

# Nutrition Entrepreneurs

## Accelerating nutrition progress through social business models in Kenya, Ethiopia and Malawi

### Srujith Lingala

Manager Technology and Entrepreneurship,  
*Sight and Life*, Gurgaon, India

### Kalpna Beesabathuni

Global Lead Technology and Entrepreneurship,  
*Sight and Life*, Gurgaon, India

#### Key messages

> Today, 155 million children under five years of age are stunted and don't get the vital nutrients that their bodies need for optimal growth and development. Nevertheless, a number of barriers exist to scaling up nutrition interventions.

> To overcome these barriers, *Sight and Life* conducted a scoping study to identify sustainable social enterprises that can integrate nutrition interventions at scale and benefit large numbers of underserved communities.

> Our study identified five promising business models: microfinancing, social franchising, network orchestration, freemium, and enterprise development.

> These business models help guide practitioners, policy-makers and influencers in the nutrition sector in designing, replicating and implementing scalable nutrition programs.

#### Barriers to scaling nutrition solutions

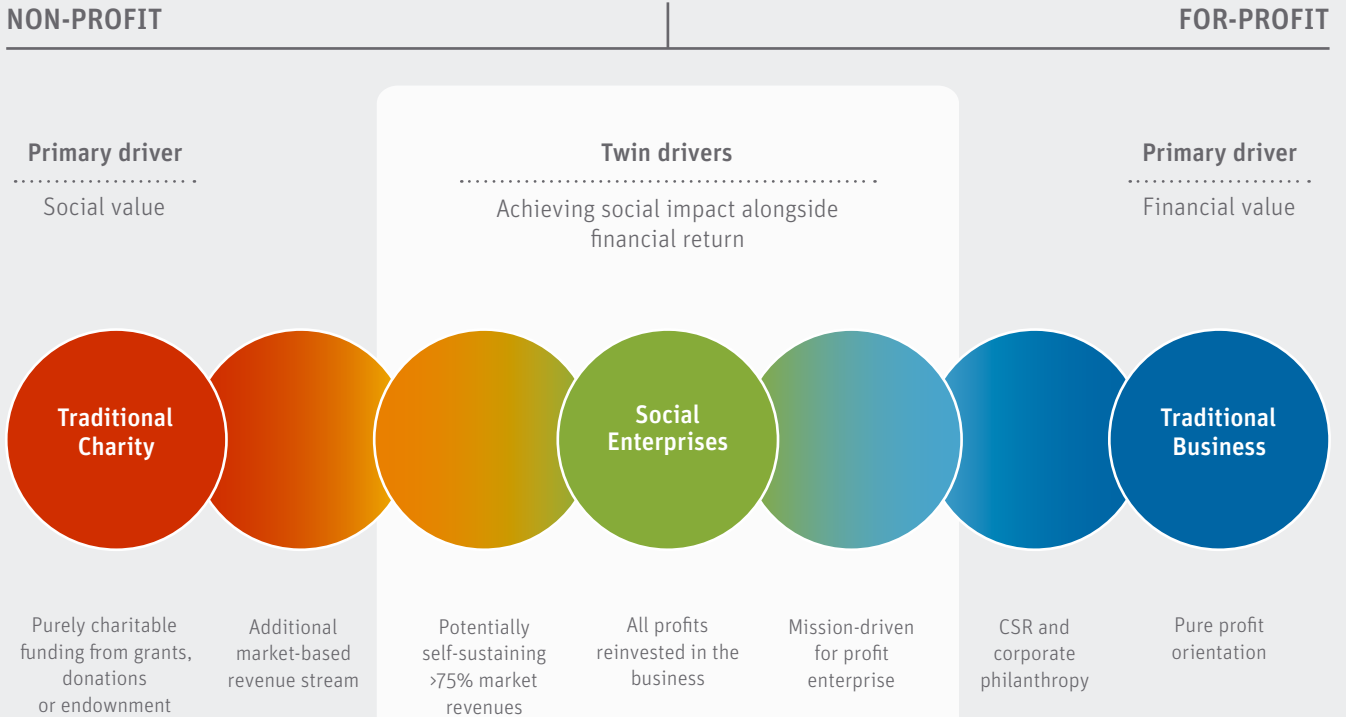
Today, 155 million children under five years of age are stunted and don't get the vital nutrients that their bodies need for optimal growth and development. Recent estimates suggest that almost one in every two children in sub-Saharan Africa suffers from vitamin A deficiency, placing them at a greater risk of dy-

ing.<sup>1</sup> Undernutrition contributes to half of all child deaths each year and costs low-income countries in Africa up to 11% of their GDP. It is often irreversible but always preventable. The issue is not hunger itself; it is about getting children and their mothers the variety of foods, the nutritional supplements, and the services and education they need at the right time.

