next, the entrepreneur could consider different options for how that amount could be packaged. The entrepreneur could then examine the costs associated with each of those packaging options (including any required changes to the production line as well as labour, packing, and transport costs). Comparing these costs to consumers' willingness to pay for that package size would reveal if there was a viable business model to be found. If so, the entrepreneur would also need to consider how to market the product to make it visible and attractive to the consumer.



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.

Nestlé PPP Strategy: fact sheet. https://www.nestle.com/sites/default/files/asset-library/documents/r_and_d/news/ppp-fact-sheet.pdf

Nelson J. *Business as a Partner in Overcoming Malnutrition: An Agenda for Action*. Cambridge, MA: Harvard Kennedy School; 2007.

IFC. *G20 Challenge on Inclusive Business Innovation*. Washington, DC: International Finance Corporation (IFC); 2012.

GAIN. *The Small and Mighty Enterprises Feeding Africa and Asia*. <https://www.gainhealth.org/sites/default/files/publications/documents/the-small-and-mighty-enterprises-feeding-africa-and-asia.pdf>

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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