

**A Land O'Lakes Business Model
for
Improved Nutrition**

September 2008

Implementer's Manual

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A Land O'Lakes Business Model for Improved Nutrition

Overview

Land O'Lakes has created a proven Public-Private-Partnership methodology called: “**A Land O'Lakes Business Model for Improved Nutrition**”. This model and key steps to implementation are described in this manual. We believe that the success experienced in Zambia executing this model can be replicated (with suitable customization) by Land O'Lakes in other African nations and throughout the world.

This Land O'Lakes model is defined by three core elements:

:

1. Develop and commercialize affordable, nutritionally enriched ready to eat foods. Apply product design criteria that address the nutrition needs of the general public including PLHIV.
2. Do this by providing Technical Assistance and working through private Food Processor Partners in the host country, who own and market these new products - profitably.
3. Assist the Processor Partners to expand market reach for their new nutrition products by selling into Three Market Channels: Retail, Institutional, and Food Aid (“NGO”). Aim to reach PLHIV through each channel with a combination of donated, subsidized, and unsubsidized foods.

GOAL: Commercially sustainable, improved nutrition foods, accessible to more people, including those PLHIV.

The project outcome, if successful, is that nutritionally improved foods become more available to more people in the host country while the processors are rewarded with profits on their sales from one or all of the three different market channels. Food processors are thereby encouraged to continue innovating nutritious foods for their consumers and buyers; and competition among the processors drives continuing product innovation and price reductions. The Land O'Lakes model leverages existing value chain elements in the country: Food processing businesses, existing retail products (which are then modified to be nutritionally enriched), and customer demand across the three channels for enriched ready-to-eat foods that benefit nutrition status and health.

Purpose of this Manual

This Manual is intended as an implementer's guide. It is a “how-to” tool for Land O'Lakes staff who intend to execute the Land O'Lakes sustainable business model. The essence of the project is in fact best illustrated within the “Reference” files which should be read to capture how the project was executed in Zambia.

Words of caution: A project like this can become extremely complex and burn resources needlessly if not managed with pragmatism and vigilant business focus for the end goal. The overarching advice is to not be distracted by the extreme level of complexity and controversy surrounding human nutrition, enriched and fortified foods, HIV/AIDS, and commercial (profit-driven) activity dealing with the “public sector”. Those areas will still be debated long after many of the children consuming these products today are adults.

Land O’Lakes Model core elements:

- Choose the country
- Diagnose the market
- Understand consumer needs – target strategically
- Understand customer / buyer needs and criteria for sales into the three designated market channels
- Partner with a strong progressive processor(s)
- Develop science-based enriched, fortified foods – that have consumer demand; get the products validated / approved by regulatory authorities, if possible
- Commercialize the nutritional foods to ensure processors earn attractive returns on their investment

Lessons Learned and Critical Success Factors

1. Employ a small, experienced project team with supportive, involved, but laissez-faire management; it should be both a technically, and field-driven project anchored in the needs of the consumers, processors, and customers – not the donor or prime contractor.
2. Select a host country in which Land O’Lakes has at least several years of experience, an active project (of any kind) and office; linkages and support in the country are a powerful driver. A supportive donor and partners can be a plus.
3. Conduct a comprehensive field assessment as soon as possible, performed by the project implementation core team.
4. Engage with processor(s) that have enlightened management, committed technical and manufacturing staff, experienced marketing staff, and sufficient budgets to engage in product development and market launch of a new product
5. Take Time. New product development is driven by the processors to a large extent. This form of project may require up to 3 years.
6. Processor ownership AND financing: Success revolves around NOT providing a large amount of project money to the processors. The project itself should include a modest materials, experimental, and ingredients budget for providing some minor assistance. As soon as a Processor detects that there is money from the project, they can become hungry, and then “helpless” without it. The main input from the project must be Technical Assistance, and this must be made clear from the start to encourage processor partner ownership for their new products.
7. Select a strong Processor(s) that already has a good competitive relative position in the market and is profitable with their existing product lines. If they are not, they cannot support a long term selling process.

