



2SCALE

Efficient base of the pyramid marketing and distribution strategies

Photo: IFDC | Inganci Tom Brown market activation, Nigeria

Janet Macharia and Kwame Pipim

2SCALE consortium



Editing



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KEY MESSAGE

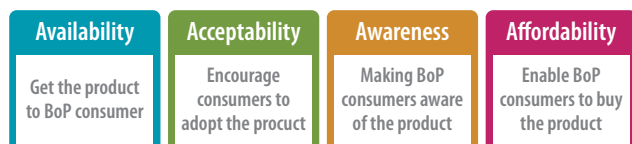
Reaching base of the pyramid (BoP) consumers requires the adaptation of marketing and distribution strategies to fit the needs and requirements of this market segment. 2SCALE partners have experience in targeting higher-end markets with their products rather than BoP consumers. However, the program supported its partners to establish BoP marketing and distribution pilots, which offered a good opportunity to experiment with new products and strategies and resulted in interesting business opportunities.

What is marketing and distribution for the base of the pyramid?

Base of the pyramid (BoP) marketing and distribution strategies provide business opportunities to firms, while also improving the food and nutrition security of an important population segment. BoP consumers are usually not perceived and targeted as potential consumers. Companies do not usually perceive of this market segment as an opportunity for generating profit due to their relatively low purchasing power. Marketing for the BoP is significantly different from conventional marketing; BoP consumers have unique characteristics and markets largely operate informally. A typical BoP marketing approach requires a conscious effort to reduce the cost of the final product, while ensuring proximity and convenience to consumers.

This means tailoring solutions to the usual 4As approach to the specific needs of the BoP market: 'Awareness' – making the product known, 'Acceptability' – convincing the consumer to adopt the product, 'Availability' – taking the product to the consumer, and 'Affordability' – increasing the purchase ability of the consumer.

Figure 1 | 2SCALE BoP model for marketing and distribution strategy implementation – the 4As



Why marketing and distributing to the BoP is important

BoP consumers, characterized by their low income, form the largest consumer segment – they are also the most difficult to access. They represent an important market for food products. According to the International Finance Corporation (World Bank Group) report, *The Next 4 Billion Market Size and Business Strategy at the Base of the Pyramid*, the BoP food market size in Africa is \$215 billion* (Hammond et al. 2007). This means there is huge untapped potential to provide nutritious food products to BoP consumers.

2SCALE BoP value chain approach

A common driver across all 2SCALE value chain development approaches is the market, whether it is input value chains with thousands of smallholder farmers as end-buyers, or food value chains targeting rural and urban food consumers. Value chain development with specific attention to BoP consumers is no different and must be market driven to be successful. The difference is that the market opportunity offered by the BoP is not always (fully) recognized by value chain actors. Many of 2SCALE's partners have been serving higher-end markets and do not necessarily know how to reach BoP consumers. BoP marketing and distribution makes use of a large number of potential consumers. While consumers may be buying small quantities of products, the number of consumers and their market share is what drives economies of scale and profits for value chain actors, and this is where the tailored solutions to the 4As come into play.

Initiating BoP marketing with companies/processors

For 2SCALE, partnerships with a BoP component mostly revolve around firms (medium and large), or cooperatives and processing groups, but BoP marketing is not usually their main reason for seeking a partnership in the first place. The businesses currently engaged in BoP marketing were existing partners of 2SCALE, involved

in established public private partnerships (PPPs) that decided to undertake BoP marketing.

Interest in the BoP as food consumers either originates as a result of the partner's initiative (the proactive approach of firms, cooperatives or processors), or is triggered by a needs assessment performed by 2SCALE, which presents product and market options. Needs assessments are undertaken to judge and determine the firms' suitability to operate in the BoP market, and their capacity to handle the necessary investments this entails. The assessment is initiated by 2SCALE with the cooperation of the business partner. It examines the partner's products, target market, human capacity, interest in social – as well as economic – impact and the collective effect of its business operations on the environment. Box 1 presents the results of the Pampaida Groundnut Partnership needs assessment as an example. From the assessment results, 2SCALE assists the business in matching their interests to BoP market opportunities. To move forward, it is essential that the outcomes of the needs assessment answer the needs of both the firm and the market. Moreover, the firm has to be prepared to invest in the implementation of BoP marketing activities, which is one of the basic requirements of 2SCALE partnerships.

