Business and Malnutrition

Opportunities and challenges for the food industry in reaching the poor

BY MARC VAN AMERINGEN, BERANÈRE MAGARINOS AND MICHAEL JARVIS

The impacts resulting from maternal and child undernutrition are enormous: 178 million children under five years of age are stunted; 55 million children are wasted of which 19 million suffer from severe acute malnutrition; and overall, undernutrition is the underlying cause of 3.6 million deaths each year. Moreover, 2 billion people suffer from vitamin and mineral deficiencies, which result in premature death, illness and impaired physical and mental abilities.

In the face of this scourge, the Global Alliance for Improved Nutrition (GAIN) is committed to reducing malnutrition through the use of food fortification and other proven strategies aimed at improving the health and nutrition of populations at risk. Created at the United Nations General Assembly’s Special Session on Children in 2002, GAIN is a Swiss Foundation funded by the Bill and Melinda Gates Foundation, USAID and CIDA. GAIN builds partnerships between the public and private sector, and enables innovative solutions to improve nutrition at a large scale by providing financial and technical support. GAIN measures progress to demonstrate the return on investment, improve its program and communicate success. Furthermore, GAIN advocates for better nutrition worldwide as a cost-effective way to make people and economies stronger, healthier and more productive.

Grameen Danone Foods fortified yogurt factory in Bangladesh.
The business case for engagement

GAIN recognizes the importance of engaging the private sector if results are to be achieved on sufficient scale to eliminate vitamin and mineral deficiencies. GAIN has found great willingness within the private sector to explore how they can contribute to tackling malnutrition. This reflects growing recognition that it makes good business sense for food companies to prioritize engagement with the poorest. Knowing that some four billion low-income consumers live in relative poverty with an income below $3,000 in local purchasing power parity, food companies are increasingly open to serving this huge market. While their combined purchasing power amounts to 5 trillion international dollars (purchasing power parity exchange rates), most of that money is spent on food. Therefore, the private sector increasingly researches markets and delivers foods to those most at risk of malnutrition.

Tackling malnutrition has a high economic benefit-to-cost ratio. The public benefits are significant: it reduces health care costs, increases tax returns, and spurs the economic development of the developing world by integrating the poorest in the formal economy and reducing dead capital. A concrete example of the fact that “three billion people are prevented from achieving their full potential as students, parents, workers, and citizens due to micronutrient deficiencies” can be found in iron deficiency and resultant anemia (Bestani and Klein, 2006). The Asian Development Bank projects that the 10-year productivity loss due specifically to iron deficiency, of the five countries that it analyzed, was over US $25 billion.

Food companies are increasingly becoming nutrition companies with an expanded health agenda. The food industry significantly contributes to the goal of poverty alleviation from improved distribution that expands access to quality products that decrease malnutrition, to social marketing, to health education strategies that raise nutrition awareness about proper neonatal, perinatal, and child care amongst the poor. In fact, investments of the food industry targeted at the base of the pyramid achieve many of the same goals as governments and non-governmental agencies. For example, if the private sector is providing affordable fortified complementary foods for low income children 6–24 months of age, it is making available a critical additional component to programs addressing child survival. Generally, investment from the private sector needs to be recognized and integrated into national poverty reduction strategies and into development budgets.

Emerging business models

It is clear from the examples to date that firms face a myriad of challenges to effectively integrate poor consumers and producers in regard to supply of fortified foods. In addition to striking the balance between economic and social benefits in their operations, companies must juggle issues related to sourcing strategies, distribution networks, and issues of quality control. Companies must attempt to innovate and reduce poverty through sourcing strategies including microfinance or other financial mechanisms that empower local producers and suppliers, as well as through distribution networks. Packaging, necessary to ensure affordability and sustainability, is also a key issue. Packaging companies are under pressure to offer solutions for delivering quality products to the poor.