However, with more than 33% of the population in Kenya and Ethiopia and 70% of the population in Malawi living below the poverty line,<sup>2</sup> it is unlikely that local diets, which include only small quantities of animal-source foods, can be diversified sufficiently to provide the requisite nutrition. Acceleration of progress in nutrition therefore requires high-quality, evidence-based nutrition interventions that can be scaled to reach large populations effectively.

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From our experience, we realized that there are six barriers to scaling nutrition solutions. First, grant-funded humanitarian and community projects have limited reach and finite intervention periods. Second, sub-standard-quality products are found in low-income settings, where there is actually a demand for affordable but high-quality products. In addition, prices of public health goods and services are inflated, and counterfeits are rampant. Third, the cost of distribution to reach remotely located consumers is prohibitively high. Fourth, nutrition messages are complex, erroneous and sometimes reinforce prevalent myths (e.g., spinach contains more iron than meat; iron deficiency can be addressed through the use of a cast-iron pan; raw milk is more nutritious than pasteurized milk). Correct nutritional information is often understood only by a few actors and specialists. Fifth, communities at the bottom

**FIGURE 1:** The social enterprise continuum

Source: J. Kingston Venturesome, CAF Venturesome, and EVPA

of the pyramid struggle with erratic cash flows and extremely low disposable incomes, thus limiting the ticket price of the products. Lastly, there are no enabling ecosystems to support a product or service in low-income contexts. Public health facilities are difficult to reach, underfunded, understaffed and understocked.

Social enterprises in other domains – agriculture, inclusive finance, health, technology, energy and others – were able to overcome barriers in reaching the last mile profitably and sustainably, and in some cases at scale. Social enterprises (Figure 1) tackle challenges facing underserved communities and improve people's lives while functioning like a business. Social enterprises are at the middle of the charity-business continuum and aim to achieve the twin drivers of social impact and financial return. *Sight and Life* conducted a scoping study in Kenya, Ethiopia and Malawi to identify sustainable social enterprises that can integrate nutrition interventions at scale and thus benefit large numbers of underserved communities.

While this article is neither exhaustive nor prescriptive, it attempts to shine a spotlight on business models to help guide practitioners, policy-makers and influencers in the nutrition sector in designing, replicating and implementing scalable nutrition

programs. After analyzing and reviewing more than 100 enterprises, we found five promising models relevant for nutrition. These are:

### 1. Microfinancing

Resource-constrained communities struggle to provide the requisite collateral to enable them to borrow from traditional banks for the purposes of investment. The remote location of many such communities exacerbates the problem even further. Microfinancing (Figure 2) is a type of banking service that caters to the unmet needs of the rural poor by lending a group of borrowers (usually women) a relatively small sum of money to invest in microenterprises. The model relies on the group's ability to self-select reliable borrowers based on their knowledge of the community.

Microfinance institutions (MFIs) collaborate with banks to provide small business loans to women's groups. In addition, MFIs also provide support services such as business skills and bookkeeping. The women then invest the money in profitable activities, through which they earn enough income to repay the loans and save enough to improve their families' living conditions.

MFIs with a long history of trust and frequent interactions with the community are well positioned to play a cross-sectoral role in improving access for the poor to a range of important nutrition-related products and services. MFIs mostly support women, since they are generally a better credit risk group<sup>3</sup> than men and tend to have a higher impact on poor families due to their spending patterns. Interventions with MFIs can therefore reach women in rural geographies with relative ease. Microfinance providers operate at scale (typically, tens of thousands of clients) in order to reduce portfolio risk and leverage economies of scale. This provides an opportunity for nutrition intervention designers to pioneer commercially viable nutrition programs: the well-established distribution networks and routine contact with clients will fuel instant scale among their large client base. Most MFIs also have training teams that can be equipped to impart nutrition education in addition to business skills training.

