Poor nutrition is the underlying cause of nearly half of all deaths of children under age 5; in addition, over one-fifth of children worldwide are stunted, which has long-term consequences for their cognitive, economic, and health outcomes (UNICEF et al. 2020). Stunting is a function of a child’s nutritional status during the first 1,000 days of life, beginning in utero. Therefore, addressing child undernutrition requires addressing the nutritional needs of women of reproductive age (WRA) as well as those of infants and young children.

Recognizing the important role of the private sector in food systems and the potential for food and beverage companies to contribute to better nutrition among low- and middle-income (LMI) populations, the Bill & Melinda Gates Foundation launched the Private Sector Partnerships (PSP) initiative under its global Nutrition Strategy in 2017. The PSP initiative has funded a portfolio of demonstration projects as part of a learning agenda about overcoming barriers that have impeded private companies from making packaged nutritious fortified foods accessible and affordable to LMI consumers in developing countries. The projects aim to identify upstream innovations and new business models that can achieve sustainable nutritional impact at scale, with a focus on improving the diets of WRA and children during the first 1,000 days.

The PSP initiative aligns with and complements government programs that support large-scale fortification of staple foods by focusing on fortification of packaged foods that LMI populations widely consume. PSP also complements traditional nutrition education and behavior change campaigns by leveraging the unique ability of food and beverage companies to shape preferences and behaviors on a large scale through innovative marketing and sales channels. This brief provides an overview of the PSP initiative from 2017-2020 and shares early learnings from the foundation’s experience partnering with food and beverage companies to reach undernourished LMI consumers, particularly WRA and children, with fortified packaged foods and beverages that are consumed frequently enough to contribute to improved nutrition outcomes.

Low- and middle-income (LMI) populations often turn to packaged foods, including complementary foods for children ages 6 to 24 months, because of their convenience (Global Panel on Agriculture and Food Systems for Nutrition 2016). Yet, most of these products have limited nutritional value (Access to Nutrition Index 2020). Nutrient-rich packaged foods are generally not affordable or accessible to LMI populations in developing countries (Access to Nutrition Index 2020). Although many countries now require fortification of staples such as flour and oil, these requirements are designed to address average nutritional needs of the general population. Package foods can complement large-scale food fortification by providing supplementary micronutrient fortification for subgroups of the population during specific high-need life phases, such as pregnancy and lactation or the first 1,000 days of life. Food and beverage companies (hereafter referred to as “food companies”) tend to pass the higher costs of producing nutrient-rich packaged foods on to consumers, targeting these more expensive, higher-margin products to wealthier consumers, who have the disposable income and awareness of health and lifestyle diseases associated with demand for these products. In contrast, food companies do not usually view LMI consumers as a market to tap with for-profit models for these products because of the additional costs...
associated with reaching and generating demand in these populations, as well as their limited purchasing power. Further, many companies lack the consumer insights and non-traditional cost structures needed to serve this market. These barriers are exacerbated when targeting a specific consumer segment (such as WRA or children), making financial sustainability even more elusive.

To cover costs associated with fortification and reaching LMI consumers—which can range from R&D to developing new distribution and sales channels—and make a profit on a venture, companies must often achieve unrealistic scale and market penetration rates. Consequently, there are few, if any, profitable business models that successfully serve LMI consumers with nutrient-rich, fortified packaged foods. Most well-intentioned, socially conscious business ventures that aim to improve the health of LMI consumers in developing countries are relegated to the philanthropic arm of companies, where they are limited in scale, not sustainable, and ultimately have little impact (Simanis and Duke 2014).

To engage food companies in tackling undernutrition at scale, profitability has to be central to the approach. However, there is little evidence on successful commercial models for nutritious fortified packaged foods in LMI markets, so it remains to be seen whether, how, and to what extent the private sector can contribute to sustainably reducing undernutrition. The PSP initiative has aimed to address this evidence gap by exploring the potential for for-profit, sustainable business models that can serve targeted LMI consumers, with the ultimate goal of contributing to improvements in the nutritional status of key subpopulations of LMI consumers, such as WRA and children.