In the face of these challenges GAIN understands that partnerships are fundamental, and successful companies in this sector will be those companies that develop business strategies that prioritize the following challenges and lessons learnt:

- Ensuring and monitoring quality products through local supply chains while managing cost in an environment where clear standards may be lacking.
- Formalizing collaboration in contracts between the formal and the informal sector.
- Developing partnership strategies that include a public health approach in the food and beverage sector to optimize company impact.
- Investing in understanding and complying with international standards and codes of conduct such as the WHO International Code on the Marketing of Breastmilk Substitutes.
- Using philanthropy to help leverage innovative business models.
- Building the capacity of company managers to understand poverty, to build partnerships and to engage with the informal sector.

Building capacity for business action

Working with business has become an important differentiation factor for GAIN and the collaboration with the private sector can take many different forms. However, the most important role of business in nutrition remains in the delivery of quality, affordable and accessible food. In the past three years of working with companies, GAIN has started to better understand their challenges in dealing with poverty. We have heard many people state that large companies will never become relevant to the poor. We have also heard a lot of business leaders telling us that they genuinely wanted to access new markets, change their traditional models and deliver healthy choices to those in need.

In response, GAIN is trying to help those firms committed to working at the base of the pyramid to manage some of the externalities around the business model such as social marketing and demand creation. GAIN can help companies navigate the local soft infrastructure by facilitating partnerships that leverage resources for the non-commercial aspect of their business models serving the malnourished. One example is that of Shijiazhuang Zhenji Brew Group Co. Ltd. in China. The company agreed to participate in the “Two Wheels Turning Together” program of the China Center for Disease Control (CDC). The initiative enlisted support from manufacturers to help tackle the pervasive problem of anemia through a soy sauce fortification program. Zhenji managers saw an opportunity to benefit local public health and to expand its market for soy sauce, especially in rural areas where the brand had little presence. Although initial efforts had only limited success, a turning point was the facilitation and financial support provided when...
GAIN joined the project in 2003, including a $3 million grant to China CDC to support health education and social marketing of the iron-fortification campaign from 2003-2008. This helped increase public faith in the claims of those selling iron fortified soy sauce. Zhenji has seen sales of fortified sauce double each year since 2003 (World Bank Institute/GAIN 2007).

Another key factor in the equation is the measuring of business performance and impact on improved nutrition. Investment in research and development is proving essential to ensure nutritional benefits upon consumption, and is crucial for companies in demonstrating that their efforts are having social as well as economic benefits. In that context GAIN is selecting and financing leading academic experts, such as Cornell University and John Hopkins, to conduct the studies. GAIN ensures the management of the partnership between the research teams and the companies and will ensure the dissemination of study results. This has proven invaluable in tracking the nutritional impact of a school feeding program in Nasarawa state in Nigeria, funded by the state government but with technical assistance from Tetra Pak. The company’s expertise has been crucial not just in developing packaging that allows a fortified drink for children to be stored in hot climates so it retains its nutritional value, but also in creating a local supply chain for the drink’s production.

In similar fashion, GAIN is also supporting a joint venture launched in March 2006 between multinational food company Danone and leading micro-lending institution Grameen. Grameen Danone Foods produces Shoktidoi, a yogurt designed to help meet the nutritional needs of Bangladeshi children at an affordable price (around $0.08 per pot). GAIN is managing a trial designed to measure the benefits obtained from regular consumption of Shoktidoi. This initiative brings together many features into one experimental business model—it must be profitable but also will be judged on non-financial criteria. It seeks to make up for the nutritional deficiencies suffered by local children, while also utilizing a local production and distribution system designed to create jobs for the local community, including “Grameen ladies” who will make sales door-to-door, and minimizing its environmental impact. Even the packaging for the yogurt pots are made from material that is entirely biodegradable. Muhammad Yunus, Nobel prize-winning founder of Grameen, hopes the initiative “will be an important landmark in the annals of business.”