8. Capture and maintain USAID Mission support relating to HIV/AIDS and nutrition, PEPFAR, Public / Private Partnerships, other funding in support of local or regional food purchase.
9. Communicate the relevance of the work and products to host country government agencies and ministries
10. The Food Processing sector generally should be somewhat developed offering domestic ready-to-eat foods in the market
11. Link with a supportive NGO community, clinics and other institutional partners to work with from the beginning.
12. Focus on retail and institutional viability with the NGO / food assistance market a being the low priority and longer term opportunity.
13. Build on existing and popular consumer ready-to-eat foods that are culturally familiar
14. Keep product enrichment / fortification simple: enrich and fortify using basic principles of food and nutrition science; beware of formulating exotic “functional foods” with claims attached that may be difficult to support with research.

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Implementer's Manual

The following manual aims to *keep it simple* while including the most critical activities for project success. If you wish to “drill down” into the details of the Zambia project as a useful case study, important documents are listed above and in each section as reference for that. Many of these documents can serve as templates for a new project. The following Implementation Activities are generally in sequence, but this sequence can be altered: tasks can be interchanged, overlapped, and even repeated as appropriate. The attached Project Road Map is also a useful format for outlining a project. Each step is explained by the Purpose it serves and then one or more Reference Documents to be found on a CD ROM are cited. A Critical Success Factor is to take time and care working through the different steps, typically building on each.

I. PROJECT DESIGN, STAGING

A. Desk Study; research of current literature and data base

Purpose

Nearly all of the information required as background for implementing the project can be found in the published literature, if some time is taken. It is worthwhile to spend several weeks interviewing people on the ground, in academia, in industry, conduct web searches, to assemble a strong reference file. Then apply this learning and data throughout project.

Reference

ICB Annotated Bibliography; This is a good data base itself and also indicates good organizations to search for new information specific to a region or target population.

B. Project Definition based on Proposal (funding, budget, and timing)

Purpose

The proposal that attracts project funding will typically define the project well. But this implies that when the proposal is written, some of these initial steps should have *already been taken*: **I. A., E., G.,** and even **H.** if that is possible. In this way, what is proposed is linked to ground realities, population needs, and feasible objectives. That said, there are many dimensions that the LOL Business Model will have in common between countries. Existing proposal(s) will serve as excellent templates and conserve resources. This must not replace country specific field assessments. Meeting with key USAID / OGAC Mission staff throughout the process is fundamental to meeting donor criteria and goals.

Reference *LOL's OGAC 2006 proposal; Life of Project Work Plan; Project Overview hand out*

C. Project Implementation Team: Project Leader, Technical Implementer, Support functions

Purpose

The lead team member will be one individual who is on point with processors and customers (in all three market channels). This individual will have technical depth and experience in food science, human nutrition, the food business, and foreign assistance. If it is not possible to attain all of these skills in one individual, it may be necessary to bring in more than one individual to fulfill all of these competencies. An additional team expert in Sales and Marketing is essential. They will move in and out of active project roles, but must establish rapport with Processor client(s) and assume leadership during the Launch phase. Refer to above Critical Success Factors for Team Management.

Reference *Zambia Team Qualifications*

D. Scientific Advisory Panel

Purpose

This is comprised of a few experts selected from the fields of nutrition and food science who can be consulted periodically about product development. It is good to have some from academia and some from the food industry. There were originally 4 members for the ICB project including internationally recognized nutritionists who were also physicians. Periodic phone conferences can be held. It is recommended that the members receive an honorarium for their assistance. Note that this is a difficult aspect of the project to maintain due to the need to coordinate schedules and conference in people from different locations around the world.

Reference *Advisory Panel Orientation Memo; Expert Panel Make Up; Panel Outcome memo; Panel Topic: micronutrients; CV for Kenneth Brown*

E. Country Selection

Purpose

The country selection criteria reflects strategic relevance for LOL in implementing the project as well as the feasibility elements for executing a successful model. Some of the more important ones might include:

- LOL strategic focus countries (regions)
- LOL presence countries
- PEPFAR or USAID focus countries where sustainable nutrition projects and Public-Private-Partnerships are of interest.
- Possible focus countries for Local and Regional Purchase activities.
- Progressive business climate
- Food processing sector with a variety of processors
- Significant nutrition gaps among population

There are many elements that contribute to LOL's competitive advantage and strategic interests for seeking funding or responding to an RFA or RFP in a given country. The LOL Regional Office must have a pivotal role in this phase. It is important here to also understand how the LOL Business Model can be adapted to a multitude of countries and funding mechanisms, *but may NOT be suitable for some country conditions. Refer to success factors which if not present become fatal flaws to the model.*