Under the PSP initiative, the foundation has partnered with food companies to drive upstream and downstream innovations across the value chain that (1) improve the nutritional quality of packaged foods that many LMI consumers already consume and (2) increase the accessibility, affordability, and appeal of existing or new fortified packaged foods for LMI groups (Figure 1). The partnerships have focused on finding innovative ways to reduce ingredient, production, and supply chain costs and drive demand for and frequent consumption of fortified foods—so that businesses can both make a profit and have a social impact.

**FIGURE 1. PSP APPROACH TO INNOVATION ACROSS THE VALUE CHAIN**

<table>
<thead>
<tr>
<th>Upstream Innovation</th>
<th>Downstream Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research</td>
<td>Production</td>
</tr>
<tr>
<td>Development</td>
<td>Distribution</td>
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<tr>
<td></td>
<td>Retail</td>
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<td></td>
<td>Purchase</td>
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</tbody>
</table>

1. Unlock investment in novel research in ingredient science for low-cost nutrition
2. Innovation in novel product formats, and formulations for better nutrition
3. Reduce cost of sourcing, processing, and packaging nutritious inputs and products
4. Innovations to address “last mile” challenges to improve reach through lower-cost distribution and retail channels
5. Innovations in marketing, use of information and communication technologies, and other methods to stimulate behavior change, demand generation, and regular consumption
6. Adapting company business approaches and metrics to align with new business approaches

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Overview of the Private Sector Partnerships Initiative

Theory of Change

The PSP initiative’s theory of change (ToC) depicts how the Bill & Melinda Gates Foundation’s investments in unlocking innovation could kick-start a process that would ultimately lead to sustainable nutritional impact at scale by the private sector (Figure 2). The PSP strategy posits that a new business paradigm and innovations are needed to overcome system barriers that prevent companies from seeing LMI consumers as a viable market for these food products, which are typically more costly to produce. The foundation has provided three inputs to the innovation process: (1) a network of technical assistance (TA) providers to co-create innovations with company partners, (2) financial tools that reduce the risks companies face when launching new business models targeting LMI consumers, and (3) the foundation’s convening power and voice, which can help convince companies to undertake this journey.

These inputs were deployed in support of three different approaches to innovation: (1) bilateral partnerships with companies to develop and launch new business models for nutritious fortified foods; (2) country-level strategies involving multiple companies to offer LMI consumers a basket of nutritious fortified foods; and (3) game-changers such as reducing the cost of nutritious ingredients (including plant proteins), supply chain innovations (such as bulk vending), and social movements to generate demand for fortified foods. This brief focuses on the first of these innovation approaches—demonstration projects undertaken in partnership with food companies as an initial step toward the long-term goal of achieving sustainable impact at scale.

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**FIGURE 2. PSP THEORY OF CHANGE AND KEY ASSUMPTIONS**

<table>
<thead>
<tr>
<th>INPUTS AND APPROACH</th>
<th>PROJECT OUTCOMES</th>
<th>COUNTRY-LEVEL IMPACT</th>
<th>REGIONAL/GLOBAL SCALE</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSP TA Hub Network</td>
<td>Fortification of existing products &amp; launch of new fortified products</td>
<td>Increased availability &amp; demand for fortified packaged foods</td>
<td>Reduced rates of nutrient deficiencies</td>
</tr>
<tr>
<td>BMGF financial tools, convening power &amp; voice</td>
<td>Companies scale &amp; replicate innovations</td>
<td>Companies build key capabilities</td>
<td>More companies profitably scale fortified packaged foods</td>
</tr>
<tr>
<td>Develop and test innovations across the value chain</td>
<td>Dissemination to business and nutrition communities</td>
<td>Generation of tools, evidence, and learning</td>
<td></td>
</tr>
</tbody>
</table>
PSP’s demonstration projects aim to generate evidence and learning that can inform replication and scale-up of successful approaches by company partners, as well as other companies. It will likely take years to progress from positive results on discrete projects to country-level impact and eventually regional or global scale, but through its initial engagements with companies and demonstration projects, PSP has already gained valuable learnings around the assumptions underlying its ToC (Figure 2, bottom panel). This brief summarizes early learnings from the PSP’s initial proof of concept phase (2018–2020), organized around some of the critical assumptions underlying the ToC.

