

Study of Social Entrepreneurship and Innovation Ecosystems in the Latin American Pacific Alliance Countries

Case Study: Nutriveda, Costa Rica

Fundación Ecología y Desarrollo

Office of the Multilateral
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CASE STUDY

NUTRIVIDA, COSTA RICA



**Multilateral Investment Fund (IADB) ·
Fundación Ecología y Desarrollo**

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1. Introduction

Name: Nutriveda (Empresa Social Nutriveda, S.A.)	
Description	Nutriveda produces and distributes affordable food products fortified with the micronutrients most lacking for households suffering malnutrition in Costa Rica. The company aims to eradicate undernutrition in Costa Rica and significantly reduce malnutrition in Central America and Haiti.
Founded	In July 2012 registered as a limited company (<i>Empresa Social Nutriveda, S.A.</i>) in Costa Rica.
Legal format	Limited Stock Company (<i>Sociedad Anónima</i>).
Num. employees	10 Full time employees, 7 volunteers per day in the factory.
Geographical reach	Costa Rica.
Certifications/ awards	Stephan Schmidheiny Prize 2014, John McNulty Laureate 2015.
Social innovation variables	
1. Innovation type	The innovation is incremental as it is an adaptation of an existing product (fortified foods sold at a lower price than competitors). The inclusive distribution network is the first of its kind in Costa Rica.
2. Social impact	8 million portions have been sold and 1 million donated since 2014. 100 women actively participate in the micro distribution network earning an extra 50 USD per month through Nutriveda.
3. Financial sustainability	100% of revenues are generated through the sales in supermarkets, small local shops, the micro distribution network and online donations. Costs are minimized through existing industry expertise.
4. Key Partners and Support ecosystem players	Muhammad Yunus and Florida Farm and Ice are the two key promotores of the business and multiple private and public sector players have supported with pro bono services. Several NGOs collaborate in the the women's micro distribution network.
5. Scalability and Replicability	The company will start activity in Costa Rica in 2016 and in one other Central American country in 2017, aiming to sell across Central America and Haiti by 2020.
References	www.nutriveda.com

2. Local Social Issue and the Challenge

The key local social issue that Nutrividia aims to combat is undernutrition in the poorest municipalities of Costa Rica, particularly among infants. The company also aims to significantly reduce malnutrition and undernutrition across Central America and Haiti. An additional challenge is the increasing proportion of households who are economically dependent on women, with limited opportunities to enter the labour market.

Poverty across Central America

Poverty levels across Central America and the Caribbean vary, with Haiti as one of the poorest countries, with 64.5% of the population living below the national poverty line, 53.7% in Guatemala, 42.5% in Nicaragua and 22.4% in Costa Rica (World Bank, 2016). In Central America, 1,796,000 children under 5 years old suffer from chronic malnutrition, which is 34.9% of all children (State of the Region, 2012). While GDP per capita is increasing, Costa Rica's inequality is increasing at a faster rate than other countries in the region.

Malnutrition in Costa Rica

In Costa Rica, chronic malnutrition affects 2.7% of children under 5 however the country's real challenge is *undernutrition*, which refers to a deficiency of micronutrients (vitamins and minerals) producing significant side effects on a child's physical, motor and cognitive development and increasing the probability of contracting anaemia, diarrhoea, pneumonia and malaria. 5.1% of the population suffers undernutrition and 35% of homes do not meet the family's basic needs. The main micronutrient deficiencies are zinc, iron and Vitamin A and in 18 of the 81 municipalities of the country anaemia is a serious problem affecting between 40% and 74% of children under 5, (see Annex 1 for map of most affected regions).

The 1,000-days window

Experts have identified that the most critical period for healthy infant development is the 1,000-days window, from conception to the child's second birthday. Undernutrition suffered during this time can have irreversible effects. In addition, when girls are poorly nourished, they tend to give birth to babies with low weight, continuing the undernutrition cycle (Ruel 2010). This means that the wellbeing of mothers (pregnant women) is a critical factor towards the solution (Victoria et al. 2008).