Reference *Land O'Lakes HIV/AIDS Nutrition Strategy Paper; Zambia 2005 Bellmon Analysis;*

F. Host Country Government

Purpose

Introducing nutrition products requires awareness and buy-in from host country government organizations and ministries. As early as possible in the process, and then intermittently during the project, key host country government agencies and ministries should be kept informed of what LOL is planning and implementing. This may cross over into the Product Validation activity later in the project. **Caution:** Too much Host Government involvement risks bogging the project down in bureaucratic red tape and other constraining "issues". Proceed very carefully but do choose a few strong government allies and keep them in the loop. See section IV. below. Being somewhat "under the radar" may actually contribute to getting things done since government "task forces" often become bogged down in semantics and power feuds. It took a South

African “task force” I met, over five years to reach consensus then implement a simple “mealie-meal” (maize flour) fortification standard.

Reference *Zambia National Food and Nutrition Commission document*

G. Field Assessment – Gap analysis

Purpose

A field-based **gap analysis** forms the foundation for the model reflecting needs, opportunities, and constraints. This must be carried out by the core team of the intended implementing staff (as described above), with other interested parties at LOL including country staff. The gap analysis should be a comprehensive study of all aspects of the model as they relate to different stakeholders and sectors: human nutrition status, target populations, USAID projects and NGO’s, Indigenous PVO’s involved in nutrition and food distribution; Hospitals, Schools, Retailers, the food systems, among many others. Meetings should be held over a 2-3 week period with important stakeholders. This should include food processors and it can serve to begin the process of Processor selection. This scope of work is directly linked to staging for the next activity: the Stakeholders Workshop.

Reference *Zambia assessment team scope of work, assessment Team Introduction letter; Vertically Integrated Nutrition Organizations; also refer to Stakeholders Workshop files*

H. Stakeholder’s Workshop – Gap analysis; Product Design Criteria

Purpose

The Stakeholder’s Workshop event brings together representative organizations working in nutrition so that project planning is grounded in nutrition needs specific to each country and end users (buyers) expectations and requirements. To avoid confusion, it does *not* include private industry at this point but does include the donor, NGO, PVO, the FBO / CBO community as well as hospitals, clinics, and Government. In Zambia, LOL discovered during this event that it was the first such forum of nutrition and HIV/AIDS interested parties in Zambia. Be observant and prepared for all the various ways LOL can leverage this type of workshop for building relationships and showcasing its competency around nutrition and food security. The overarching purpose of holding these events is to establish reality-based product / business design criteria. It will help answer the question: “How is the proposed improved nutrition product expected to perform within the various user environments and markets?”

Reference *Zambia Workshop Agenda; Attendee list; Facilitator Guidelines; Workshop Outcomes summarized in FOOD FACTOR*

II. PROCESSOR PARTNERSHIP

A. Processor Partner Selection

Purpose

Processor selection criteria are framed by the project definition and product design criteria provided in Section I. What *forms* of food are candidates for ready-to-eat-foods: dairy, grains, meats, fruit and vegetable-based, fluid, solid, shelf stable, fresh refrigerated and so on? An abbreviated Due Diligence review of candidate processors is necessary, particularly if they are not already known to the LOL project team in the country. This may be informal (not deep discovery) and must be done with care so as not to offend or arouse suspicion about the project purpose. Select for strong progressive owners / senior management; quality control systems; a strong balance sheet and P&L (often to be ascertained more easily from conversations vs. actually reviewing budget balance sheets); willingness to invest their own money and stick with a difficult new product development process, an active sales and marketing team, competitive (and profit earning) retail presence, are all among key selection criteria. It is important to clearly describe the projected size of investment in terms of resources, time, and projected length of time until product launch so that processors can realistically assess whether or not they can fully commit to this activity.

Reference *Partner Selection Criteria*

B. Creating the vision for new business opportunities / innovation

Purpose

The Public-Private-Partnership project must be “sold” to the Processor(s). This must balance an attractive future vision for the new product, and a nutrition strategy for the company that has attractive competitive upside with improved profits and competitive relative position. This vision must be balanced against the expenditure of scarce money and use of company resources, and no external funding from the project – only Technical Assistance.