**Inputs to the Innovation Process**

The TA Hub Network has been the central engine of the PSP strategy, representing a new approach to business consulting and TA. Composed of seven complementary “hubs,” PSP’s TA Hub Network has brought wide-ranging, interdisciplinary, and specialized expertise to company partnerships to enhance existing company capabilities and help unlock innovation across the value chain (Figure 3). Four core TA hubs offer capabilities in consumer intelligence, marketing intelligence, and business model innovation to co-design innovative business models, as well as measurement, learning, and evaluation (MLE) to support real-time refinement of business models and the strategy’s broader learning and dissemination goals. These core hubs have been supported by an extended set of interlinked hubs that have provided deep expertise in market research, product development, and nutrition. Each hub is actually a network in itself, with the lead organization for each hub (named in parentheses in Figure 3) drawing on complementary organizations and local partners in key geographies. Nonetheless, despite the diversity of disciplinary backgrounds and capabilities offered through the TA Hub Network, the PSP aimed for companies to perceive the Hub Network as a seamless extension of the PSP team at the foundation. This was achieved by investing in opportunities to build connective tissue, fostering close collaboration, and establishing a fit-for-purpose operating model for the Hub Network.

**FIGURE 3. PSP TA HUB NETWORK**

- **NUTRITION ADVISORY (Wageningen University)**: Provides technical expertise on product selection and fortification to accelerate nutrition impact.
- **MARKET RESEARCH (Innova Market Insights)**: Informs country, company, and product design decisions using market research.
- **PRODUCT DEVELOPMENT (RISE)**: Conducts research and development activities to unlock technical barriers and test new formulations and production processes.
- **CONSUMER INTELLIGENCE & CO-DESIGN (ThinkPlace)**: Leverages human-centered design approaches to identify LMI consumer needs and relevant nutritious products that can be appealing, affordable, and accessible.
- **MLE (Mathematica with the William Davidson Institute)**: Generates/captures data, evidence, and learning to inform business models, advance knowledge, and facilitate replication of successful business approaches to reaching LMI consumers with nutritious foods.
- **BUSINESS MODEL INNOVATION (Hystra)**: Works with companies to generate profitable and commercially sustainable business models that tackle the challenges of reaching LMI consumers with nutritious foods.
- **MARKETING INTELLIGENCE (Ogilvy)**: Helps companies develop brand identities, advertising, and promotion strategies to influence consumer behaviors and generate demand.
The foundation’s other two contributions to the PSP are its convening power and financial tools. The foundation’s convening power has helped bring companies to the table and facilitated partnerships, while its financial support for design and pilot testing has helped to de-risk companies’ investment in new and innovative approaches that enable them to add fortified products to their portfolio and/or extend their reach to LMI consumers. Across all of its contributions to the PSP, the foundation took several steps to embed nutritional objectives into the network’s operations and the projects undertaken with company partners (Figure 4).

**FIGURE 4. NUTRITION IMPACT IS EMBEDDED IN PSP’S APPROACH**

The Nutrition Advisory Hub developed a nutrition philosophy to guide and define eligibility criteria for company partners and products, specify target populations and priority nutrients, and ensure that products developed and tested would benefit the target populations. One requirement of the nutrition philosophy is that all products involved in the demonstration projects score at least three stars from the Australian Health Star rating system to ensure they were not high in sugars, fats, or sodium. PSP also convened a Nutrition Advisory Board to provide feedback on the nutrition philosophy and the Nutrition Advisory Hub’s approach to modeling the nutritional impact of products developed and marketed under PSP projects. The board comprised eight scientists with expertise in malnutrition and product formulation in LMI countries.

Company partners have been required to invest their own funds and commit staff resources, and to contribute to generating learning and evidence to support replication and scale-up of successful business models by other companies. Some company partners have engaged with PSP at the very beginning of the innovation process, before having selected a specific product or country market, whereas others already have fortified packaged foods or beverages in their portfolio of offerings and are seeking PSP support to expand into lower-income consumer segments. Figure 5 outlines the key phases of PSP’s partnership process.

