



## Procter & Gamble Combating “hidden hunger”

Established in 1837, The Procter & Gamble Company began as a small, family operated soap and candle company in Cincinnati, Ohio, USA. Today, P&G's 98,000 employees make and market almost 300 products in 140 countries. P&G is looking more seriously than ever at the opportunities presented by the four billion poor people in the world. To meet the company's goal of “developing low income market products and business models”, partnerships that leverage vital core competencies are a key ingredient. P&G considers this model of social equity and sustainable business as the best approach for delivering solutions to the world's pressing issues, while at the same time capturing new market opportunities for the company.

P&G decided to focus on consumer needs and to limit that focus to a few countries. Their approach to the needs in emerging markets was informed from the outset by a belief that the company would be able to make money and deliver benefits to the communities they were working in. They focused initially on products that filled critical dietary gaps while providing consumers with something that was both fun and appealing. UNICEF, the Micronutrient Initiative and Cornell University approached P&G with a seemingly intractable need in emerging markets known within the development community as “hidden hunger”. They chose P&G because of its fortification technology and its expertise in food formulation.

### Micronutrients are key

The hidden hunger problem is a simple one: essential micronutrients like iodine and iron are normally only found in foods such as meat that are typically too expensive for the poor to buy. The lack of these nutrients in diets severely impacts child growth and intellectual development.

According to the World Health Organization:

- *Iron deficiency is the #1 nutrition problem worldwide.* Two billion people get too little iron. One billion suffer from iron-deficient anemia. Iron deficiency causes low birth weight, unsafe pregnancy and impaired growth and mental development.
- *Iodine deficiency is the #1 cause of preventable mental retardation.* One billion people are at risk of iodine deficiency, which impairs mental development, impairs growth and learning and increases susceptibility to infection.
- *Vitamin A deficiency is the #1 cause of preventable blindness.* 190 million people are at risk. Beyond blindness, vitamin A deficiency causes susceptibility to severe infection and anemia. It's also linked to increased mortality rates.

Initially, P&G came up with a product called NutriDelight, a low cost powdered drink mix containing all the vital micronutrients that also tastes great, is stable and accessible for digestion (bio-available). NutriDelight contained GrowthPlus, a patented source of iron, vitamin A and iodine.

As part of the product's development, UNICEF funded a clinical study, conducted among nearly 700 children in Tanzania in 1996. The results showed the unique combination of ingredients in NutriDelight help kids grow significantly better, while also boosting their



mental alertness and performance. The product’s development and clinical evaluation benefited from the joint capabilities of scientists at the P&G Nutrition Science Institute and leading health experts at UNICEF, the Micronutrient Initiative and Cornell University. Before the product was launched, WHO, UNICEF and local physicians were engaged to deliver education campaigns to raise awareness about micronutrient deficiency and ways to combat hidden hunger.

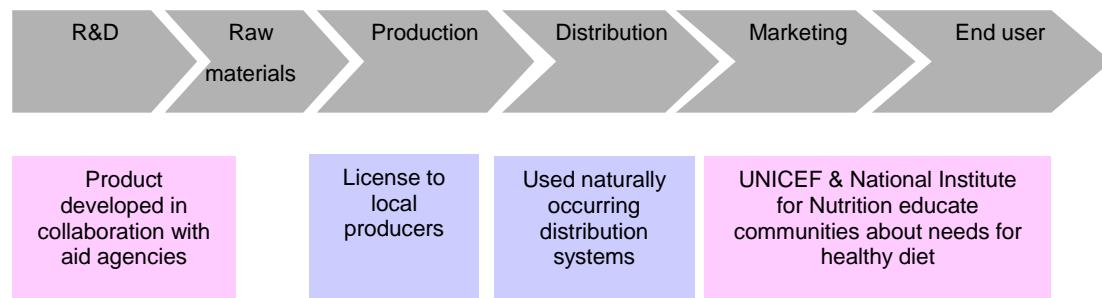
P&G, in consultation with leading experts on micronutrient deficiency, decided to launch the product in the Philippines, where the government has begun taking steps to address the problem of hidden hunger. The product campaign used strategies and business components that looked fairly similar to many other P&G product launches in developed markets. Given the nature of the product and its additional benefits, P&G also spent some time educating the population on the public health benefits of micronutrients.

Initially the company sought to distribute the product and deliver public health education itself, but this approach was unsuccessful. P&G found that it had insufficient in-country infrastructure to deliver its product to the poorest communities. The company did not possess the local knowledge and reach. Even when P&G accessed those markets, the product turned out to be mostly unaffordable, partly because of the diversion of funds to education campaigns and away from demand creation for a product that addresses a problem that is widely unknown.

These same health benefits, which were marketed on the packaging, were undermined by the absence of enforced intellectual property rights in the Philippines. Local competitors were soon able to sell similar looking products more cheaply and claimed that their products also contained “micronutrients”.