Reference *Product Concepts; Processor Sustainable Business factors*

C. Work Agreement Terms; Processor Relationship management / investment and expectations

Purpose

Establish a formal working agreement that is still not a legal contract. This serves to document the terms of the relationship with LOL and the project so they are complete, clear, and agreed upon. In Zambia two of the processors had no problems with largely verbal agreements based on the product concept and project description, while one made use of a vastly cumbersome non-disclosure agreement which delayed the project by over one year. It was finally scrapped and then the work proceeded. One processor never let us into their processing plant, one allowed very limited exposure, and the third permitted complete and continual engagement in their factory at all levels. This required a flexible approach and the use of “educational documents” and citations to guide the more secretive partners when problems were encountered. Land O’ Lakes even provided experimental designs, data management spreadsheets, “hypothetical” formulas and ingredients, and much more in the form of written materials that would assist from a distance since the team could not be hands-on during an experimental batch run.

Reference *Letter to Processors describing the project and their role; Business Proposition; Letter of Thanks to Processor*

D. Technical Assistance with Processor

Purpose

Technical inputs from the LOL team that yield the proposed outcomes: high quality nutrition products meeting international nutritional standards and that have strong demand and earn profits for the business. Every processor will require a customized form of this assistance because they are in different circumstances. This sensitivity to how to apply TA is a critical success factor that demands regular client processor contact, strenuous communications, and a deft mentorship style. Its aim is to bring the Processor into harmony with quality and regulatory standards, nutrition science, international nutrition standards and a marketable finished product. This stage will represent some of the most difficult work of the project. It is the regular entry point between LOL staff and the processor. This liaison will require being rigorous and sometimes forceful regarding standards and adherence to product design criteria, while at the same time maintaining a level of sensitivity to the resources being provided by the business and their team’s distinctive operating style. Confidentiality is critical. Some Processors preferred to implement recommendations with the LOL team not being present in their manufacturing facility.

Reference

Road Map and Timelines; Technical Update Reports to Processors (as examples of technical communication); also refer to reference documents under Product Development and Launch phases.

E. Business Planning

Purpose

You will find that few – if any – processors have an actionable business plan. There may be annual sales objectives and some marketing plans specific to products. Whatever their inclination to plan and then implement against that plan, Business Plan outlines, Timelines, and Strategies, have a positive effect on the business and of course on the project. Our efforts to include business planning as an integral part of this process have formed the basis for many meeting agendas (at the request of the processors’) and have become valued reference materials for some processor directors. Therefore, however dismaying the immediate uptake may appear, engaging in some form of Business Planning is important. It should not drive the whole initiative or become an end in itself as that is not what the project is about. However, it should be noted that in some cases, business planning efforts did have a positive effect on the overall capacity of the processors as an “unintended positive result”.

Reference

Marketing Plan; Nutrition Strategy Business analysis

III. DEVELOP PRODUCTS

A. Market Audits

Purpose

Market Audits create a critical data base that will inform product development, packaging, branding, pricing, marketing planning, and selling strategy for all three market channels. It will be performed in collaboration with the processor sales and marketing staff. An analysis and characterization of competition should form part of the audit. In the case of food aid and institutional markets the competition may actually be donated and subsidized foods from abroad (such as Title II, USDA in-kind food aid, or WFP food aid purchased outside of Zambia) adding to the complexity of the market.

Reference *Market Audit data spread sheets for Lusaka Biscuit retail market; photos*

B. Product Design Criteria

Purpose

Product Design Criteria documents the key reference features the product is intended to possess. What purposes / outcomes is the product intended fulfill? How is it expected to perform? These features define this product as distinct from competitive products and all other products in its category. This is the most critical aspect of the product development phase. Product Design Criteria will be technical (food and nutrition science), marketing related (cost, packaging), consumer-based (sensory appeal, price) and more. It is the same type of information an architect requires to create a blueprint or building plan suitable to the needs of the client's use plans and the building site.

Reference

Product Design Criteria Framework; Packaging Design Criteria; Concept Evaluation Matrix; In-Home product evaluation template; PEPFAR Guidelines for nutrition; also refer to: Nutrition Literature Data Base; Workshop Outcomes; Market Audit data from III. A

C. Develop Product

Purpose

All activities required to reformulate, test, and produce a viable finished product that conforms to product design criteria go into actual development of the product. This is a major scope of work for the project that must precede significant marketing activities. There are books written about food product development, yet so much is assumed here: that an experienced food technologist, a packaging engineer, a nutritionist, and a processing engineer are engaged. Product development is an iterative process both technically - to assure effective product structure and function - but also must take into account other aspects of the business, such as sales, marketing, manufacturing, logistics, accounting, and the concerns of senior management.