**FIGURE 5. PSP PARTNERSHIP PROCESS**

- PSP and company agree on objectives for the partnership
- PSP and company agree on product, target population, and country
- PSP’s TA Hub Network facilitates human-centered design sprints to understand target consumers and inform business model development
- The company and PSP’s TA Hub Network co-create an innovative business model
- The company launches a “market test” of the new business model—a proof of concept period in a limited geographic area (e.g., one city or node of the company’s distribution network), informed by data collected from consumers by the MLE Hub
- The company decides whether, to what extent, and how to scale the new business model
Innovation Tools and Outputs

As shown in the ToC, a key element of the PSP strategy is to develop tools to support the TA process and learning products to facilitate efficient development, replication, and scale-up of sustainable business models for nutritious products in LMI markets, within and outside the PSP initiative. The PSP TA Hub Network has leveraged its members’ knowledge from past experiences, research commissioned by PSP that the hubs collaborated on, and data and learning from early partnership experiences to develop a suite of TA tools (Figure 6). These resources address company requirements and capability gaps expressed by and observed across company partners and are available in the public domain to support other efforts to enable private sector engagement in reducing undernutrition.

The PSP TA Hub Network uses these tools in its engagements with partner companies. In some cases, the innovations supported by PSP represent new ways of doing business for a company. Examples include: (1) creating new demand by targeting a consumer segment that the company does not typically reach through traditional distribution and sales channels, (2) maximizing consumption frequency rather than or in addition to sales penetration, and (3) using “below the line” marketing strategies and non-traditional distribution channels. To date, PSP has facilitated the development of a number of innovations across the value chain (Figure 7).
Early Learnings

Companies need new ways of working in order to create sustainable nutrition impact. A business-as-usual approach to the innovation process is insufficient to create sustainable business models for fortified packaged foods that can achieve nutrition impact among LMI consumers. Rather, companies need to start by envisioning a business model that could reach these objectives at scale, and then work backward to identify innovations across the value chain that can reduce costs and increase penetration and consumption frequency. The essential components of the business model often need to be optimized through human-centered design research that progresses from low- to high-fidelity testing and eventually an iterative market test. All elements must be working in harmony—changes to any element can have ripple effects on other parts of the business model.

Developing new business models requires buy-in from all levels of the company, which can be facilitated by recognizing that fortified packaged foods can generate indirect value in addition to traditional financial returns. A key aspect of identifying the right company stakeholders at different stages of the partnership lifecycle involves understanding whose profit-and-loss statement the project will be reflected on. In the case of a subsidiary or local branch of a multinational company, this may include gaining approval and buy-in from leadership at the international headquarters office as well as the country managing director who will be responsible for the financial success of the project. In addition to profit, business models that are explicitly designed to empower LMI women and/or improve nutrition outcomes among LMI consumers can also generate indirect financial and non-financial value for the company through increased brand appeal and loyalty, employee and shareholder satisfaction and retention, improved stakeholder and government relations, and other intangible benefits.

Consumption frequency is the key to achieving profitability and financial sustainability, as well as health impacts. PSP introduced the concept of “consumption frequency” to demonstrate how providing fortified foods to LMI consumers can be profitable and socially impactful. In collaboration with its Business Model Innovation and Marketing Intelligence hubs, PSP further refined this approach and tested it across several projects. Figure 8 shows how focusing on consumption frequency (frequent consumption of a product by target consumers) can lead to high sales volumes at lower penetration rates, as well as health impact. In contrast to traditional penetration-based paths to achieving high sales volume that focus on reaching a large number of customers (most of whom consume a product infrequently), the PSP TA Hub Network has helped company partners develop business models that are designed to prompt targeted consumers (such as WRA) to consume a fortified food product multiple times per week, thereby enabling companies to reach their sales targets while also delivering meaningful doses of micronutrients to customers. For companies to invest in and sustain these new business models, fortified products still need to offer sufficiently attractive incrementality and profitability.

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Figure 8. Business models designed for consumption frequency enable health impact and high sales volume.

Source: Hystra.
This can be challenging within the constraints of LMI consumers’ budgets, but the additional sales volume that results from frequent consumption can make fortified products relevant to a company even if they fall short of traditional margin targets. Recognizing the centrality of consumption frequency to convincing C-suite executives to engage in innovation partnerships under PSP, the TA Hub Network developed a Consumption Frequency Playbook (Figure 9; see also the toolkit) to help operationalize consumption frequency from the initial engagement through design and execution of the business model.

