Using Small Package Sizes

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.

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.
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:

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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