Reference

Three Product Technical Specification Bulletins; Product Formulation templates; Product Rationale outlines; Sensory Evaluation templates

IV. REGULATORY COMPLIANCE: VALIDATING, CERTIFYING PRODUCTS

A. Government Agency Regulatory Approvals, Certifications

Purpose

Nutritionally enriched and fortified foods have high visibility in most markets. They are expected to comply with a range of standards and to perform for consumers as claimed. The government of the host country will have guidelines for these products to fulfill including laboratory testing and nutrition labeling, among others. Regulatory approvals are important for developing a market-ready product to be sold into either Retail, Institutional, and / or Food Assistance channels. Map out the exact product certification process, regulatory agencies responsible, and individuals in charge if there is such a process in the Host Country. Food Assistance organizations all have another tier of their own guidelines for purchasing enriched and fortified foods. These will be anchored in efficacy testing with target populations, which is currently outside the scope of the LOL model.

Reference

Letter from the National Food and Nutrition Commission re: Nutrition Biscuits; Zambia regulatory approval agencies; Efficacy trial Protocol for Luanshya Hospital; Communications with Network of Zambians Living with HIV (Organization the Government turns to for their input on nutrition foods); Government Laboratory results on foods.

V. LAUNCH THE PRODUCT VIA 3 MARKET CHANNELS

A. Launch - Marketing Planning

Purpose

Market launches are all activities required to enter the (retail) market with a new branded nutritionally enriched ready-to-eat food: to manufacture, brand, position, promote, price, and successfully sell and distribute the product to retail markets. This is squarely the responsibility of the processors. Assistance from the project is offered for planning launch.

Some of the many aspects of a successful market launch will include: Product bulletins and fliers; consumer targeting & market segmentation; promotion & communication; branding; selling strategy & market channels; distribution; demand, sales projections; marketing budget; social value investment; consumer research inferences and action; Target Populations nutrition status and gaps; Market Audits for all 3 market channels - Retail, Institutional, NGO; Customer / Buyer Relationships: Institutional, Retail, NGO; Customer and Consumer Education; Product advertising and promotion; Retail Trade engagement and education; Institutional Customer engagement and education; Food Assistance Customer engagement and education; Sales force training and Pricing Strategy

Reference

- *Customer Lists*
- *Three Market Channels Model*
- *Market Launch Plans*
- *Product Launch Kick-Off conference plans and attendees*
- *Sales questions from customers*
- *Sales offer and pricing letter*
- *Finished Product photo*
- *Processor / Project Road Map*

ROAD MAP
for (NAME OF BUSINESS)
(NAME OF PRODUCT) DEVELOPMENT & MARKET LAUNCH

Objective I

PRODUCT DEVELOPED

OUTPUT AREAS
Formula & Ingredients
Lab Analyses
Health Ministries informed
Bureau of Standards informed
Food & Drug informed
Shelf Life
Processing
Packaging
Product & Standard Operating Procedures - Dossier

EXECUTION ACTIVITES

Objective II

PRODUCT MARKET READY

OUTPUT AREAS
Lab Analysis on Final Product
Nutrition Label
Technical Bulletin
Retail Product Bulletin
Packaged Samples
Consumer / field Use Tests

EXECUTION ACTIVITES

Objective III

GO-TO-MARKET PLAN

OUTPUT AREAS
Marketing Launch Plan
Promotion and Education Materials
A & P Plans
Education Campaigns
Processor Outlet shops
Sales, pricing strategy
RETAIL
Kiosks
Small Markets
Petrol
Supers
Distributors
INSTITUTIONS
Efficacy trials
Hospitals
Private Hospitals & Clinics
Private Schools
Mines
Workplace Commissaries
FOOD ASSISTANCE
Ministries
NGO's
CBO's
FBO's
Foundations
NGO coalitions
Church Org.

EXECUTION ACTIVITES
(advertising and promotion)
Responsibility:
Responsibility:
(only where sponsored by the institution)
Responsibility:

