

Case Study – Nutri’Zaza – Madagascar

General Considerations

This is a summary report of an assessment of an organization, based on the criteria of the Social Business Scorecard (SBS) developed by CERISE and its partners. This report was redacted by Investisseurs & Partenaires (I&P) with the support of CERISE. For more details on the SBS social audit tool, go to www.cerise-sb.org.



- Name: Nutri’Zaza
- Country: Madagascar
- Year operations began: 2013
- Sector: Child nutrition
- Activity: Malnutrition prevention
- Project initiator: The GRET NGO, in 2002
- Workforce: 85, including 64 field employees
- Share ownership: multiple, including one association, a manufacturer and two investment funds

Presentation of Nutri’Zaza

Nutri’Zaza is a social business, the goal of which is to sustainably combat chronic child malnutrition in Madagascar. It was formerly a project called Nutrimad, supported by GRET, a French NGO. Nutri’Zaza distributes a food supplement called KobaAina to disadvantaged populations through a network of restaurants for babies (hotelin’jazakely) and a home sale network, using Nutri’Zaza field employees, so called “ Animatrices Nutri’Zaza”.

This flour for babies has high nutritional value, containing all nutrients needed for the growth of nursing babies when breast feeding is no longer sufficient (from 6 months on) and traditional household meals are not yet sufficient. KobaAina is produced and packaged by a project partner, the TAF company, from Madagascan raw materials using a nutritional formula developed by GRET. The product complies with the strictest international nutritional and health standards.

The product offers the best market price/quality ratio so as to reach the households most at risk. Nutri’Zaza also gives families access to regular weighing and child health monitoring services, including for under-nutrition.



Nutri'Zaza as seen through the scorecard

General considerations

Because of the many social issues it addresses, Nutri'Zaza has a profile that is especially well-suited for the Social Business Scorecard (SBS) audit. It is of particular interest to understand how the change from a project to corporate status affected the company's internal administration, and how Nutri'Zaza manages to reconcile its social goals with its new financial goals.

Results by dimension

Purpose

Nutri'Zaza's mission has a strong social dimension, as it consists of tackling the chronic child malnutrition in Madagascar by distributing a high-quality, minimally priced product to the populations most at risk. The company also organises weighing sessions to enable mothers to check their babies' weight and take the appropriate measures. During these sessions, mothers also learn more about the causes and consequences of child malnutrition. In this way, the company helps make up for the lack of public action in this area, which is aggravated more and more by the politico-economic crisis that started in 2009 and continues to deteriorate.

Strengths

- The goals are defined and the means to achieve them are identified. The company's purpose is entirely social, so its operations are devoted to carrying out its mission.
- Impact data are collected from clients to ensure that the corporate strategy contributes to achieve the social goals.
- Shareholders signed an ethical charter to formalise the company's social mission and ensure that the pursuit of economic efficiency is compatible with the social goals. The diversity of profiles within the share ownership guarantees that points of view are shared on the social goals targeted and on how to achieve them while maintaining the necessary profit earning capacity.
- Along with the impact objectives, profit earning objectives are clearly defined, and the company adheres to an economic efficiency approach. For the time being, it depends on a subsidy.

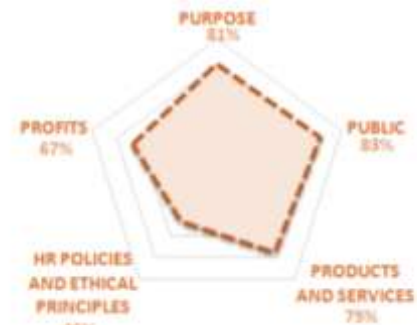
Weaknesses

- While the impact indicators were clearly defined to facilitate the company's operational management, they have not yet been gathered and analysed, mainly because of a lack of material means (we refer here to the indicators defined in the ethical charter).
- Without these indicators, decision-making is based on limited information and therefore is not optimal with respect to the social goals.
- The company still depends directly on a subsidy. Thanks to the subsidy, it should be able to reach the critical mass required to earn minimum profits within three years.

Public

Nutri'Zaza addresses Madagascar's urban populations that are especially at risk.

TOTAL	70%
PURPOSE	81%
PUBLIC	83%
PRODUCTS AND SERVICES	75%
HR POLICIES AND ETHICAL PRINCIPLES	46%
PROFITS	67%



Strengths

- Nutri’Zaza’s target public is clearly identified as people living under the poverty threshold (like 92% of the Madagascan population, living with less than \$2 per day PPP), whose extremely low incomes do not allow them to provide their children with enough decent food.
- In addition to their poverty, these populations are at risk due to their lack of knowledge about the dangers and causes of child malnutrition.
- The food supplement specifically targets babies between the ages of 6 months and two years, who are all the more vulnerable because they depend on the actions of their parents.
- Nutri’Zaza organises weighing sessions for mothers who wish to keep track of their baby’s weight, to enable them to recognise any signs of malnutrition and observe the food supplement’s effectiveness.
- The ethical charter and the social awareness of Nutri’Zaza shareholders guarantee that this target population will not be sacrificed over time for a more profitable segment.
- To facilitate canvassing for new clients, the Nutri’Zaza staff in charge of door-to-door distribution come from the neighbourhoods where the flour is sold.

Weaknesses

- Although the poverty level of the clients is plain to see, there is no monitoring of it.
- Weighing data are not aggregated, so no conclusions can be drawn about the effect of food-supplement consumption and its effectiveness cannot be measured.

Products and services

KobaAina is a particularly innovatory product, due to its formula and production process.