NutriStar, a re-brand of the NutriDelight product, was then launched in Venezuela. This time, building on the lessons learned from the Philippines, P&G decided to do things differently. Focusing on its strengths, P&G shifted away as a company from the “go in and do everything yourself” mentality towards a network approach, looking to engage with new and often unexpected partners who were already well established on the ground.

### P&G: Nutritional product



P&G recognized that its own core competencies lay in product marketing, strong science-based product development, quality assurance and up-the-trade distribution. It needed partners that were able to handle local production, ensure down-the-trade distribution, credibly tackle the educational components of the business and provide trusted sources of third-party verification for benefits marketing.

To develop its information and product awareness, P&G began to build a network of partnerships with NGOs, multilaterals, and local pediatric associations, focusing each partnership around an educational need or an informational resource that would be trusted and recognized by its customers. Without marketing the product *per se*, the



educational campaigns help to raise awareness of the problem of hidden hunger and create demand for a product that addressed the issue among the targeted communities. As part of this effort, P&G donated part of the profits from the sale of NutriStar to fund public service programs that educate parents and children on proper nutrition. P&G expects to invest about US\$ 1 million in these educational efforts.

In selecting private sector partnerships P&G looked to use its core competencies of demand creation, strong science-based product development, quality assurance and uptrade distribution as a base. Therefore the company sought partners with expertise in production and downtrade distribution, or who were government or NGO agencies or involved in education or social marketing.

The innovation for P&G was to get out of the old style “go in and do everything yourself” business mode, trying to break internal prejudices to find “naturally occurring” distribution systems – not only for *products* but also for *information*. Thus P&G partnered with local enterprises, taught them how to make the product and left them in charge of distribution. Risk was shared between partners: P&G bearing the brand equity risk and local companies the capital risk.

For the public sector, focus was put on program skills, government ministry access and connectedness, access to public health expertise/resources, and nutrition education and advocacy programs.

Overall, these partnerships proved valuable in creating a pool of local investment and ensuring that products actually reached the markets they were aimed at. Involving local companies in the value chain was also a good way to create additional sustainable livelihoods around product development.

## Creating demand

Public health organizations (WHO, UNICEF, etc.) organized awareness-raising and education campaigns before the launch of the product. It helped local people realize that they could be affected by a lack of micronutrients in their diets. It also suggested ways to tackle the phenomenon of “hidden hunger”. The international organizations teamed up with National Institutes of Nutrition and local doctors who were known and respected by local communities. This added credibility to the campaign and magnified its impact. These campaigns helped create a latent demand for the product, which indirectly provided P&G with a license to operate. However, there was no public endorsement of the product or mention of the product’s name. For US\$ 0.30 (30 cents), the product mostly sold to the middle class. With governmental subsidies, the product could be made available in schools (bulk quantity and no packaging would reduce costs considerably). NutriStar costs less than soft drinks - and, of course, is much more nutritious.

Innovation has also taken place with regards to packaging. The product is sold in small sachets that sell well in poor countries, but mostly to the richer segments of the populations.

Despite these efforts, it proved difficult to reach all of the levels where the product was needed. This was further compounded by political instability in Venezuela which prevented P&G from further refining and fixing its business model. This eventually led to P&G pulling NutriStar out of the Venezuelan market.

However, NutriStar is now fully national in Nicaragua using P&G’s partnership/licensing model with a local manufacturer. This is a unique, collaborative business model where USAID played a significant and critical role. USAID initiated connections with key Nicaraguan Ministries and thought leaders and helped give credence to both P&G’s science and P&G as a company.



## Benefits

The development of this product has had commercial and social benefits. Commercially it has positioned the P&G brand in new markets and developed a new commercial product designed for a large customer base, while helping the company to think differently about profit margins. It introduced a system for market entry that is faster and less expensive through the use of local enterprises.

Socially speaking the product has a low pH, thereby improving water quality by killing bacteria, as well as a long shelf life and dry packaging, which are better suited to the needs and conditions of customers. For local companies, its manufacture has meant increased training and competencies, as well as the creation of jobs for manufacturing and distribution.

## More information

### **Procter & Gamble**

<http://www.pg.com>

### **UNICEF**

<http://www.unicef.org>

### **Micronutrient Initiative**

<http://www.micronutrient.org>

### **Cornell University**

<http://www.cornell.edu>

### **USAID**

<http://www.usaid.gov>

### **World Health Organization**

<http://www.who.org>

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### **About the WBCSD**

The World Business Council for Sustainable Development (WBCSD) is a coalition of international companies united by a shared commitment to sustainable development via the three pillars of economic growth, ecological balance and social progress. Our members are drawn from more than 35 countries and 20 major industrial sectors. We also benefit from a Global Network of 40 national and regional business councils and partner organizations involving more than 1,000 business leaders globally.

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