Company: Tetra Pak
Country: India and Thailand
Sector: Food packaging
Project: "Food for Development"

Summary: Tetra Pak, a Swedish company specialising in sterile packaging for liquid foodstuffs and the supply of packaging materials, processing equipment for liquid foodstuffs and filling machinery and distribution equipment, in 1999 decided to invest in emerging markets. Its presence in these countries was not new, but at this point it became evident that it could meet the needs of such markets by modernising and revitalising the Tetra Classic system. In some of these countries, such as China and India, only one third of liquid foodstuffs were sold packaged, with the remaining two thirds being sold directly on the street without any type of processing. A presence in these markets thus represented an enormous opportunity for growth for Tetra Pak, which calculated that there existed a potential market of 150,000 million packages per year. This decision also fitted perfectly into the Tetra Pak vision: "Our commitment is to make foodstuffs safe and available anywhere".

Related links: www.tetrapak.com/ffdo/
Main characteristics of the project:

- Tetra Pak did not take any significant step prior to setting up in business in emerging markets, since the company had decided to take advantage of the benefits which its products and technologies offered in the distribution and consumption of liquid products in these markets. In a way, Tetra Pak was trying to replicate the success it had achieved in 1952 with the launch of the Tetra Classic pack. At that time, milk was sold unpackaged, in returnable glass bottles, in groceries and small stores. Distribution was by horse-drawn cart, which could take days to reach certain areas. Little by little, self-service stores gradually replaced traditional groceries, leading to the need for a more practical and hygienic system for selling milk. The tetrahedral pack succeeded in solving both distribution and hygiene issues, while also making the sale of milk in self-service stores simpler and more practical. The similarities between this context and that of various emerging markets encouraged Tetra Pak to break into these countries.

- Tetra Pak focused its operations in emerging markets in two fields: school milk programmes and consumer drinks outside the home, a decision based on the consumption characteristics and habits of the emerging countries. First, most of the infant population suffered symptoms of malnutrition, and the consumption of milk per child was very low compared with that in developed countries. Furthermore, the condition of the milk was not always ideal, and on occasion it could lead to the spread of certain diseases. The school nutrition programmes in which Tetra Pak was involved were thus based fundamentally on the consumption of packaged milk. Meanwhile, emerging markets, and in particular highly populous Asian countries such as China, Indonesia and India, were characterised by the existence of a population with little acquisitive power but great enthusiasm for consumption whenever they had a sum of disposable money. It was therefore fairly unlikely that they would buy a drink in a two-litre family pack, while it was rather more reasonable to expect that they would pick up an individual drink to be consumed straight away. In either of these two cases, the big challenge facing Tetra Pak was to create opportunities to produce and distribute liquid foodstuffs at a low cost in these vast markets.

- In overcoming this challenge, however, it should be pointed out that Tetra Pak already had a presence within these emerging markets, addressing all sectors of the population with their products, whether of high, medium or low income. They needed to adapt their business model to the new context of the BoP.

Chief results of the pilot scheme:
From 1998 onwards, Tetra Pak had launched numerous initiatives to develop nutritional programmes, such as those set up in Vietnam, Bangladesh and Indonesia, which succeeded in improving the nutrition of 500,000, 700,000 and 850,000 children, respectively.

Thanks to its actions, Tetra Pak achieved a competitive position in the BoP mass markets, where traditionally it had not had a particularly significant share.

The case of Tetra Pak’s involvement in Thailand in a national programme to encourage the consumption of milk at primary schools is one example of Tetra Pak’s achievements at the BoP. Tetra Pak’s sterile packaging technology meant that milk could be transported, distributed and stored for long periods of time without the need for refrigeration, despite the high temperatures and long distances. The result was milk which was free from bacteria and preserved its taste and quality. The benefits of this programme were striking: in 2002 the scheme catered to 6.2 million children, who received 200 millilitres of milk 200 days a year absolutely free of charge. Milk production in Thailand rose from 120,000 litres a day in 1984 to 1,500,000 litres a day in 2001, achieving an annual growth rate of 14%, going so far as to turn Thailand into the milk producing country with the greatest sustained growth in the world, allowing it to become an exporter of dairy products for the first time. Malnutrition fell from 19% in 1990 to 10% in 1997, while children were growing by 3 centimetres a year more. Average annual consumption of milk rose from 2 litres in 1984 to 20 in 1999. These positive results were repeated in many of the countries in which Tetra Pak was involved in nutritional programmes.

Business model

The focal point of the Tetra Pak business model in emerging countries comprised essentially two elements: advanced technology for the processing and packaging of liquid foodstuffs, and the development of a network of partnerships with the public and private sectors.

The distribution chains in these countries are characterised by their particularly long and complex nature, as a result of the challenges facing transport as far as the end consumer. Sterile packaging technology is particularly valuable and appropriate in this context, since it allows the product to be maintained in perfect condition without the need for refrigeration for a much longer period of time than in other packaging formats. Consequently, distribution is more efficient, since the number of trips can be substantially reduced, as retailers are able to maintain a larger stock without the risk of the product going off. This, then, allows most of the population at the BoP to have access to healthy, quality products. In addition, most of the materials which go into Tetra Pak packaging are biodegradable, and so the use of the system has a minimal environmental impact. However, despite all the advantages of its technology, Tetra Pak faced a major problem in the BoP markets: the inability of many dairy farms and processing plants to purchase...
its valuable technology and machinery. In other words, the challenge facing Tetra Pak was that it had to create a market for the product, not always an easy task. The solution which Tetra Pak hit upon in order to promote the development of these markets was the creation of its "Food for Development" programmes, which made it easier to set up nutrition schemes. Drawing on its experience and network of contacts, it tapped into funding, from development cooperation agencies, government schemes and other nutritional funding organisations, to be used for nutrition and agricultural development programmes. The main advantage of these schemes was that they acted as market catalysts, increasing demand for milk and serving to kick-start the marketing of local products. They thus encouraged agricultural development and economic growth, thanks to an increase in the local production, and processing, of foodstuffs. The improved prospects for growth of dairy farms and processing plants were, in turn, the basis for the growth of Tetra Pak's business in these countries. One of the fundamental elements in implementing nutritional programmes was that of establishing a network of contacts and partnerships with the public and private sectors and social organisations. The support which Tetra Pak received from local governments and NGOs supported the expansion of the nutrition programmes, which were now being combined with agricultural development programmes. At the base was joint work with development agencies and NGOs to provide livestock and crop farmers with better training, thereby encouraging more sustainable and efficient agricultural practices. Dairy farms and processing plants received support from training funds provided to the owners of the farms, and on the other hand, the financing offered by Tetra Pak to purchase the machinery with which to process and package their products. Meanwhile, the development of the dairy product market encouraged the creation of a distribution network, allowed the programmes to grow in scope, and all with a minimum environmental impact thanks to the proper waste management systems implemented.
Traditional business model of Tetra Pak

Raw materials suppliers → Tetra Pak → Food companies → Distributors → End customer → Waste management

NGOs → Local Administration

Local Administration → Waste management
Business model of the project “Food for Development”

Tetra Pak Food for Development Office
(Tetra Pak, Tetra Laval Financial Services, De Laval)

Local, regional, Nacional government

1. Food Aid Organisations
2. Dairy plants
3. Livestock farmers
4. Raw materials suppliers
5. Waste Management
6. School
7. Parents
8. Tetra Pak subsidiary
9. Local NGO
10. Distributors
11. School
12. School
13. School
14. School
* ACD - Agricultural Cooperative Development