### FIGURE 9. THE CONSUMPTION FREQUENCY TOOLKIT

<table>
<thead>
<tr>
<th>ENGAGING COMPANIES about LMI populations as consumers</th>
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<tbody>
<tr>
<td><strong>Workshop slides</strong> take company partners through common misperceptions about LMI consumers and insights that can unlock sustainable impact at scale.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>SELECTING PRODUCTS that are most likely to achieve sustainable impact at scale</th>
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</thead>
<tbody>
<tr>
<td><strong>The Opportunity Selection Tool and Analysis Methods</strong> help shortlist product categories based on data on category penetration and existing consumption frequency, contextualized by company market share and nutritional impact.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>IDENTIFYING TACTICAL OPPORTUNITIES for creating consumption frequency</th>
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<tbody>
<tr>
<td><strong>The Consumption Frequency Framework</strong> focuses on (1) brand and product characteristics, (2) mass communications, and (3) proximity marketing tactics.</td>
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<tr>
<td><strong>The Primary Research Guide</strong> outlines research questions and observations for each tactic to aid ideation.</td>
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<table>
<thead>
<tr>
<th>DEVELOPING TACTICS based on examples of success and bespoke insights about the product and target communities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Library of Inspiration</strong> provides over 50 real-world examples of consumption frequency tactics used effectively by other companies, compiled by the PSP TA Hub Network to provide inspiration for the ideation process with company partners.</td>
</tr>
<tr>
<td><strong>The Ideation Workshop template</strong> provides an agenda and exercises to stimulate the co-creation process with company partners, resulting in a shortlist of consumption frequency tactics to for consideration as part of the market test.</td>
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</table>

The effectiveness of the consumption frequency tactics in the playbook is already evident in the first generation of business models co-created with the PSP TA Hub Network. One consistent manifestation of the centrality of consumption frequency is the use of direct sales force models which can (1) reach target consumers by intercepting them during their daily routines and (2) create habits of consumption by leveraging peer influence and relationships. Companies have embraced the potential of direct sales forces as they developed new business models for fortified products formulated for specific customer segments, such as WRA (Figure 10 profiles one example from the PSP portfolio). Company partners have also demonstrated their commitment to consumption frequency through the key performance indicators used to track and measure the success of product market tests, which have all included measures of targeting (the share of consumers who are in the target population) and consumption frequency, with an aim of building consumption habits and improving the unit economics of distributing low-margin products to LMI consumers. Company partners have recognized that creating and keeping loyal consumers is essential for the business sustainability of products sold to a targeted group of LMI consumers. PSP has supported company partners in further incorporating tactics from the consumption frequency playbook into the advertising and promotion strategies for new products, which have otherwise typically relied on more traditional approaches.
Human-centered design principles and methodologies are needed to understand target consumers and develop innovative business models that can achieve frequent consumption. Companies need a deep understanding of their target consumers’ pain points, aspirations, and daily routines to be able to develop the “jobs to be done” by brands, positioning, and packaging. These consumer insights help ensure that products will particularly appeal to the subgroup for whom the fortification is formulated by (1) explaining benefits in ways that resonate with target consumers, (2) developing cost-efficient advertising and promotion strategies that can drive first-trial and repeat purchases, and (3) making the product available at convenient locations. Human-centered design approaches, with active participation of target consumers and vendors to co-create new concepts, are an effective way to generate such insights, foster innovative thinking about potential solutions, and obtain feedback on early prototypes of business model elements. Although PSP’s partner companies brought different strengths and capabilities to the business model innovation process (Figure 11, next page), human-centered design is not typically part of their product and business model design process, so the PSP Hub Network facilitated a variety of activities to help them build these capabilities.

Innovative business models can benefit from a data-driven, iterative market test process. A multi-stage, data-driven market test process can serve two purposes: (1) refining and optimizing the new business model through iterative learning and pivoting, and (2) informing scale-up and replication in other geographies. Recognizing the value of this approach, before investing in de-risking new business models, PSP required that company partners commit to conducting a market test, sharing data, and being willing to adapt the model based on early learnings. Company partners also agreed to use market tests as opportunities to generate evidence and insights that could be shared more broadly as public goods.