Sometimes, firms or cooperatives proactively seek support in developing a marketing and distribution strategy for a nutritious product to BoP consumers (see approach Figure 2). This requires an assessment of whether targeting BoP consumers would be a sensible business decision, considering market suitability, product acceptance and profitability, among other factors. An example of a firm proactively seeking support is the Yedent Agro Group of Companies from Ghana. The company was under contract from the Ministry of Health to supply a fortified maize and cereal blend product called Maisoyforte Tombrown and also sold to consumers on the conventional market. However, with limited attention given to the conventional market and with a strong reliance on a single buyer this was a risky business model, since sales under such a contract could stop unexpectedly. The company therefore decided to explore the BoP market for its Maisoyforte product based on research, as well as their previous marketing experience to the conventional market to diversify their marketing channels.

2SCALE BoP marketing and distribution strategies were first conducted as pilots prior to being scaled-up. BoP pilots involved gathering consumer insights, including an analysis of competitors, the location, economic status (purchasing power) and population of consumers, the level of malnutrition in the area and mitigation measures in place, and finally, perceptions, preferences and attitudes towards the potential product. These insights are then processed

* Estimates may vary according to studies and definition used

BOX 1 | PAMPAIDA GROUNDNUT PARTNERSHIP NEEDS ASSESSMENT RESULTS

The Pampaida Groundnut partnership is driven by small, mostly women-headed, processing firms producing unbranded groundnut oil and cake. The partnership started by focusing on linkages between processors and groundnut farmers, and between farmers and seed producers.

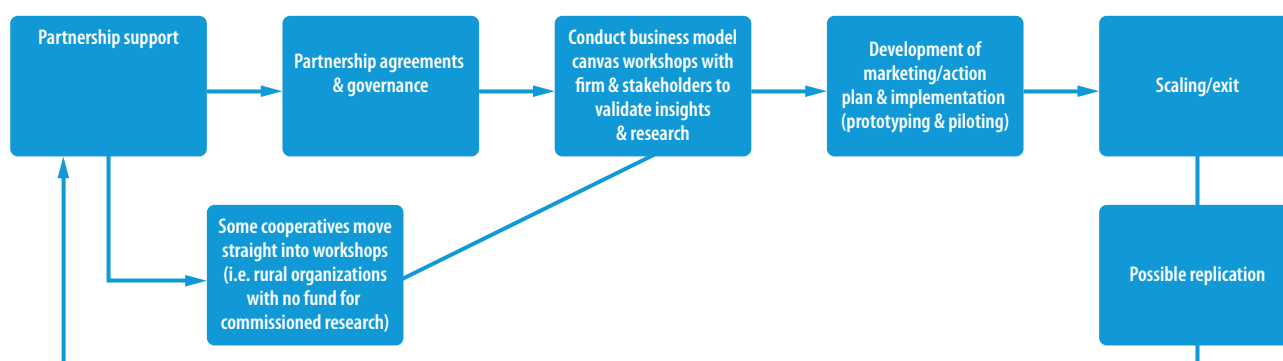
The needs assessment for Pampaida (Kaduna, Nigeria) groundnut processors showed that they had significant capacity (technical know-how) to produce Tom Brown (blended cereal/legume porridge flour). However, it also revealed that the processor group lacked the knowledge and marketing strategy to reach BoP consumers with the Tom Brown product.

The assessment concluded that there was a clear opportunity to offer this product to low income consumers. The targeted area had a large population of farmers and vulnerable children, for whom Tom Brown is an attractive product with the potential to improve health and nutrition. As a result, the partners developed a marketing and distribution strategy for the Inganci Tom Brown product.

