

Sweets and Sours of Social Business: A Case Study on Grameen Danone Foods Ltd.

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This case tells the history and current performances of Grameen Danone Foods Ltd. in Bogra district which is the first social business venture in the world. It states the GDFL production output, pricing decisions, distribution patterns and promotional patterns. While dealing with the bottom of pyramid through social business it is observed that a different set of production and marketing is needed which is quite cumbersome than a regular easy pattern of dealing business. Parent company Group Danone overlooked the differences and also failed to achieve the sustainability goal of GDFL. The case then describes the geo-demography of Dhaka city – a prospective and suggestive market for GDFL. A good number of mid to high income group customers of Dhaka city may buy Shoktidoi and the profit may be refueled for the dealing of rural poor people. In addition it also states that a good country analysis and competitor analysis may help GDFL to decide its current and future marketing strategy. A holistic marketing approach is also suggested.

1. Introduction

The number of people suffering from severe undernutrition and food insecurity recently reached one billion, and most of those affected live in developing countries (Lean, 2009). The economic and financial crisis is stimulating discussion about the future role of business in case of major social problems like hunger. There is growing acceptance of the need to develop new business models that simultaneously generate financial profits critical for long-term growth and improve both population health and the environment — PepsiCo CEO Indra Nooyi (2007) terms this "performance with purpose, Bill Gates, (2008) Chairman of Microsoft and Co-Chair of the Bill and Melinda Gates Foundation, calls it "creative capital-ism," and Muhammad Yunus, (2006) the founder of Grameen Bank, refers to the evolution of "social business" that address the most pressing problems of the society with a self-sustainable business model.

A social business is a non-loss, non-dividend company with a social objective. The intention is not to make money for oneself, but to solve a problem," says Yunus. In a social business an investor aims to help others without making any financial gain himself. A social business is a business because it must be self-sustaining—it must generate enough income to cover its costs. It is outside the profit-seeking world but the goal is to solve a social problem using business methods like the creation and sale of goods and services.

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Hussain, Chowdhury & Hussain

There are two kinds of social businesses, Type I and Type II.

Type I Social Business

This kind of social business is a non-loss, non-dividend devoted to solving social problem and owned by investors who reinvest all profits in expanding and improving the business. The investors can take back their original investment over a period of time, but cannot take any profit (Yunus, 2010).

Type II Social Business

This kind of Social Business is a profit making company, owned by poor people, either directly or through a trust that is dedicated to a predefined social cause. Since the profits are directed towards poor people, this profit is automatically serving a social cause. The Grameen Bank, which has the poor people as its depositors and customers, is an example of this kind of social business (Yunus, 2010).

On 16 March 2006, the Grameen Group and Groupe Danone joined forces to create a new Bangladeshi-based company, Grameen Danone Foods Ltd (GDFL) with an aim to stand up as a social business enterprise.

This article reviews the drawbacks of Grameen Danone Foods Ltd. and describes that the absence of country and company analyses created sequential problems which were overlooked in all previous articles. Also previous articles or cases do not provide any direction for GDFL analyzing 4Ps which is addition here. This study starts with an introduction of social business, then describing the manufacturing plant GDFL, its current production, distribution, pricing and promotion. In the third outlined section, a competitor analysis is done along with the cultural and prospective market – Dhaka city analysis. Fourth outlined section details the challenges to be taken care of by GDFL. This case ends with discussion oriented questions which would be helpful in class room discussion on social business.