The value of partnership approaches and the GAIN Business Alliance

TIME WILL TELL how effective such initiatives as that of Grameen Danone Foods will be, but it is clear that there is a continued need for capacity building to facilitate understanding of what works, what does not, and what gaps remain, requiring the perspective beyond that of any one firm’s operations. It was to help address some of these capacity needs, particularly in the realm of partnership and knowledge sharing, that GAIN partnered with the World Bank Institute (WBI) to utilize its experience in capacity development and private sector engagement. Following initial dialogues with industry, GAIN and WBI launched the GAIN Business Alliance (BA) in the belief that strategic alliances, which include local partnerships, can help companies overcome obstacles encountered at the base of the pyramid. Such alliances foster hybrid business strategies that have a wider-reaching impact than the public health sector could have alone, and the GAIN BA operates as a laboratory, of sorts, to help discover nutrition solutions.

Since its launch in Beijing in October 2005, GAIN has established five regional or national alliances in Africa, China, India, North America, and Switzerland. A European chapter will be launched at the next Forum in May 2008. So far the BA has mobilised more than 350 business leaders through its events worldwide. Leading private sector partners include Danone, Unilever, P&G, Cargill, Akzo Nobel, DSM, Tetra Pak, Britannia Industries and a range of Chinese, Indian and African companies from the different parts of the food supply chain, and even from outside the food sector.

Paulus Verschuren of Unilever and Chair of the global Business Alliance describes a three phase process that most companies go through when they participate in the BA:

Awareness—Through its events, GAIN creates awareness about malnutrition and about the potential for win-win scenarios.

Commitment—In the second phase, the business leader who initiated a dialogue with GAIN needs to return to his or
her own team and ensure internal buy-in at the highest level of the company to demonstrate an institutional commitment to GAIN and to malnutrition.

**Delivery**—The third phase is about turning commitment into action and delivering concrete products and services to the target population.

Serving as a mechanism to catalyze bottom of the pyramid initiatives in the food industry, the Business Alliance thus fosters a productive enabling environment to unlock private sector investments and helps companies explore how they can contribute to nutrition strategies. GAIN supports their efforts through presenting and sharing projects, creating business and networking opportunities, offering ways to report on their investments, and sharing knowledge on new business models, including development of a series of case studies with WBI.

The Fast 50, *Fast Company* magazine’s annual reader’s challenge has recognized the model as innovative and powerful. It demonstrates that the challenge of eliminating malnutrition cannot be left to governments and international donors alone. Much of what is required to meet the challenge—new thinking, business models, and resources—resides in the business community that produces and distributes food.

**Conclusion**

*The food sector* has boundless development potential and these projects are influential. They involve farmers, community cooperatives, and sales forces from the communities (who often are women), improve the health status and productivity in a community, and even increase school attendance. The solutions are not yet fully available and much work needs to be done and support given to companies who are testing innovative strategies to devise high-impact sustainable interventions. Foundations can play an important intermediary role in supporting new approaches that are often hybrids of philanthropic and purely market-driven models. Accordingly, GAIN and its partners can play a useful role in inviting companies to reflect on potential business models leading to improved nutrition, in assisting the efforts of individual firms, and in providing a platform where companies can present their achievements and challenges in serving the poorest, and can shop for solutions and partners.

The experience to date also underscores the importance and need for development agencies and donors to continue to support business solutions and, thus, maximize productivity of the poor. GAIN can mobilize development partners from the public and non-profit sectors to create an enabling environment for companies interested in investing in nutrition for the poor. Of course, business action is only part of the solution. Grants are still very important to reach the poorest of the poor and to support government programs. Nevertheless, we can imagine positive synergies between a GAIN investment supporting a government or civil society infrastructure and a GAIN investment supporting a base of the pyramid business model. In both cases the main goal is to create long term sustainability and reduce the number of those whose health and livelihoods are undermined by malnutrition.

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**References**


**Endnotes**