PSP’s experience suggests that the dual objectives of the market test are best achieved by co-designing the operational plan for the market test and using a phased approach to testing the business model. At the beginning of the business model development process, consumer-focused design sprints consisting of anthropological data collection, co-creation sessions, rapid prototyping, and qualitative validation with targeted users have been valuable for understanding target consumers and developing an initial version...
of the business model. However, additional testing of distribution channels (i.e., direct sales force members’ performance and supervisors’ roles) and consumption frequency tactics (i.e., retailers’ ability and willingness to implement these tactics and consumers’ reactions to them) are often still needed during the market test phase.

**FIGURE 11. MNC VERSUS REGIONAL COMPANY CAPABILITIES AND TA NEEDS**

Companies face different challenges in developing new business models to reach LMI consumers with fortified packaged foods. New entrants to the market often have a steep learning curve about LMI consumers and/or packaged foods. Companies that are already serving LMI customers with other food products (and thus are at risk of market cannibalization) need effective means of differentiating new fortified products. All of PSP’s partner companies have sought support with generating consumption frequency, but PSP’s experience to date suggests several common differences in the types of TA that multinational companies versus regional or national companies need on their journey to sustainable nutritional impact at scale.

Because the business models generated through PSP partnerships are targeting new markets and aiming to drive frequent consumption among certain types of consumers—all of which is new to company partners and requires new or modified approaches—it is useful to start with smaller-scale validation of key assumptions in the business case before launching a larger-scale market test of the full business model. Examples of how PSP projects have honed their focus during the first phase of market testing include (1) establishing feasibility of daily sales targets by engaging only a few direct sales agents and paying them a daily wage (rather than paying them on a commission basis as envisioned in the business case), (2) initially testing only a subset of the planned advertising and promotion activities, and (3) launching the market test in a few neighborhoods rather than an entire city. Once key assumptions and approaches are validated or optimized as needed, market tests can be more confidently ramped up to test the full business model in a larger geographic area, to inform the ultimate decision about scaling up.

**An embedded, systematic, and participatory MLE process is critical to achieving the dual objectives of the market test.** MLE is central to the PSP TA Hub Network’s approach to market tests because it enables the data-driven pivots that are needed to optimize innovative business models’ potential for business sustainability and nutrition impact. It also provides essential data and evidence to inform decisions about scaling up the product and the business model, and to spur other companies to enter LMI markets with nutritious food products. PSP’s MLE Hub has developed a systematic process that aims to test specific assumptions and hypotheses underlying the business model and to inform real-time refinement, as well as scale-up decisions, by integrating MLE Hub members into the core project team and embedding MLE activities across the entire business model co-development and market test journey (Figure 12, next page).
Although the MLE process on PSP projects has been stewarded by the MLE Hub and guided by the overarching PSP MLE framework, it is designed to be a participatory, collaborative process, with key stakeholders from both the PSP and the company partner playing a central role in developing, refining, and executing the MLE plan. Indeed, for the MLE effort to effectively achieve the dual goals of the market test, the company partner and TA hubs must actively engage in the MLE process from the start of business model development. The designs and implementation of MLE plans have been most successful when all three parties (the MLE Hub, PSP project lead, and company project lead) share a sense of ownership of the process and co-create the MLE plan in concert with the business model and operational plan for the market test. In practice, the MLE framework development process has facilitated granular thinking and refinement of the business model.

At the market test stage, a natural division of labor around MLE has arisen in which the company provides data on implementation of the business model (e.g., days worked by vendors, sales of each flavor and/or pack size of the product, etc.) and the MLE Hub works with a local partner to collect data to track target consumers’ exposure to advertising and promotions, brand awareness, the share of sales to the target population, penetration among the target population, consumption frequency, and what the product is replacing in consumers’ diets. As the market test comes to an end, the company’s decision about whether to scale up the new business model is informed by the consumer data that the MLE Hub collects as well as the company’s own data on sales and projected at-scale costs.