2. Grameen Danone Foods Ltd (GDFL)

Starting its journey in early 2007, GDFL had promised to offer its 'Shoktidoi' (yogurt) at a cheap rate to help poor people, mainly children and women in Bogra district get nutrient-rich foods. Others objectives of Grameen Danone Foods Ltd. are to promote local business activity and to indirectly create jobs in the agricultural industry, or in sales and distribution. To ensure the initiative's long-term success, the idea is to offer appropriate micro-financing solutions and professional training tailored to the people from local communities who will be taking part in the project. (Extract from press release published by Groupe Danone on 16/03/06)

2.1 Manufacturing Plant

The manufacturing plant of GDFL was built in Bogra, 220 kilometers north of Dhaka, the capital city of Bangladesh with a daily production capacity of 3,000 kgs/day to 10,000 kgs/day. The plant was built only on 75,000 square feet areas which included milk reception, mixing and fermentation, a filling line, packaging station, a laboratory, a cold

Hussain, Chowdhury & Hussain

room, a storage room, and office space. The cost of building the plant was approximately \$1 million, (2007) however, the lessons learnt from building the Bogra plant, future plants of GDFL could be built at a cost of between 20 and 30 percent less (Yunus, 2007).

Table 1: Bangladesh at a Glimpse

Name of Divisions*	Population (in '000') in 1991	Population Percentage by Division in 1991	Population (in '000') in 2001	Population Percentage by Division in 1991	Household in 2001 (in '000')	Area (Sq. Km)	Projected Population in 2011***
Dhaka	32666	30.72	39044	31.40	82360	30989	47543
Chittagong	20523	19.30	24290	19.53	4472	33771	29570
Khulna	12688	11.93	14705	11.83	3119	22285	17912
Rajshahi	26210	24.65	30202	24.29	6627	34495	36777
Sylhet	6765	6.36	7939	6.38	1388	12596	9660
Barisal	7462	7.02	8173	6.57	1647	13645	9948
Bogra **** Zila	2669	2.51	3013	2.42	688	2898	3664
Bangladesh	106318	102.51	124355	102.42	25490	147570	151410**

Source: Statistical Yearbook of Bangladesh 2007

* Rangpur is a new division which is included in Rajshahi. Bogra was shown separated for the case purpose.

** Statistical Pocket Book Bangladesh 2009

*** Adjusted considering the percentage of 2001

**** Bogra Zila is under Rajshahi Division

Table 2: Population Distribution by Broad Age Group in Percentage

Age Group	No. of Population	Percentage
0-4 years	16002	12.87
5-9 years	16696	13.43
10-14 years	15872	12.76
15-24 years	23212	18.67
25-59 years	44843	36.06
60 + years	7729	6.22
Total	124354	100

} 39.06%

Source: Statistical Yearbook of Bangladesh 2007

The People's Republic of Bangladesh is a country in South Asia with an area of 147,570 square kilometer. Total population of Bangladesh is 151 million. There are seven divisions: Dhaka, Chittagong, Khulna, Rajshahi, Sylhet, Barisal, and Rangpur. The 2001 census counted and reported Bangladesh population 124,355 thousands. At that time, Rangpur was in the Rajshahi division and Bogra Zila was under Rajshahi division too.

Hussain, Chowdhury & Hussain

2.2 Market Segmentation and Targeting

The Company segmented its market on the basis of geo-demography. Geographically it first selected Bogra district which has an area of 2898 square kilometers, household 688000 and a population of 3013 thousands. From the above table no. 2 it is noted that children under 14 years are 39.06% of the total population which estimates the segment size at 1177 thousands. The segment was also selected demographically keeping low income in mind.

Table 3: Number of Members, Earners, Household Income, Income per Member and Earner by Residence in 2005

Residence	No. of member per household	No. of earner per household	Monthly household income per household	Monthly income per member	Monthly income per earner
National	4.85	1.4	7203 (100.74)	1485 (20.77)	5145 (71.96)
Rural	4.89	1.37	6095 (85.24)	1246 (17.43)	4449 (62.22)
Urban	4.72	1.5	10463 (146.34)	2217 (31.01)	6975 (97.55)

Source: Bangladesh Bureau of Statistics May 2007

*Data within parentheses indicates information in USD.