**2. Social franchising**

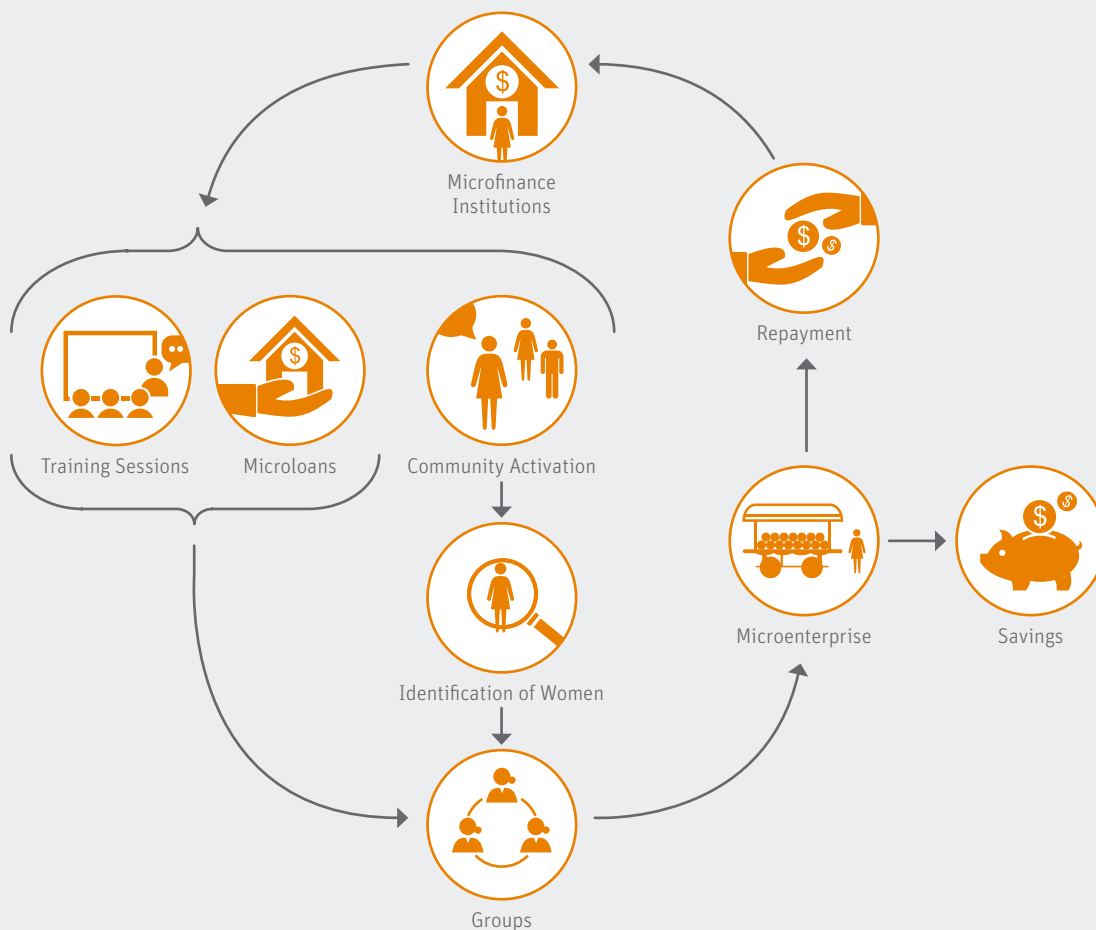
Many private health care providers in developing countries operate with minimal regulation, leading to variable quality in ser-

vices. They operate outside of the network and are not subject to supervision once they are initially certified and licensed. A social franchise network (Figure 3) aims to combat this challenge by linking various private-sector providers through agreements to provide socially beneficial health services under a common social franchise brand. A franchisor (typically a non-profit) provides training and supplies, and monitors the franchisee (private provider) for a fee.

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A social franchisor specializes in a particular service (family planning, HIV care and support, maternal and child health, etc.). Community health workers (CHWs) are trained by the

**FIGURE 2:** Operational model of a microfinance institution



clinics to visit communities and create awareness about health. They also give incentive vouchers to needy patients. When patients visit the clinic and take the voucher with them, they receive treatment at subsidized rates. The franchise network usually has distribution channels and agents through which life-changing products such as contraceptives and water purifiers are sold.

Each franchise network offers specialized services through its clinics and therefore offers an excellent route for reaching specific target beneficiaries in low-income communities. For instance, a franchise network that offers family planning and reproductive health services is an optimal channel for offering affordable nutrition to pregnant and lactating mothers and women of reproductive age.

“The orchestration model stimulates close cooperation with external partners”

3. Network orchestration

The network orchestration business model (Figure 4) coordinates different players in the value chain to distribute products



Cook stove producers in Malawi are supported by a network orchestrator

FIGURE 3: Operational model of a social franchising network

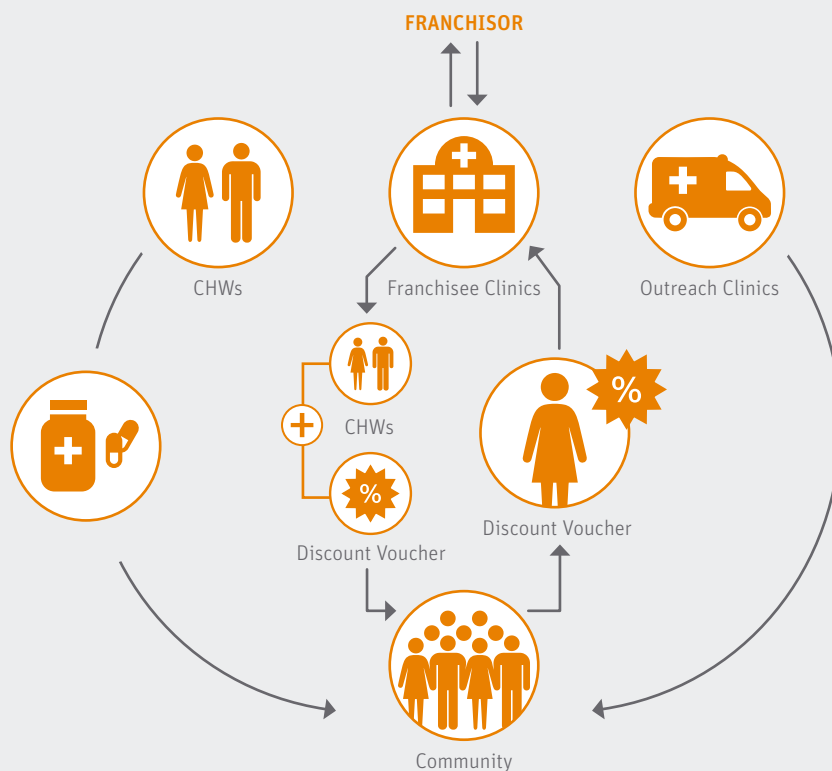
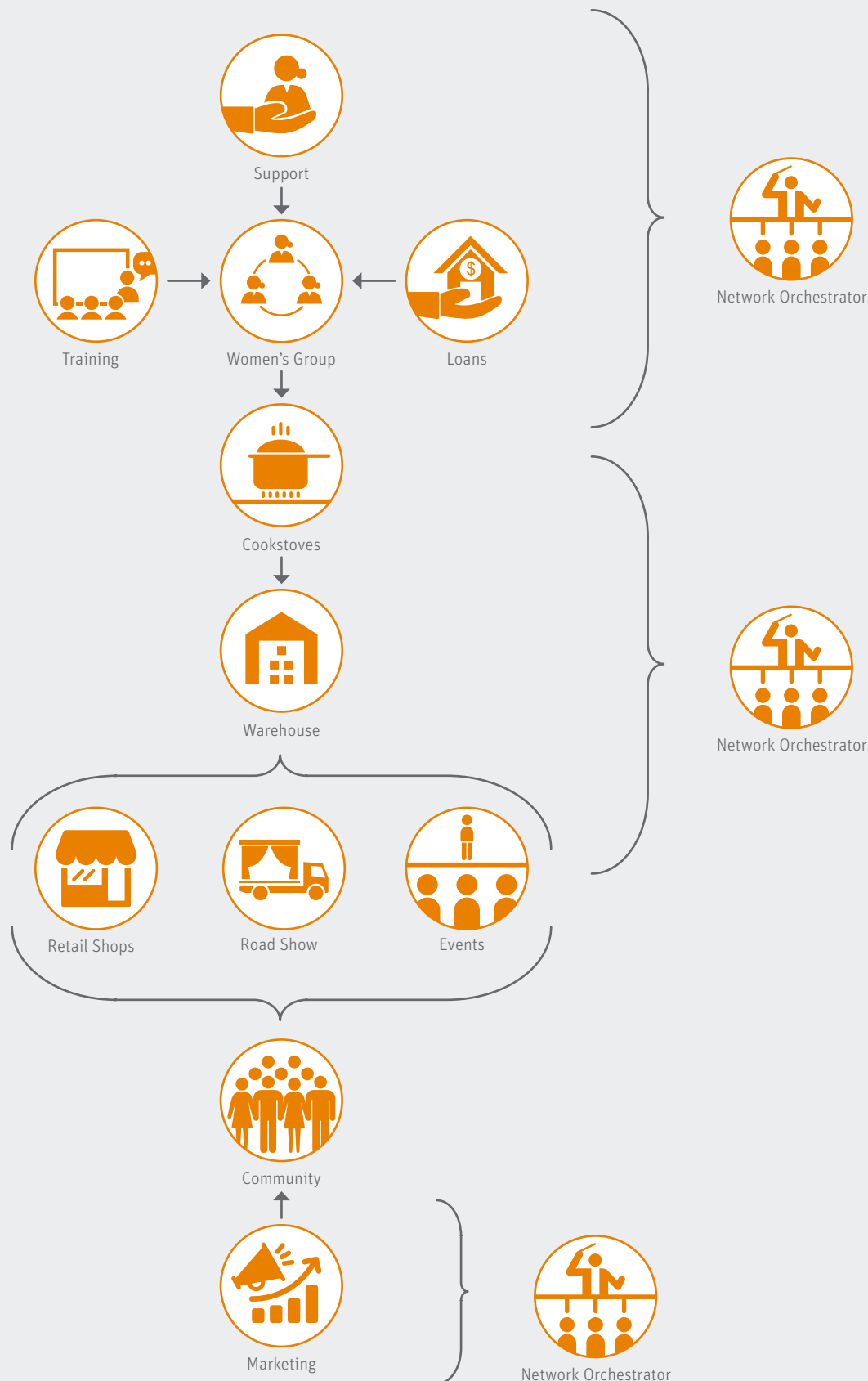


FIGURE 4: Working model of a network orchestrator in Malawi



and services efficiently down to the last mile. The orchestrator will spend a significant time managing the activities of various stakeholders in addition to focusing on core competencies. This will help scale the challenge of suboptimal distribution networks that many developing countries face. An important advantage of the orchestration model is that it stimulates close cooperation with external partners, whose specific value creation and innovative capacity can benefit one's own production.<sup>4</sup>

Collaborating with a network orchestrator can help solve the challenges of high distribution costs, inconsistent product availability and missing ecosystems – challenges that frequently plague the nutrition sector. The network orchestrator coordinates with a diverse set of actors involved, from suppliers to retailers at the last mile, to ensure that customers do not suffer due to missing links in the supply chain. In addition, transforming existing stand-alone deliveries into a network of affiliated and synchronized channels helps reduce product costs.

#### 4. Freemium

Freemium – a combination of ‘free’ and ‘premium’ – is a business model that offers a basic version of goods and services for free while charging a premium for additional features or functionality (Figure 5). Free offerings tend to attract a large customer base while expecting to monetize a small percent-

age. This will help the organization build a sustainable revenue base. Freemium models are usually seen in the technology space where the marginal cost of providing upgraded features is usually minimal.

Mobile phones have become ubiquitous even among resource-poor communities in many developing countries. A freemium mobile service set up exclusively to give resource-poor individuals information on how to improve their wellbeing can be a great tool to create awareness about better nutrition practices. In addition to having a large captive audience, such a solution can also be used to explain complex nutrition messages.

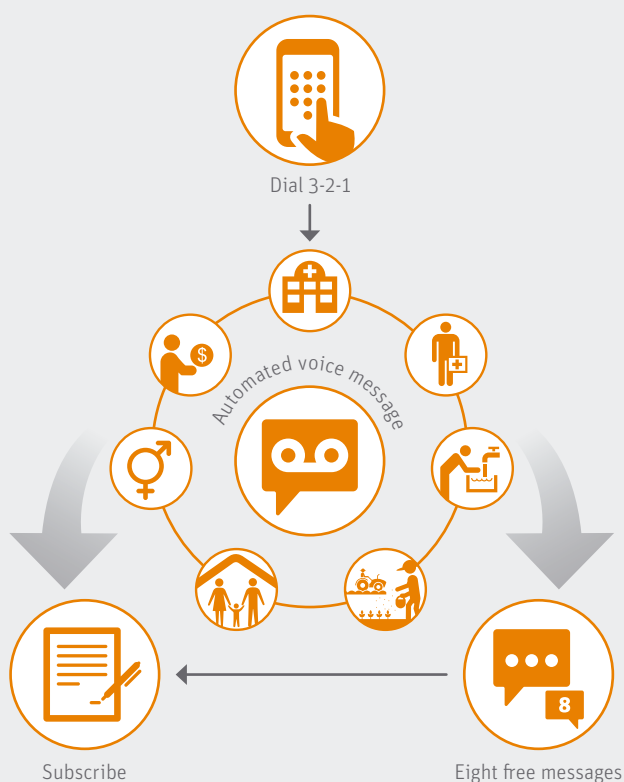
#### 5. Enterprise development

Enterprise development (Figure 6) is a model whereby businesses are led by locals at the community level in order to aid economic growth. Successful enterprises are locally rooted, trade for the benefit of the community, are accountable to the local community, and aim to create a broad community impact. In the presence of competent technical partners and experts who function as enablers, community-led enterprises can be supported at scale.

