

Selling in Flexible Quantities and Cutting Packaging

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 option for cutting product costs is to reduce the cost of packaging. Packaging can be a considerable share of a product's price, particularly in settings where it must be imported or where the prices of food ingredients and other inputs like labour are low relative to that of packaging. Packaging can also increase transportation costs, as it adds weight and bulk. It is estimated that packaging-free models can make products **30-50%** cheaper than branded packaged goods.



When selling food products loose, as opposed to in packages, companies can also allow customers to purchase flexible quantities instead of a 'standard' unit. This has the added advantage of enabling the customer to buy very small amounts (at lower cost).

Instead of cutting packaging completely, firms can also consider using reusable packaging, which may be cheaper than disposable or single-use packaging. Reducing the environmental impacts of packaging is also an advantage of both reusable packaging and no-packaging models.

WHAT ARE SOME EXAMPLES?

Dairy companies, Kenya

Many dairy companies in Kenya have used 'milk ATMs' filled with pasteurised, refrigerated milk that allow customers to choose the amount of milk they want and pay accordingly. A cup of milk can cost as little as 5 US cents. Such models have been very popular in Kenya and elsewhere in East Africa.

Some Kenyan dairies also distribute their milk to low-income neighbourhoods in large jugs, enabling consumers to bring their own reusable container to the store to fill up their own containers.



Chicken companies, East Africa

In many settings in East Africa, it is traditional to sell a chicken whole (and often alive). However, some innovative companies have begun to sell only parts of a chicken – such as just the feet, the head, or the drumsticks. This can enable customers to purchase some chicken, even a small amount, for as low as about 0.50 USD. Similar approaches are used for fish.

Coca Cola, global

In many low-income countries, drink manufacturers like Coca-Cola use reusable glass bottles. After the drink is consumed, the bottle is returned to the company's bottling plant for cleaning and reuse – usually facilitated by a deposit scheme. In this set-up, the business retains the cost of the packaging (and cleaning it between uses), but this is reduced due to the reusable nature of it. (While sugary drinks are not nutritious, similar approaches could be used for nutritious alternatives.)



WHAT SHOULD A FIRM CONSIDER?

Flexible-quantity dispensers like milk ATMs can be used with other liquids (e.g., cooking oil), powders, and dry goods (e.g., flour), but they become more complicated with more complex products, like porridge or yoghurt – for which machinery may not be available or may be too costly to maintain.

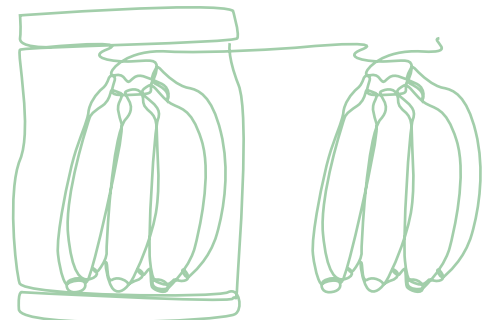
Dispensers and other storage options for loose goods need careful cleaning and monitoring to avoid contamination and minimise food safety risks and ensure that the product quality is consistent.

Some customers, particularly in settings where adulteration or mislabelling is common, may not trust unpackaged goods' quality. Firms should also consider how they can preserve the labelling information that would be available on a packaged product (e.g., safety certifications, information on fortification), such as by posting such information at the point of sale or providing it online.

For reusable packaging, it is important to educate consumers on which containers are appropriate for storing the product and how to clean them.

HOW TO DEPLOY IT?

To deploy this approach, an entrepreneur could start by understanding what dispensers and storage options they could use to sell their product if they were to remove the packaging, and if reusable packaging is an option. Next, the entrepreneur could examine the costs associated with each of those options, including costs of monitoring quality, cleaning, and (in the case of reusable packaging) collecting empty packages. Comparing these costs to the costs of the current model, considering whether customers would expect to pay less for a packaging-free or reusable-packaging option, would reveal if there is a viable business model to be found. If so, the entrepreneur would also need to consider how to market the product to make the new version acceptable to the customer, as well as how to educate them on appropriate storage options for the product in the home.



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.

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

Henson S, Agnew J. Are market-based solutions a viable strategy for addressing micronutrient deficiency? Lessons from case studies in sub-Saharan Africa and South Asia. *Dev Policy Rev*. 2021 Mar;39(2):233–49.

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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