Figure 2 | Process for the base of the pyramid marketing and distribution approach pilots

Flow Diagram on 2SCALE's BoP working approach with firms/cooperatives:

2SCALE's BoP working approach is captured broadly under research, strategy, implementation and scaling/exit



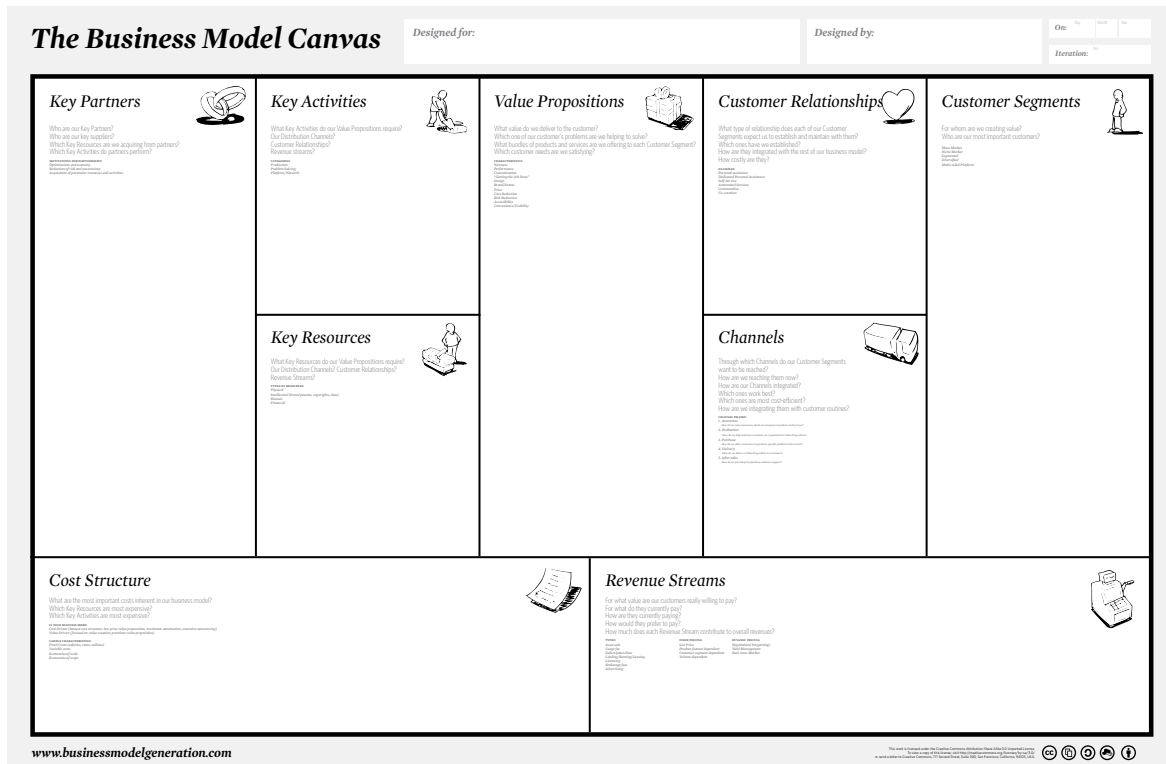
and developed into marketing and distribution strategies. The pilot nature of the approach means that partnership actors are able to identify and select possible strategies through a process of ideation, conceptualization, implementation, experimentation and evaluation. Ideas are generated via a combination of brainstorming, personal experience and analyzing experiences from elsewhere.

The approach is geared towards attending to the needs of an underserved market of low income earners through cost-effective means that translate into positive impacts, both in terms of the profits generated for the business and the nutritious, affordable products developed for consumers. To gain clear insights in order to create innovative marketing and distribution strategies, the pilot phase offers the opportunity for trial and error, where experimentation is key to the development of an effective strategy. Through this iterative process the pilot serves as a learning experience.

The pilot process

The market research aims to identify opportunities for new markets and products and acts as an aid to understanding the BoP market's characteristics, in terms of the core values and risk adversity of consumers. In addition, it reveals BoP consumers' habits, attitudes, beliefs and aspirations related to food consumption and food acquisition. 2SCALE involves a researcher to conduct the market research and confirm that the BoP would work as consumer segment for the company. It is the role of the company to identify from the results the next steps to be taken and define the market strategy. For example, the research looks at whether there are taboos related to particular products or ingredients; and whether the food product is deemed acceptable. Maybe it is seen as only appropriate for sick people, or inappropriate for women and children? It also assesses how consumers buy their food, including location, frequency, packaging, their quality/quantity expectations and budget, among other things. This helps frame the possibilities for products and distribution strategies.

Figure 3 | The Business Model Canvas



The next step **involves strategy development of the business** with its staff, especially the management, and sometimes board members. 2SCALE typically facilitates a workshop bringing these actors together to define the strategy based on the business' core activities. The Business Model Canvas (BMC) (Figure 3) and other strategy tools act as a guide for the strategy development of the business. The outcomes of the strategy development workshop are clear descriptions of the customer, the value proposition of the product, consumer segments identification, and revenue channels, as well as the identification of the activities, resources and partners required for impact. The BMC offers a quick and straight forward tool to discuss and describe a new business model. It provides a snapshot of a business that can easily be presented to stakeholders without providing a full business plan. It is an entry point for framing necessary discussions at the company level, taking into consideration key aspects of product development and marketing. It builds on the results of the market research and takes into consideration the partner's capacities and existing business model.

The implementation of the BoP pilot is initiated building on the outcomes of the market strategy workshop and the market research. The pilot usually involves engaging in cost-effective activities according to a set timeline, with defined roles and responsibilities shared between 2SCALE and the partner business (e.g. product development, recruitment, training, among other things). 2SCALE has developed a model to frame BoP marketing strategies, the

ATEAR (attention, trust, experience, action and retention) model. The model seeks to define the process for BoP pilots, starting with the creation of customer awareness and building customer trust. It also explores consumers' decision-making processes, to understand the underlying motives that cause consumers to purchase products or not. In other words, it is about understanding what other products consumers have to give-up for the amount of money the product costs, or the time used to buy the product. Based on this model, activities such as market activations (promotion/awareness raising), product development and the adoption of innovative distribution channels are undertaken by the business and its partners, under de guidance of 2SCALE facilitators. The pilots are aimed at trying out different strategies to reach consumers with the identified product. BoP pilots make use of different innovative distribution channels for which examples are provided below; including door to door selling, piggybacking on existing distribution channels and using retail agents, as well as micro franchises.

Business partners of BoP pilots are generally interested in analyzing the volume of sales and the number of customers reached (examples in Table 1). Each business has its own definition of success. At the end of a pilot, it is necessary to assess and outline what worked and what did not. This process informs the exit or scaling strategy of the partnership. An exit from the partnership can be the result of one of two factors, unsuccessful activities which cannot be continued, or the full autonomy of the partner who does not require further support

and has demonstrated ownership of the strategy and process. The business partner can also adopt a replication or scaling strategy to expand its activities. For example, following the success of the pilot, GUTS Agro replicated their marketing and distribution strategies to 5 new geographical locations and the approach was used by Promo Fruits in Benin for pineapple juice.

To create a sustainable business development, linkages to government and financial institutions were developed as part of the business expansion. The failure of a BoP pilot is usually attributed to the lack of ownership and/or commitment of the business partner or triggered by unforeseen circumstances, such as insufficient processing capacity or shocks preventing access to raw materials.

Examples of implementation strategies

A number of strategies were developed around serving BoP consumers, which considered affordability, availability, accessibility and the appeal of branding, as well as efficient ways to distribute the product to BoP consumers. A few examples are detailed below.

Processing and coordination: ‘Tasty mushrooms’

2SCALE has partnered with the Mushroom Grower’s and Exporters Association of Ghana (MUGREAG) to mobilize, train and upgrade the operations of 200 mushroom growers. 2SCALE helped the association to identify agro-dealers and set-up a distribution system that would deliver inputs at affordable prices. The cooperative is based in Accra and initially focused on fresh mushroom production and marketing. However, market research insights found that processed mushroom products (in the form of a drink, kebab, powder, hot sauce (Shito) and simply dried) were more interesting to BoP consumers. Only a few Association members offered processed mushroom products, but with support from 2SCALE the Association established a multi-purpose mushroom marketing hub where processed products were brought under the association label. This effort improved the co-ordination within the group, enabling members to specialize their production and



Joris Maatman | Mushroom based drink, Ghana

marketing roles. The pilot contributed to improving coordination of members’ activities, a goal which was initiated under the partnership.

Small packages for small wallets: Novos Horizontes

Novos Horizontes is a private company, based in Rapale district in Nampula province, Mozambique, dedicated to poultry feed processing, and chicken production and processing. The company manages an out-grower scheme of 190 smallholder chicken producers, as well as breeders and laborers in the hatchery and abattoir at Novos Horizontes’ farm. Retailers used to buy whole chickens from resellers under the Novos Horizontes brand to sell to consumers. Market research showed that resellers were, in fact, cutting the chicken into pieces before selling the pieces to their consumers because buying a whole chicken is too expensive. This intermediary step by resellers resulted in the loss of brand recognition among end-consumers and potential hygienic/food safety hazards.

Table 1 : Some BoP pilots in West and East Africa

BoP pilot	Sales	Jobs created (social/economic impact)	Pilot status
New products			
Pampaida Groundnut Processors, Nigeria (Tom Brown)	367 units x 400 g 837 units x 200 g 633 units x 100 g	18 retailers and one micro distributor	Phased out
Stawi Foods and Fruits Limited (fortified porridge)	21,226 units (500 gms)- Ksh 968,480; US \$9,684	17 women retailers	On-going
Marketing and Distribution strategies of existing products			
Yedent Agro Company, Ghana (Fortified Cereal Blends)	>1,400 cartons (>8,400 kg) since intervention began in January, 2017	40 smallholders and Koko Sellers, (10 prior to intervention)	On-going
Banda Bora Women Processors, Ghana (Soybean Kebab)	Over 500 sticks sold per woman each day, compared to 200 sticks prior to intervention	6 women permanently employed by some of the processors	Activities ended Awaiting phase out workshop
Novos Horizontes	Volumes not yet know	40 retailers	On-going



IFDC | The Banda Boraie women processor group, Ghana

2SCALE partnered with Novos Horizontes to produce smaller chicken portions packaged in quantities of 500 g and 300 g for the BoP consumers of Nampula under the company's brand. The partnership resulted in increased access to the product by BoP consumers via a network of 40 retailers, who sell small chicken packages to consumers in the local markets. Through this network, the chicken is made accessible in appropriate locations and at affordable prices. Novos Horizontes has benefited from improved brand recognition among this market segment and increased sales.

Last-mile distribution: Promo Fruits

Promo Fruits produces natural pineapple juice sold through wholesalers to national and regional clients. With 2SCALE's support, Promo Fruits developed a new distribution model for selling fresh pineapple juice directly to BoP consumers in the south of Benin. Initially the activities started as a pilot with fresh juice sold alongside sandwiches by 7 agents that used push-carts and cargo bikes (as inspired by the experience of GUTS Agro in Ethiopia, Box 2). During the pilot, sales figures were carefully recorded and analyzed. The positive figures have encouraged Promo Fruits to build a business plan to attract investments to enable them to grow the network to 100 agents and expand to new locations. By using push-carts and cargo bikes the retailers are able to move close to their consumers and ensure access to the product.

Marketing channel development: 'Making tasty daadi soybean kebabs available to schools'

Banda Boraie Cooperative is a processing group of 20 women, which processes and sells soybean kebabs as part of the soybean partnership based in Kpandai, rural northern Ghana. The Cooperative initially marketed their soybean kebabs at the local village market, without branding or a retail strategy. Sales were seemingly effective, especially on market days in Kpandai, when all the other villages came together to buy and sell goods.

2SCALE, through its BoP intervention, managed to expand the Cooperative's route to market by introducing a branded container as a sales outlet in a number of schools. This innovative solution came about during the business model canvas workshop and discussion on marketing issues. The strategy was supported by stakeholder engagement with school authorities (school heads and teachers) to directly target the school children for nutritional purposes. The partnership also developed a mobile channel (containers) to enable women to sell soybean kebabs in branded containers and attire in various locations to enhance their appeal and visibility, which turned out to be the most effective distribution strategy.

These two marketing channels increased sales of the kebabs on a daily basis, from an initial average of 150 sticks to 500 sticks per retailer. The cost of a stick of kebab is 10 Gp (US \$0.02).

Marketing activation: Stawi Foods and Fruits Limited

Stawi Foods and Fruits Limited is a Kenyan-based social agro-processing enterprise that specializes in the milling of cereals to produce nutritious pre-cooked and fortified porridge flours for household consumption, particularly targeting children. The company, which started its operations in 2012 is located in Nairobi's Roysambu area, from where it mills, packages and distributes its porridge flour products. 2SCALE, in partnership with Stawi Foods and Fruits, developed a new product of fortified porridge in quantities of 500 g to specifically target the densely populated Githurai area of Nairobi. The partnership worked on creating demand for the product through a so-called marketing activation campaign, starting in February 2017 at Githurai 45.

The marketing and distribution approach adopted in the campaign was threefold: 1) Involving 40 women as product advocates campaigning and marketing the product. The women received a *sufuria* (cooking pot) and *Mwiko* (cooking stick) as an incentive and

BOX 2 | LEARNING FROM ONE PILOT TO THE OTHER

The BoP marketing and distribution pilot with Promo Fruits was launched after the GUTS Agro micro-franchise distribution pilot was concluded in Ethiopia for the distribution of a fortified food product. Hence, it was possible to share some of the lessons learned from GUTS Agro's experience as the distribution strategy for Promo Fruits was being developed. Specifically, learning from the mobile distribution model and the tricycles used with the 'Likie' (women distributors) helped in selecting the push-carts that are now being used with the mobile distribution of Promo Fruits products targeting BoP consumers. The push-carts offer greater mobility than fixed stands and the distributors can be branded to attract customers and give the product legitimacy and status as high-quality, while tricycles are difficult to maneuver.

100 g sachet for dry sampling as they sold door to door. 2) Word of mouth through *chama* (informal meetings of groups of women/men). 3) Product promotion during market days, including product sampling and testing by consumers.

Two months of marketing activation resulted in the sale of 21,226 units (1 unit = 500 g) of the new porridge, generating revenues of Ksh 968,480 (US \$9,684). This additional income attracted the company to scale out the product and marketing strategy to 5 other regions. These new steps in the company's venture will be undertaken without the support of 2SCALE.

Lessons Learned

The role of 2SCALE, or any other program targeting the BoP market, is not to impose ideas, but rather to facilitate and support businesses in developing their strategies to reach the BoP market. In this role, 2SCALE facilitators have recognized that a few key points are important to consider in order to avoid pitfalls and drive sustainable success.

The engagement and commitment of firms and cooperatives as leaders in the implementation of the BoP marketing strategy is key to creating ownership over business activities. The role of 2SCALE should only be mere facilitation of the pilot as opposed to taking the lead in the initiative. For example, Novos Horizontes in Mozambique has taken the lead in implementing its branding and marketing strategy, they have identified local painters to paint shops (15 reseller and retailer shop outlets) with their brand colours and promoted branded packaging for their 500 g chicken products. 2SCALE supports the endeavour by bringing actors together and co-financing activities.

In a few cases the implementation of BoP pilots has been delayed while partners engaged in major capital expenditure for plant expansion and machinery acquisition, which affected their day-to-day operations. This created serious tension between stakeholders and pressure on the companies' cash flow. Consequently, serious

consideration is now given to the financial stability of a company and its capacity to cope with expansion prior to engaging in BoP marketing and distribution strategies.

Finding the right **balance between cost and quality**: maintaining low marketing and distribution costs whilst making no compromises on product quality is what keeps consumers interested. This sometimes means that existing marketing channels need to be revisited rather than requiring the creation of completely new ones. An example is Yedent Agro Company, which is testing a cheaper route to market by way of partnering with traditional 'Koko' sellers (porridge sellers). These 'Koko' sellers build credibility by getting themselves known in the neighborhood where they have been selling porridge for years.

Brand recognition is something that was often forgotten by businesses. What they missed is that without brand recognition, the **sustainability** of their marketing efforts was jeopardised. Most had no activities related to brand and product awareness. A recognised brand can attract consumers and serve as a 'quality seal' for products. It allows a product to distinguish itself on the market and compete with other similar products. Appealing branding and packages should not only be for high-end products as BoP consumers are also more interested in branded products.

Most importantly, it is rare that one strategy works in single-handedly reaching BoP consumers. This usually requires a **combination** of product, brand and distribution strategies that encompass a good understanding of the consumers.

Building sustainability in BoP activities

The 2SCALE approach partners with firms and cooperatives to support them in realising their business vision. Coordination between the business, financial institutions and the 2SCALE facilitator is necessary. In some cases, demand for the product requires businesses to expand their facilities and pilot activities require capital injection from the businesses to ensure constant supply. The BoP pilots of the 2SCALE

BOX 3 | REPLICATION BY OTHERS

The Likie distribution model developed by GUTS Agro and 2SCALE has been replicated by other development partners in different geographic locations in the Southern Nation Nationalities and Peoples Region (SNNPR). A project called 'scaling up pulses innovation in the southern parts of Ethiopia,' which is the result of a collaboration between the University of Saskatchewan, Hawasa University and IDRC, has the dual objective of i) empowering women and ii) improving the nutritional status of the community. Among other approaches, the project has used the Likie distribution model and market activation systems to achieve its objective and scale up its own activities to Butajira and Wolayita Sodo towns.

program allowed businesses to test the viability of their business models and make appropriate improvements to their business plans before scaling up their activities. Shalem Investments Limited, a sorghum aggregator for Nile Breweries and Uganda Breweries in Uganda, beyond supporting the sourcing strategy, 2SCALE assisted the company to develop a bankable business plan for the expansion of facilities to produce fortified porridge flour.

The success of the businesses in developing their BoP strategies have, for some, justified the replication of the strategy in other geographical locations. GUTS Agro replicated its marketing and distribution strategy, which involved the use of a micro-franchising model, to five regions in Ethiopia and the approach has been replicated by other projects (Box 3).

Recognisable product branding during the BoP pilot contributes to creating a sustainable demand for the product. The transfer of knowledge on the development and implementation of marketing and distribution strategies between agents helps to build the business' capacity. Through market research, it can safeguard product quality, as well as gain consumer feedback on pricing.

Recommendations

Businesses who wish to engage in BoP marketing should conduct a market analysis prior to the intervention, including a baseline survey. Most of the baseline surveys carried out by 2SCALE partners focused on the upstream productivity of the firms/cooperatives while the marketing performance was not captured. Assessing the downstream

marketing performance can help to capture a product's market impact and inform future business decisions. 2SCALE could have better captured the performance of BoP pilots, there was an absence of baseline data on sales volumes and the firm's performance in most of the BoP pilots. While the end results of these pilots are now known, it is not possible to compare them using baseline data. The effect of the interventions at the consumer level was also not measured, so impact on nutrition and health of BoP consumers is not known.

The BoP market is at times unpredictable; successfully tapping into this market requires a trial and error process. Organizations who want to venture into this space should be prepared for this, but also have the ability to adapt quickly and learn from their mistakes to make a positive turnaround.

From a business point of view, top management in firms and cooperative leaders should manage their expectations, as quick results are not guaranteed. Though the results of BoP pilots can be very rewarding, they may take some time to materialize and require important investments. Despite this, BoP markets remain an important business opportunity and represent a consumer group who deserves to be catered for with attractive, quality, nutritious and affordable products.

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This paper is part of a series in which 2SCALE facilitators and coordinators share their experiences. Contributors: Abalo Adodo, Grégoire Oniankitan Agai, Mathias Ahounou, Geneviève Audet-Bélanger, Tekalgn Ayano, Judith Chabari, Assefa Degefu, François Dossouhoui, Peter Gildemacher, Olugbenga Stephen Idowu, Alhassan Issahaku, Peter Kirimi, Eric Lakoussan, Arnoldus Maatman, Janet Macharia, Douglas Magaja, Jacqueline Ndambuki, David Njenga, Irene Njogu, Francis Nthuku, Thompson Ogunsanmi, Gabriel Olengo, Kwame Pipim, Hiwot Shimeles, Faoussa Tadjou, Addis Teshome, Baba Togola, Mahamane Toure, Youssouf Traore, Niek van Dijk, Ajay Varadachary, Raphael Vogelsperger, Allan Wayira and Bertus Wennink.

2SCALE manages public-private partnerships (PPPs) for inclusive agri-business in Africa. Partnership agreements are developed with companies with inclusive business agendas. 2SCALE offers support services to companies, farmer groups and other relevant stakeholders – enabling them to produce, transform and supply quality food products to local, national and regional markets, including Base of the Pyramid consumers. 2SCALE strengthens the capacity of grassroots and value chain actors, supports innovation and coordinated action, and improves skills to assure effective participation in markets. The focus countries of the programme are Benin, Ethiopia, Ghana, Ivory Coast, Kenya, Mali, Mozambique, Nigeria and Uganda.

Contact: avaradachary@ifdc.org