Enterprise development is a common strategy to create local jobs and improve economic wellbeing in the community. In this model, an organization (typically a non-profit) provides access to markets, finance and training for community members who jointly start up a small enterprise in a range of sectors from agriculture through manufacturing to services. The profits earned are divided among the enterprise owners, while community members benefit from jobs created.

Integrating nutrition into community enterprises through the supporting non-profit will create nutritional impact in addition to economic wellbeing.

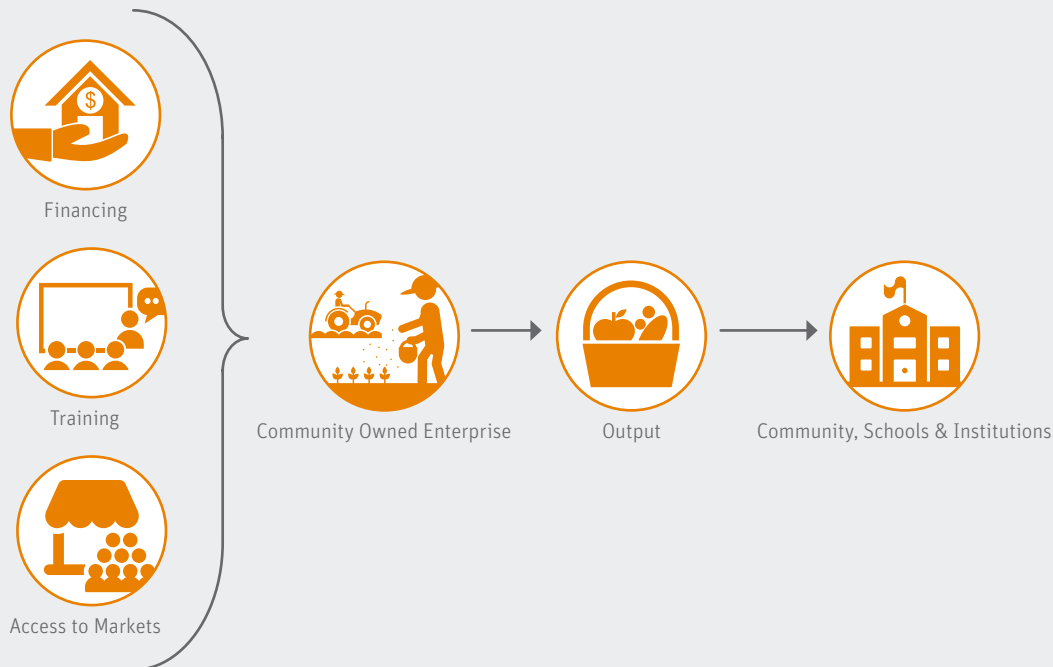
FIGURE 5: Working model of a freemium mobile application



“Enterprise development creates local jobs and improves economic wellbeing in the community”

#### Concluding thoughts

The importance of alleviating all forms of malnutrition is well established. However, progress remains slow and uneven in many contexts. Successful social businesses that serve large populations of low-income customers have shown interest in integrating nutrition solutions with their current offering. We therefore need to find practical solutions which are financially viable and easily scalable across a range of sectors including health, food and agriculture, technology and finance. We will share insights about the nutrition entrepreneurs themselves and their pathways to scale in the next edition of *Sight and Life*.

**FIGURE 6:** Working model of enterprise development**Correspondence: Srujith Lingala,***Manager Technology and Entrepreneurship**Kalpna Beesabathuni, Global Lead Technology and Entrepreneurship, Sight and Life, 9<sup>th</sup> Floor,**Infinity Towers, DLF Cybercity, Phase 3, Gurgaon – 122002, India.***Email:** [srujith.lingala@sightandlife.org](mailto:srujith.lingala@sightandlife.org)[kalpana.beesabathuni@sightandlife.org](mailto:kalpana.beesabathuni@sightandlife.org)**References**

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