Strengths

- The KobaAina formula was developed by GRET. An innovation of international scope, it uses inexpensive ingredients (unlike competing flours, KobaAina is non-dairy), making it possible to propose an affordable food supplement.
- The foods used to produce KobaAina are produced locally, helping to minimize the retail price.
- Other food supplements exist in the Madagascan market, but are sold at prohibitively high prices for the poorest populations.
- While Nutri’Zaza does not monitor how regularly individual clients use the product, it does conduct surveys to calculate the overall client retention rate.
- Clients can also have their children weighed in Nutri’Zaza restaurants to monitor their weight curves and receive advice on good care and nutrition practices.

Weaknesses

- Monitoring of client satisfaction is informal and somewhat haphazard.
- Advice is not systematically given during weighing sessions, either because there is not enough staff or because the staff is insufficiently informed or motivated.
- Because Nutri’Zaza employees prepare the flour before each distribution door to door, the quality (taste-wise, not nutritionally) can vary as a function of employee skill.

Low client loyalty is one of Nutri’Zaza’s major problems. Only 18% of its clients use KobaAina every day of the week. This appears to be due in particular to their lack of awareness of their child’s state of malnutrition, and of course also to the target population’s financial vulnerability.

HR policies

- The staff is declared, paid above minimum wage, and they have the social benefits due to legal employees. This creation of legal jobs is a particularly important aspect, given the difficult economic circumstances in Madagascar.
- Nutri'Zaza's activities involve very little risk in terms of job safety.

Weaknesses

- Employees are insufficiently made aware of Nutri'Zaza's social goals, and this lack of knowledge can lead to misunderstandings about the corporate strategy.
- Wages are still low compared to companies outside the social sector.
- In spite of multiple attempts to improve the working conditions of the sales representatives, the job comes with an inherent hardship, namely the weight of the vacuum bottles (as much as 8 kilogrammes) they have to carry for door-to-door distribution.
- The absence of an HR department makes it difficult to monitor employee satisfaction.

Ethical principles

Strengths

- The company's values and mission guarantee that beneficiaries will be treated equitably and with respect.
- In principle, Nutri'Zaza's activities have little impact on the environment.

Profits and sustainability

Nutri'Zaza earns its profits from the sale of KobaAina through its social network (door to door) and its business network (grocery stores). The goal is to eventually achieve a cross-subsidy between these two distribution channels, with the business network subsidizing the social network.

Nutri'Zaza receives a €900 000 subsidy from French development agency AFD, to give it time to achieve the minimum sales volume that will cover its expenses. The subsidy also enables Nutri'Zaza to reinforce its internal capabilities, e.g. through staff training.

Nutri'Zaza benefits from no exemption for expenses. Its main expenses are:

- Purchasing costs for KobaAina
- Personnel expenses
- Advertising and marketing expenses.

Two major observations:

- The subsidy is an important source of income, without which Nutri'Zaza would not be currently profitable. The Business Plan forecasts that Nutri'Zaza will be able to manage without the subsidy in 2017.
- In 2013, the net result was 50% lower than provided for in the business plan, mainly because Nutri'Zaza is struggling to increase the sales volume for packaged KobaAina flour.

Partnership (optional)

TAF manufactures KobaAina and has signed an exclusive distribution agreement with Nutri'Zaza. Therefore, since it is Nutri'Zaza's exclusive supplier, the business relationship is an important one. TAF also has a 20% share in Nutri'Zaza.

TAF is a very large manufacturer, and its investment in Nutri'Zaza is motivated above all by social, rather than financial principles (even if the investment is not a philanthropic one, since the objective is capital maintenance at

minimum). The relationship between Nutri'Zaza and TAF is sketched out in a partnership agreement and by the shareholders' agreement with its non-competition obligation for shareholders. Still, Nutri'Zaza is heavily dependent on TAF.

The partnership agreement between TAF and Nutri'Zaza stipulates that TAF sells the flour to Nutri'Zaza at cost. This cost price will vary along with the changing cost of the raw materials needed to produce the flour. Such variations are designated in riders and readjusted annually when necessary.

Supplementary information: other aspects of Nutri'Zaza as a social business

Vision

The chronic child malnutrition in Madagascar is alarming. In 2010, it affected 50% of children under the age of 5 and was the main cause of mortality in this population. Food insecurity (lack of ability to fulfil the basic nutritional needs in quality and quantity) affected 35% of households (vs. 25% in 2005). This alarming situation has been getting continually worse under the politico-economic crisis that erupted in 2009.

Governance – History

Shareholders include an impact investment fund (Investisseur & Partenaires or I&P), a French NGO (GRET), a Madagascan manufacturer (TAF), a funding organisation for small businesses (APEM), and a solidarity investor (Solidarité Internationale pour le Développement et l'Investissement, or SIDI).

Funding structure

Nutri'Zaza became a social business in 2013. It was formerly a social project developed by GRET. When it changed its status, private investors (I&P, SIDI, APEM) and a manufacturer (TAF) took over.

Nutri'Zaza has a five-year subsidy from the French development agency AFD to develop its business and reach the critical mass needed for economic efficiency.

Recommendations

Stabilise the network of the “Animatrices Nutri'Zaza”

- Develop support for new field employees to make it easier for them to assume their duties and build a client network.
- Reinforce sales support for field employees by developing a system of sale coupons.

Reinforce the other distribution networks

- Continue to develop restaurants in new towns to expand product distribution.
- Enable field employees to supplement their income by supplying neighbourhood groceries that are not already served by sales representatives.

Improve public awareness

- Work with local authorities and/or health organisations to develop new ways to raise awareness.
- Continue to intensify large-scale advertising.



Propagate its social business image

- Develop an educational message that will enable field employees to convey an accurate image of Nutri'Zaza.
- Communicate more closely with the local authorities to help them understand the challenges of achieving economic efficiency without sacrificing a sustainable social impact.