One of the market tests supported by PSP has already made it to this stage (Figure 10, page 9). Data and analysis provided by the MLE Hub helped the company refine operationalization of the business model to improve business outcomes (for example, by recommending that street vendors spend more time at locations that many women frequent, such as universities and health facilities), as well as nutrition outcomes (for example, by recommending that the company not stock the fortified product at shops that sell fruit, to minimize substitution from a healthy alternative). MLE data and analysis also contributed to

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**FIGURE 12. PSP’S PROJECT-LEVEL MLE PROCESS**

**PSP AND COMPANY DECISION JUNCTURES**

**BUSINESS MODEL DESIGN AND MLE PLANNING**

- **Develop project MLE plan**
  - PSP TA Hub network and company co-create the business model. MLE Hub works with them to translate the business model into the MLE plan:
    - Theory of change for nutritional impact and business sustainability
    - Learning questions and hypotheses to contribute to the evidence base and test business model assumptions
    - Key performance indicators to inform business model refinement and scale-up

- **Set targets & refine business model**
  - Together, the company partner, MLE, and other PSP TA Hubs examine key business model assumptions to set targets.
  - As a result, business model refinements are usually needed.
  - These same stakeholders identify assumptions to be isolated and tested during the first phase of the market test.

- **Plan for market test, data collection & pivots**
  - Together, key stakeholders finalize:
    - Operational plan to ensure the market test will produce the evidence needed to answer the learning questions
    - Data collection plan with MLE Hub and company responsibilities
    - Pivot plan that specifies actions to be taken in response to data during the market test

**MARKET TEST PHASE 1: REFINING THE MODEL**

- **Collect data and pivot as needed**
  - Test and optimize specific elements of the business model through pivots informed by data.
  - Meet to review data and decide on pivots at least bi-weekly.
  - The company’s project manager engages key stakeholders and oversees pivots.
  - Updates are provided regularly to the PSP Program Officer.

**MARKET TEST PHASE 2: TESTING THE FULL MODEL**

- **Collect data and decide about scale**
  - Using data collected during the market test, the company and PSP stakeholders assess the business model for its potential to:
    - Contribute to nutritional improvements
    - Achieve sustainability
    - Scale to other contexts

- **MLE data collection for fast pivots and scale decision**

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11
the company’s decision to replicate the business model in another city (expanding from the initial market test location in Benin City to Lagos in Nigeria) and informed the company’s decision to immediately scale up the product through the male vendors nationally while gradually refining and expanding the new sales channels. This level of influence was made possible by the MLE Hub’s (1) detailed understanding of the business model; (2) rich consumer data and insights extracted from those data, drawing on the Hub’s expertise in measuring both business and nutrition outcomes; and (3) credibility, which the MLE Hub established through intensive engagement with the company partner and other TA Hubs.

Conclusions

Early learnings from PSP’s proof of concept phase suggest that an intentional and innovative approach to conceptualizing, designing, and testing new business models that target specific LMI populations may yield sustainable commercial models that have social impact. The PSP initiative has demonstrated that some companies are keen to experiment with innovative business models that focus on reaching LMI consumers with new or improved fortified foods for specific populations that can complement fortified staples, provided there is buy-in from company leadership and key supports to boost the chances of success. The TA provided by the PSP Hub Network and the financial de-risking (and brand value) provided by the foundation have helped bring companies to the table and convinced them to take risks they otherwise would not have been willing to assume. As a result, innovations are being developed and tested across the value chain to overcome system barriers preventing companies from delivering affordable, nutritious packaged foods to LMI markets in developing countries (Figure 13).

PSP’s portfolio of demonstration projects has generated some promising early signals on the potential for fortified packaged foods to contribute to reductions in undernutrition, though it is too soon to know if partner companies will sustain the new business models launched with PSP’s support. Partner companies have adopted PSP’s emphasis on consumption frequency as the key to achieving both nutrition impact and profitability, and the new business models generated through PSP partnerships have incorporated tactics from the Consumption Frequency Toolkit to encourage frequent consumption by target consumers. At the same time, it is important to ensure that fortified packaged foods are not displacing other nutritious components of target consumers’ diets. PSP is tracking this closely, with encouraging evidence on the first fortified product to be scaled by a PSP partner—the fortified frozen yogurt snack developed with Danone/FanMilk Nigeria. Customers most commonly purchase this product in place of carbonated sugary drinks or other non-fortified frozen snacks, suggesting that the new snack is likely a net benefit in women’s diets.

More broadly, the systematic integration of robust MLE plans in the project development and execution process is creating a foundation for a body of evidence and learnings for dissemination to demonstrate how other companies might replicate successful approaches. In addition to the successful market test collaboration between PSP and Danone/FanMilk Nigeria, evidence from market tests of other innovative business models for fortified products supported by PSP is expected in 2022.
References