Table 4: Percentage share of food expenditure by residence & major food items in 2005

% of Total	Cereal	Pulses	Fish	Meat & Eggs	Vegetables	Milk/milk products	Edible oil	Condiments/spices	Fruits	Sugar/gur	Beverage
Rural	42.25	2.39	11.46	7.64	8.34	3.46	4.07	7.18	2.97	1.54	0.45

Source: Bangladesh Bureau of Statistics May 2007

Analyzing above table no. 4 it is seen that milk/milk products are consumed only 3.46 percent of all other food expenditures. In reality, there is only one earning member per household at Bogra, thus leaving only Taka 43.11 (From table 3, considering Taka 1246 per earner's income) which is equivalent to 7 cups only in a month per household which brought the big challenge to GDFL.

2.3 Current View of Products and Pricing

In February 2007, GDFL sold its first 80 gram cup of shoktidoi, which provides 30% of a child's daily requirements of vitamin, iron, zinc and iodine at a price of Taka five and in USD 0.07¹. (Currency Conversion 1 BDT = 0.014 US\$)¹. By September 2007, GDFL was selling around 350,000 cups per month. But, in April 2008, the price of raw material especially cow's milk increased by almost 100% from Taka 22 (\$0.307) to Taka 40 (\$0.56) per liter. As a result, sales price per 80 gm cup was increased to Tk. 8 (\$ 0.11), affecting a sharp decrease in sales and collapsing the sales network of Grameen

Hussain, Chowdhury & Hussain

Danone Ladies. GDFL decided to make 60 gm cup at a price of Taka six (\$0.084) maintaining the same nutrient. The company also decided to expand sales to Dhaka and thus in November 2008 it began to send a refrigerated truck to Dhaka twice a week. The product it sent to Dhaka was an 80 gram cup priced at 12 taka (\$0.17). With the increase in milk price, GDFL decided to expand its product lines.

Table 4: Price and Volume (in Percentage) of Shoktidoi Offered

Products in Cup	Plain 60 gm	Mango 60 gm	Plain + Protein 60 gm (Sept 2009)	Plain 80 gm	Mango 80 gm	Pouch 40 gm (May 2010)
Selling Areas	Rural, Care Rangpur, North & West Bangladesh	Rural, Care Rangpur, North & West Bangladesh	Dhaka Slums, Dhaka, Chittagong and Sylhet	Dhaka, Chittagong, Sylhet	Dhaka, Chittagong, Sylhet	Rural
Price in Taka	6	8	8	12	12	5
in US \$	0.08	0.11	0.11	0.17	0.17	0.07
% Volume sales in the Portfolio in cups (YTD March 2010)	63	4	28	4	2	–

2.4 Current View of Distribution and Promotion:

GDFL relied on a “two-legged stool” to distribute and sell Shoktidoi. One leg was a number of small retail stores (between 300 – 400) located in and around Bogra but lacks of refrigerators. The second leg was the “Grameen Ladies.” These were female entrepreneurs who took loans from Grameen Bank and used the money to start or expand small businesses to support themselves and their families. They were trained and informed about the benefits of Shoktidoi, provided with insulated bags in which to carry the yogurt containers from door to door. GDFL planned to pay a sales commission Taka 1.50 (\$ 0.02) per cup sold. Product nature and the commission system could not motivate sales ladies to stick to selling rather than quitting without word of explanation. It happened for two reasons: 1) if they could not sell, GDFL would not have taken it back and 2) density of population in rural area is not as high as that of the metropolitan city area which we generally consider. These ladies had to carry and walk miles away to sell a few and return home. They could not preserve these unsold in their homes as well as they had no refrigerators or in some places no electricity even. Sometimes, rickshaw vans and motorized vehicles were used to carry these to different retails outlets. Grameen Danone Ladies accounted for about 20 percent of Shoktidoi sales, the remaining 80 percent of sales were carried out at shops. (Rangan and Lee, 2010)

3. Dhaka City

Dhaka is the capital of Bangladesh with an area of 304 square kilometer where the population is 7 million. The density of population in the Dhaka city area only is 23,029

Hussain, Chowdhury & Hussain

per square kilometer. Metropolitan city of Bangladesh is the primary place for business people to target as their market. It gives the business people to take the advantage of high density of population and minimize the distribution cost.

Table 5: Population Size of Metropolitan Area

	Dhaka	Chittagong	Khulna	Rajshahi
Total Population	9672763	3265451	1172831	651062
Household	2071946	640691	253215	135216

Source: Report of Population Census in 2001

3.1 Culture and Competitors

Bangladeshi consumers choose between sweets and curd (sweet yogurt) after their meal (not daily though) and after dinner programs with guests, or during some special occasions. These curds are widely available in rural and urban areas either in plastic container (in the city area) or in clay-pot. Per capita total curd availability was 30,000 Metric Tons in 2005-06. (Statistical Yearbook of Bangladesh 2007) These curds are sweeter than shoktidoi and stay longer in the clay pot without refrigeration.

There are local yogurt / sweet curd (misti doi) sellers in Bangladesh. Some are very renowned like “Premium Sweets”, “Rosh”, “Exclusive” etc. where price per kg ranges between BDT 150 to BDT 250. These sellers have their own *sweets outlets* in the metropolitan cities of Bangladesh targeting middle and upper class people. They are exclusively *sweet stores*. Some mid range sellers are named “Banoful”, “Alauddin Sweets”, “Bombay Sweets”, “Muslim Sweets”, “Moron Chad”, “Vagyakul” etc. Apart from these high and mid range sellers, there are many low range local yogurt sellers. They also have their *sweets outlets* (like mom & pop store) in rural and urban areas. Most of these sellers sell 1kg or ½ kg packaged yogurt. Traditionally yogurt or curd is purchased on a family basis, and thus big size makes sense.

Table 6: Name of Competitors and Offered Package Size

Name of Competitors	Price (Taka)/ Kg	Price (US\$)
Premium Sweets	250	3.50
Rosh	200	2.80
Exclusive Sweets	200	2.80
Vikrampur Mistanna Vandar	160	2.24
Tangail Mistanna Vandar	160	2.24
Alauddin Sweets	140	1.96
Muslim Sweets	140	1.96
Banoful Sweets	160	2.24
Modhubon Sweets	120	1.68
Vagyakul Mistanna Vandar	140	1.96
Moron Chad	140	1.96

There are many unnamed rural stores that sell yogurt from their sweet stores. Almost 90% of these stores sell 1 kg or ½ kg packaged yogurt assuming that yogurt is a family purchase. Buyers are not at all aware about the nutritional levels of these sellers’ offer. They only care about the taste and its thickness. Local yogurt is a bit thicker than the one Danone makes in Europe. Packaging is also a bit different from the plastic or paper

Hussain, Chowdhury & Hussain

packaging. They use “clay-pot” (which is made and supplied by local potters) for packing. There is a positive side of such packaging. This pot soaks the water of the yogurt and keeps it thick, cold and gives yogurt a nice look. Before giving this 1 kg pot to the rural buyers, the sellers cover the top of the pot with a thin plastic and tie the pot with a rope. Before giving this to metropolitan city buyers, after covering the top of pot using plastic, they put the pot in a hard paper box.

4. Challenges

Production of Shoktidoi started in Bogra and distributed through Grameen Shakti Ladies. The sales were mostly convergent to Bogra district in Rajshahi division. At the initial stage, the idea was to sell to low income group only to meet their malnutrition. However, the reality in Bangladesh is that the malnutrition even exists in the capital city Dhaka as similar to that of Bogra. Thus, the company decided to open another production plant near Dhaka.

The challenges GDFL may face:

- **Target Market:** As stated, Dhaka is a lucrative market to enter but the challenging question lies in deciding the target market. As shoktidoi was initially made for children, therefore, a good idea in the first phase would be tapping the school children and their mothers who live in the metropolitan city. Students of both public and private universities should be the primary market. Today parents are highly concerned about their children in metropolitan cities where most of the foods are adulterated. They want to meet up their children’s daily nutrient deficiencies. In the second phase GDFL can target other group of consumers too for meeting their daily nutrients deficiency. These groups can be tapped by the family offers (1kg or ½ kg) meeting their nutritional requirements. GDFL should position the nutritional level of shoktidoi and tap emotions of mothers or head of households.
- **Products:** Analyzing the local culture and competitors offer, it is suggested that GDFL should sell shoktidoi in one kg or half kg container. In general, yogurt is a family purchase in Dhaka city and almost all houses are furnished with refrigerator. GDFL may use their recycled plastic container. One advantage GDFL is certainly getting is its joint venture image which is absent in case of competitors. GDFL may use the foreign country image “France” with the brand. Mothers in Dhaka city have more fascination and faith toward the foreign country brand and the purity of the products. GDFL may plan to use the existing packaging or introduce a new sachet (small packet) of 40 grams at a price of Taka 5 in rural areas. One danger to introduce this small sachet is the negative perception of consumers toward its hygiene especially in Dhaka city. As metropolitan city and other rural parts of Bangladesh are completely dusty and these sachets are planned to sell through local grocery stores, therefore, there is a high possibility of dusty package to be served to children who may not wash their hands and consume by dusty hands. This should be taken care of in a more practical way conducting any observation. In Bangladesh, at present shampoo, oil and toothpaste are sold, but hardly any liquid food items in sachets.

Hussain, Chowdhury & Hussain

- **Supplied Milk and raw materials:** Till to date, GDFL is manufacturing its yogurt using local milk collected from micro farms located near the plant. In April 2010 there were 370 micro-farms, each had between two and five cows. Grameen Danone also collected milk from a larger farm, ICMSEⁱⁱ, which employed integrated farm management practices. In April 2010 ICMSE's 70 cows provided milk to the Bogra plant and the farm staff provided the micro-farms with technical assistance and training (Rangan, Katharine 2010). To minimize its cost of production and to increase its acceptance in the market, should the company think for whole cream milk powder as an alternative source? At 2.11 million tons, milk production in Bangladesh in 2002 was relatively low, and Bangladesh had to import around 250,000 tons of milk (Hemme, Garcia, and Khan 2004). Low production results in the import of bulk quantity of powdered milk. Bangladesh spent about Tk 1,500 crore to import 42,583.46 tonnes of powdered milk during the last fiscal year, said Tureen Afroze of United Nations Industrial Development Organisation (UNIDO) in the Daily Star (2008).
- **Pricing:** Tk 12 for 80 gm container may be lucrative in Dhaka city because Aftab doi and Akiz doi are sold at a price of Tk 15. If GDFL introduces half kg at a price of Tk 70 and one kg at a price of Tk 120, then there might be a competitive advantage to capture the market in Dhaka city. School children will always compare small quantity of shoktidoi with other available substitutes at a price of Tk 12. For example, at Tk 12, these children may taste *lassi* (a sweet yogurt drink of 200 ml) and get more pleasure than spending it for a 80 gm container. Or at the same price they may purchase ice cream hiding from their parents. Poor people may buy 180 ml of milk to drink for meeting their nutritional requirements at taka 6 in stead of spending for yogurt.
- **Distribution:** It will still be a challenge for GDFL to sell yogurt in Dhaka city. Only some department stores and some renowned super markets named "Agora", "Nandan", "PQS" etc and some other local very renowned small stores keep yogurt. Other competitors sell through their own outlets with other variety of sweets. GDFL should not open any outlet of its own rather may keep refrigerators in each of its Grameen Poshak Stores (Grameen Dress Stores). Other sellers would be willing to carry these yogurts if they are offered more commissions as their profit than selling their own brand!!! Performing a test marketing, GDFL should take any decision to scale up distribution nationwide.
- **Promotion:** GDFL used the image of a "nutritional lion" on all of its products. It also held a number of mini-events and utilized school nutritional program. In 2009 Grameen Danone Foods held 1,270 mini-events in villages and it utilized school nutrition programs to reach 80,000 pupils in the lower economic classes (Rangan, Katharine 2010) Apart from these, several TV advertising has already been aired nationwide highlighting products through Prof. Yunus. However, as stated earlier, in Dhaka city it is recommended to highlight country brand image especially "France" name in the advertising to create brand reliability among mid and high income groups. In order to increase the sales the company should conduct public relations activities or take sales promotion schemes. In case of

Hussain, Chowdhury & Hussain

public relations GDFL should organize competition among school children sponsored by GDFL partnering with different media and other social ventures. In case of sales promotion scheme GDFL should give '6 packs price advantage' (there should be mixed flavor pack as members may differ in the preferred flavor) or '12 packs price advantage' or different stickers or plastic toys.

5. Conclusion - A Holistic Approach

Above discussions lead GDFL think critically every aspects of its doing business and partnering with others. A holistic marketing approach is suggested for the company to eliminate such problems. This concept was developed by Philip Kotler and the concept encompasses on internal marketing, integrated marketing, relationship marketing and performance marketing. Holistic marketing recognizes that "everything matters" with marketing and that a broad integrated perspective is often necessary. GDFL should train and develop all of its internal and external employees to think and act in the same direction. It also should devise fully integrated marketing programs to create, communicate and deliver value for consumers. GDFL should keep the aim of building mutually satisfying long-term relationships with key parties—customers, suppliers, distributors, and other marketing partners. Relationship marketing builds strong economic, technical, and social ties among the parties. GDFL should also focus on its profitability (reviewing sales and profit) and on social responsibility – ethical, legal, environmental, social context. The good part, GDFL still is optimist and is trying to recoup its investment (though still unprofitable and even more negative because of new investment). The world is keeping eye on Danone's first investment on social business and the success of this project is still possible, just need to keep a holistic view before taking any wrong step. A good market analysis through marketing research is the trigger to its success. This case brings additional information about GDFL's business operation and marketing practices. It is a theoretical paper which does not conduct any empirical test for measuring the success of proposed marketing strategies. Future researchers can conduct focus group discussion session taking 'shokti ladies' or 'rural consumers' and can find more appropriateness of strategies. A detailed survey of observation can also be done among 'consumers in Dhaka city' to know their perception toward shoktidoi.

Endnotes

ⁱ Throughout the case the currency conversion is used: 1 Bangladeshi Taka equals USD 0.014.

ⁱⁱ ICMSE is an International Platform for microfinance and SME Development and promoting social businesses for fighting poverty and improving living condition of the low income population.

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Hussain, Chowdhury & Hussain

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Appendix

Questions:

1. Before starting any social business do you think that a country analysis be beneficial? Give reasons.
2. If you were in 2007, could you target only Bogra district? Could Dhaka city market give you a better profit result? Do the analysis considering production plant in Bogra?
3. Analyzing the density of population and area (sq. k.m.) in Dhaka metropolitan city, do you suggest opening a 7500 square feet factory building or a bigger one? Can technology help in manufacturing more output for Dhaka city market in the same sized plant?
4. What are the drawbacks of giving 1kg or half kg container shoktidoi? Do you suggest a pack of four containing 125 gm each can be a good idea for marketing in Dhaka City. If yes, what price do you suggest for this pack? What is your view of charging a premium price of Tk 200 per kg? Do you think sachet can be sold in Dhaka city?
5. What will be your distribution strategy to sell existing shoktidoi and proposed shoktidoi in Dhaka city? Will you recruit sales people on a commission basis or on a fixed pay monthly salary basis? Analyze both rural and Dhaka city market.
6. What is your opinion regarding highlighting of country image in promotion? Which tool of promotion mix do you suggest should carry more weight? Reason your answer.
7. Do you think, marketing research can help GDFL to upgrade in its current position or it would be wastage of money adding extra burden to the company?
8. Attach holistic marketing concept in the previous condition and upcoming situation of GDFL and suggest how it might have helped the company 2007 to 2011.