Female unemployment

As poverty levels increase in Costa Rica, with rising inequality levels, so does the proportion of female-led households, up to 41% in poor households, in both rural and urban areas.

Currently 131,031 unemployed women are responsible for their families and have insufficient income to cover basic needs despite government interventions (INE 2014).

3. Solution and Social Impact

Nutrividia produces low cost fortified food products and distributes them via retail, institutional bulk purchases and a network of women microdistributors to reach Costa Rica's poorest households. The company has branded itself as Central America's first social company and is a new venture created by one of the largest food and beverage companies in the region (Florida Farm & Ice Company) in partnership with Yunus Social Business. Nutrividia's research showed that in many households children only have 2 meals a day, so the company aims to provide the third meal of the day with a particular focus on infants in the 1,000-days window and mothers.

Product: Nutritious and affordable fortification vehicles

Nutrividia produces affordable, nutrient fortified food products to increase the uptake of essential minerals particularly in infants and mothers. The products are in a similar format to what people are used to consuming (i.e. powdered soups and beverages), are fortified with essential minerals and vitamins, have long shelf lives and are tasty, attractively packaged and lower priced than competitors' products. The powdered soups are the only product of their kind on the market without Monosodium Glutamate, which is a neurotoxic substance associated with higher risks of cancer. The Costa Rican Ministry of Health approves all of the fortification formulas for the products, which are described below.

Product	Target
Fortified Infant Cereal	6-month to 2-year old infants
Fortified Instant Soup	Children over 5 years old, pregnant women and adults
Fortified Powdered Beverage	As above with 20% of recommended daily allowance of zinc, 20% vitamin C and 8% vitamin A.
<i>Nutripack</i>	As above soup and beverage combination to provide a complete meal.

Distribution: Three-tier strategy

Nutrividia currently reaches its target group through three distribution channels:

- Retail: small shops in poor neighbourhoods, independent supermarkets and large chains
- Institutional purchase: public hospitals, schools and government organizations purchase the product in larger quantities to deliver to target audiences
- Women's network: women sell the product in rural areas generating extra income and ensuring the product reaches more inaccessible communities.

Social impact: 9 million portions delivered

Since 2014 8.1 million portions have been sold in Costa Rica, with a steady increase month on month over this period. 982,724 portions have been donated through promotions with other brands and an online platform. 520 women have been trained in the micro distribution network and 76 women are working actively in the network to distribute the products and provide community nutrition education, earning a 35% margin on average monthly sales of 150 USD. The company is in its early stage and aims to break even in 2017.

4. The Social Entrepreneur



"I will eradicate malnutrition in Central America," states Gisela Sánchez.

Gisela Sánchez is the social *intrapreneur* behind Nutrividia and has led the initiative since its conception in 2011 with the support of Florida Ice & Farm Company (FIFCO) where she works as Corporate Affairs Director. Previously she worked as a consultant for governments, NGOs, and companies in Central America in the areas of competitiveness and corporate social responsibility. She also has experience as strategic initiatives manager at Avina and as researcher and project coordinator for the Latin American Centre for Competitiveness and Sustainable Development at INCAE. Gisela was born in

San José, attended the Kellogg Graduate School of Management at Northwestern University, is a Fellow of the seventh class of the Central America Leadership Initiative and a member of the Aspen Global Leadership Network.¹ She received the Stephan Schmidheiny Innovation on Sustainability Award in 2013 and in 2015 she was awarded a Laureate for the McNulty social entrepreneurship prize. Gisela is a member of the Nutrividia's board of directors from where she plays an active role in the strategic direction of the social business.

Gisela gets FIFCO support

Gisela levered considerable support for the creation of Nutrividia from FIFCO, the leading Food and Beverages Company in the region. As Corporate Affairs Director she was already considered a key player in helping to deliver FIFCO's internationally recognized sustainability strategy, however she claims that Nutrividia is her favourite initiative. Gisela convinced the company to sign a partnership agreement with Yunus in 2011, she then persuaded CEO Ramón Mendiola to create a multi-disciplinary team to develop a social business plan and secured 600,000 USD initial investment from FIFCO to set up the new company.

Gisela brings Yunus to Latin America

Inspired by reading Yunus' work on Social Business, Gisela went to Bangladesh to participate in Yunus' Social Business Day 2011 and to persuade Yunus to partner with FIFCO to create Latin America's first social business. Yunus however resisted the idea on the basis that Costa Rica did not have serious poverty issues. Gisela continued to pursue the social business guru, returning to Bangladesh in 2012 and then to Vienna later that year. After almost two years of following him, Yunus finally accepted her proposal with the premise that Nutrividia would extend its work to Haiti. Four years later (in 2016), he is going to include Nutrividia in his next book.

¹ <http://www.aspenactionforum.org/users/giselasanchez>

5. Business Model

5.1 Characteristics of the business model

Nutrividia's value proposition is based on two elements; first, the efficient production of high quality fortified food products to combat specific mineral deficiencies to fight undernutrition particularly in infants and mothers at an affordable price. Second, a three-tier distribution strategy which aims to build the company to becoming a self sustaining enterprise significantly reducing undernutrition across Central America and Haiti by 2020.

5.1.1 Products and their benefits

The portfolio of products currently includes seven highly nutritious products: instant chicken soup with pasta and vegetables, three powdered drinks in orange, apple and lemon flavour; an infant oat based cereal; the *Nutripack* which includes powdered soup and a drink to feed a family of 4 to 6 people and fortified chicken consommé free of monosodium glutamate.

Fortified Instant Soup

This is a powdered soup prepared with pasta, vegetables and chicken for infants and mothers. It only needs water to be added to it to be ready for consumption. It contains the following micronutrients: vitamin B6 (15% RDI²), vitamin B12 (10% RDI), folic acid (15% RDI), zinc - 8% RDI and iron (5%). Nutrividia has compared the nutritional content of products with leading brands in the market, and concluded that the product is nutritionally superior because it contains less sodium, less carbohydrates and more protein. It also contains vegetables and natural protein.

Table 1. Comparison of Nutritional Content between Nutrividia Soup and Leading Brands

Energy / nutrients	Brand 2	Brand 1	Nutrividia
Energy	42 kcal = 2% RDI	43 kcal = 2% RDI	45 kcal = 2% RDI
Carbohydrates	8.2 g = 2% RDI	8.0 g - 2% RDI	4.8 g = 1% RDI
Protein	1.3 g = 2% RDI	1.0 g = 2% RDI	2.3 g = 4% RDI
Total fat Cholesterol mg/%	0.4 g = 1% RDI 0.1 mg = 0,5% RDI	0.5 g = 1% RDI 0.0 mg = 0% RDI	1.8 g = 4.5% RDI 0.5 mg = 0,5% RDI
Sodium	813 mg = 41% RDI	1,100 mg = 55% RDI	749.65 mg sodium per 15 g serving of soup. Recommended sodium interval 749 mg = 37% of the daily 2.000 mg recommended

Fortified Powdered Beverages

This is a product formulated with fruit and some vegetables and natural ingredients such as colouring, flavouring and preservatives. It is designed to add flavour to drinking water, with orange, apple and lemon flavours currently available. The beverages contain the following micronutrients: zinc (8% DRI), vitamin C (20% DRI) and vitamin A (8% DRI). These

² Recommended daily intake of vitamins and minerals according to *Codex Alimentarius*.

beverages proved to be nutritionally superior because they contain micronutrients, less sugar and natural ingredients to add flavour and colour to the beverage.

Table 2. Comparison of Nutritional Content between Leading Brands³

Characteristics	Brand 1	Brand 2	Brand 3	Nutriveda
Net weight (g/oz)	35 g / 1.23 oz	25 g Low calorie	14 g / 0.49 oz No calories	35 g / 1.23 oz. cal reduced
Serving size Number of servings	250 ml 4 servings (8.75 g product)	200 ml 5 servings (5 g product)	200 ml 10 servings (1.4 g serving)	240 ml 4 servings (9 g product)
Energy	150 kJ / 35 kcal	18 kJ / 75 kcal	0 kJ / 75 kcal	88 kJ/ 21 kcal
Carbohydrates Sugar	7 g 7 g	4 g 0 g	0 g 0 g	5.2 g 5.2 g
Protein	0 g	0 g	0 g	0 g
Total fat	0 g	0 g	0 g	0 g
Sodium	25 mg	0 mg	15 mg	25 mg
Vitamins / Minerals	Vitamin A, C, iron: 15%	Vitamin C: 15%	0	Zinc: 20% Vit C: 20% Vit A:8%

Fortified Infant Cereal

In order to fight undernutrition and especially anaemia in children between 6 months and 2 years, the infant cereal represents the first solid food for babies from six months as a supplement to breast milk. The cereal contains the following micronutrients and % of RDI: Iron: 8%, Folic Acid: 12%, Vitamin A: 20%, Vitamin C: 20%, Vitamin B6: 10%, Vitamin B12: 10%.

Nutripack: A complete meal

According to studies performed by Nutriveda's contracted team of anthropologists, unfortunately most families in extreme poverty in Costa Rica only have two daily meals. The *Nutripack* is a response to this problem as it provides not only micro but also macronutrients (carbohydrates, fat, fibre, proteins and water) as a combination of beverage together with the soup as a complete meal at a lower price than both products bought separately. The objective of this combination of two of the company's products is that families with less income can have a third meal each day.

5.1.2 Manufacturing

Two strategies were adopted to ensure the manufacturing process was as cost-efficient as possible. Firstly the manufacturing process was designed to be simple to keep costs down, all products are powder-based requiring no refrigeration and the ingredients have long shelf lives. In all cases, the manufacturing process requires initial measurement and mixing of the ingredients (solids and powder measurement) and a primary packaging process using an

³ Comparison carried out in 2012 as part of the Social Business Plan (YES Florida S.A. 2012)

automatic filling and packaging machine. Secondly the plant is located in a manufacturing park to ensure all utilities costs (water, waste treatment, energy) are kept as low as possible. The plant is located near to the FIFCO plants so when technical assistance was needed in the set up this was easily available.

The plant floor is 110m² and has a production capacity of 6,000kg every month, which is equivalent to 693 kg/hour of beverage and 539 kg/hour of cereal or instant soup. The high quality mixing and packaging equipment was purchased from Spain and the United States. Three full time employees operate the plant. FIFCO also assigns 7 volunteers from their core staff to the plant every day to help with the secondary packaging as part of the company's CSR strategy. Nutrividia's office for administration and management is located in the same building with a total of 10 employees on site.

5.1.3 Distribution

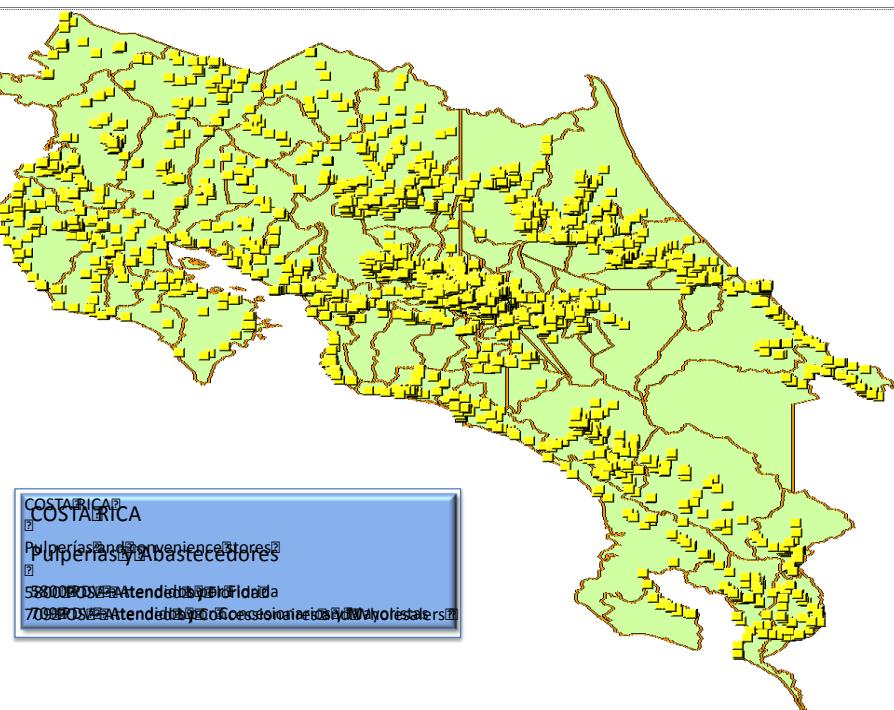
Nutrividia's objective is to have as many points of sale through the traditional retail channel as possible, especially in marginal urban areas and rural areas given the target market purchases mostly in this channel. Families in segment E (known as the poor class with monthly income lower than 100 thousand CRC, equal to 198 USD) and D (low class with a monthly income lower than 200 thousand CRC, equal to 396 USD) tend to purchase in small neighbourhood stores, *pulperías* or mini supermarkets. This includes chains such as Palí (which is part of Walmart), Mega Super and Maxi Bodegas.

A second channel is through the public institutions that work with the target market (hospitals, schools, etc.). These organizations make purchases in larger quantities for their canteens. The third channel, to reach those areas where neither of the first two penetrates, is operated by a network of female community leaders who act as door-to-door micro distributors. Details of each strategy are outlined below.

Traditional retail channel

Nutrividia is sold in 5,800 neighbourhood stores across the country and this is achieved using FIFCO's own distributor (*Distribuidora La Florida S.A.*). In addition the products are sold through independent wholesale distributors, which reach an additional 709 points of sale. To give emphasis to points of sale with more accessible prices, a special effort is made to position the products in proximity stores such as the *Musmanni Mini Super*. There are currently more than 70 of these stores across the country with plans for expansion and these are owned by FIFCO. The sales contract with these stores comprises a 17% margin for instant soups and 19% for powdered beverages and infant cereal. Figure 1 shows the coverage across the country through this channel in 2014. As of 2015 Nutrividia products are also now sold in Walmart stores across the country.

Figure 1. Nutrividia presence in local convenience stores across Costa Rica (2014)



Institutional channel

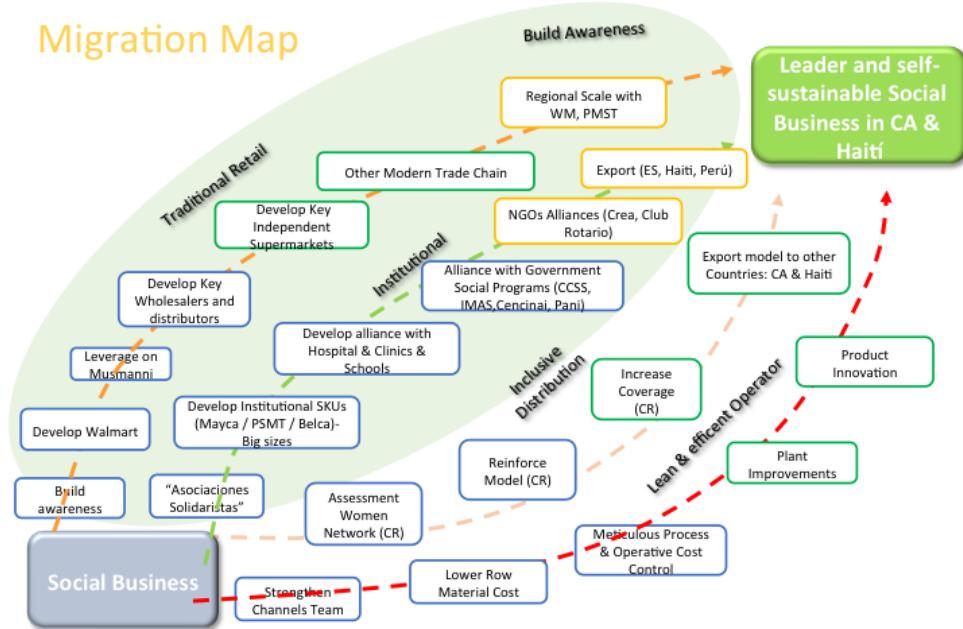
A second important channel has been achieved through a series of partnership agreements with public institutions. Nutrividia sells the products in larger quantities of 500g and 1kg packs to different types of public institutions including schools, clinics, hospitals, old peoples homes, ministries and other government organizations who provide food for the target groups in their institutional canteens and other types of food service.

Community saleswomen network

The third channel is a network of women who distribute to households and small shops in the marginal areas where the retail and institutional channels do not reach. This is called the Manu Network (Red Manu) or Pro Nutrition Mamas (*Mamás pro Nutrición*) and has been developed in partnership with several foundations who empower community women leaders both to sell the product and provide community nutrition education. The saleswomen sell products door-to-door in their communities earning a higher margin than the supermarkets and the traditional channels. Nutrividia supports the women with training in nutritional education, marketing and sales techniques and basic accounting.

Nutrividia aims to continue with the three-tiered distribution strategy to reach its mission of eradicating undernutrition in Costa Rica and significantly reducing undernutrition in the region. Figure 2 shows the different phases of each of the three distribution strategies to reach this goal.

Figure 2. Migration Map for Nutrividia's Distribution Strategy



5.2 Fee structure and pricing model

Nutrividia's objective is to sell their products at the lowest possible price with the added value of nutrient fortification. The company sells at prices that are lower than competitors Maggi, Maruchan, Knorr, Tang, Zukko, Nestum and others. Each distribution channel has a slightly different profit margin as illustrated in figure 3. The highest prices are to the retail distributors, given the margins for intermediaries have to be compensated for, a slightly lower price is given to the institutions as a motivation to buy in bulk directly from Nutrividia, and the lowest price is to the community women's network, to enable the women to maximize their own mark up while remaining below the retail price. The different prices are shown below in table 3.

Table 3. Prices for different distribution channels (USD)

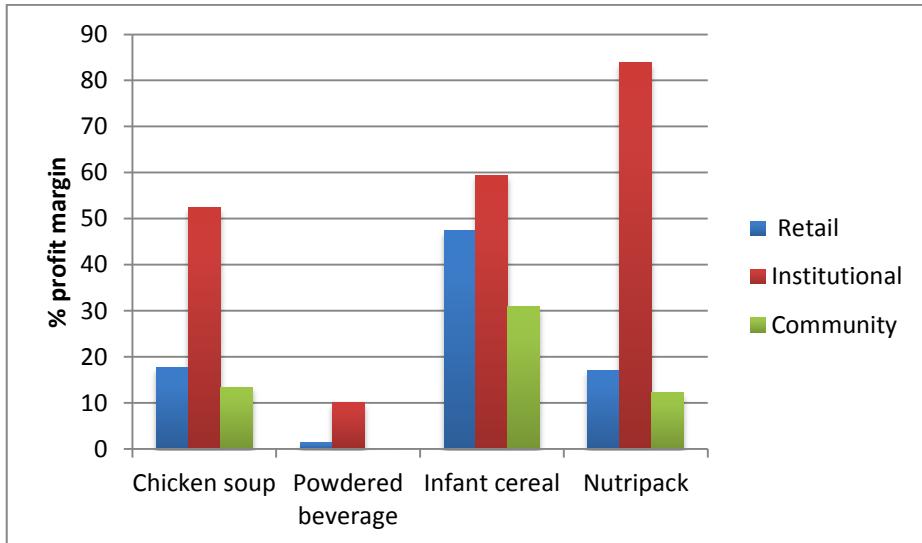
Product	Market average	Nutrividia prices to distributors				Retail consumer
		Retail	Institution	Community		
Chicken soup (60g)	0.44-0.53 ⁴	0.32	0.41	0.30	0.44	
Powdered beverage(30g)	0.20-0.28 ⁵	0.19	0.21	0.17	0.25	
Infant cereal (80g)		0.52	0.56	0.51	0.76	

⁴ The price in supermarkets is 17% lower and a 3% lower price was observed in the country's Atlantic region.

⁵ The price in supermarkets is 15% lower and a 25% lower price was observed in the country's Atlantic region.

Nutripack (90g)		0.46	0.72	0.44	0.64
Consomme 6 pack		0.54	0.55	0.53	0.72

Figure 3. Profit margins from different distribution channels



The margins for each distribution channel differ with the greatest initial margin over the cost of production achieved through the institutional channel (as this does not include the commissions taken by the supermarkets and small shops) and the lowest margin for the *Red Manu* network.

A price and nutrition comparison with other similar brands was made in 2012, which showed considerable variation across products. In the case of the powdered soup the nutritional value was significantly higher than competitors although the price very similar, in the case of the powdered beverages both nutritional value and price were similar to competitors. However, since launching the products Nutrividia has suffered some under-cutting pricing strategies from its larger, much more established competitors, with two for one type offers that have been impossible for Nutrividia to compete with.

In addition to price, branding is another factor that is considered by experts as key for bottom of the pyramid markets (Majumder 2012). Nutrividia has made a considerable effort to develop an attractive looking brand that doesn't appear too "expensive" and also not too "sophisticated." Nutrividia is the umbrella brand for all the products produced by the social company *Empresa Social Nutrividia, S.A.* Nutrividia is also currently supported by Costa Rica's national female boxing champion, Hanna Gabriels who promotes the brand through marketing campaigns on Costa Rican television, in newspapers and on the website.

5.3 Target beneficiaries

Nutrividia targets Costa Ricans living under the poverty and extreme poverty line and especially children between 6 months and 2 years of age. Most of this target population is located in segment E (comprised of the population considered poor, with a monthly income lower than 100 thousand CRC, equivalent to 198 USD per month). In this target the main micronutrient deficiencies are zinc and iron, with iron deficiency being a particularly acute challenge for infants from 6 months to 2 years old. In 17 of the 81 municipalities of the country, between 40% and 73.5% of children aged 6 months to 2 years suffer from anaemia and in 52 of the 81 municipalities, anaemia is present in a range of 10% to 40% of the infant population. See Annex 1 for the geographical spread of anaemia across Costa Rica.

According to the anthropological study carried out for Nutrividia by the Citizen's Institute (in Spanish *Instituto Ciudadano*) these families' basic food is rice and beans. The study showed that when these families have additional income they consume eggs, powdered beverages, instant soups, cold meat, bread, cereal, sour cream and vegetables. The **instant soups** that are commonly bought when there is extra income are used as side dish for rice or as a base meal. These soups are popular as they are good for feeding many people, easy to prepare, cheap and "taste good." **Powdered beverages** are also highly consumed due to their low price, and because they serve as a substitute for water and milk for children while calming hunger. **Infant cereal** is consumed in low quantities due to its high price and because there is a perception that it must be prepared with milk, which is expensive. However, families are conscious that it is a good product for small children.

The study went on to show that the main place to buy food in the target communities are neighborhood food stores (in Spanish *pulperías*), which will often give credit to customers, or when the family has a little extra income they will shop in the low-end supermarkets such as the chain *Pali*. The main factors for choosing products are price, followed by expiry date, quantity and apparent quality (sealed package and in good conditions). Packaged food containing minerals and vitamins and not too many chemicals is perceived as healthy food, and vegetable or fruit content is seen as desirable.⁶

Nutrividia has integrated a process of raising awareness about nutrition into the design of the packaging with simple, easy to read information about the nutritional value of the products. In addition Nutrividia explains the importance of nutrition for good health in the promotional events held in communities. Finally, the microdistributors play a key role in educating this target population around nutrition.

5.4 Scale

Nutrividia's goal is to obtain 1% of the current market for each product and 3% of the market share for each product within the first 5 years of the social business in Costa Rica. In addition the company plans to start operations in another Central American country in 2017 and be

⁶ Information acquired as a result of anthropological study carried out by *Instituto Ciudadano* for Nutrividia in 2012.

the leader in providing fortified food products across Central America by 2020. Ernst & Young carried out a pro bono market analysis for Nutrivila in 2012 and a summary of key findings is shown in section 8 for each product category, including the current levels of consumption and potential market value for the key types of product that Nutrivila produces in Costa Rica and Central America.

6. Social and Financial Performance

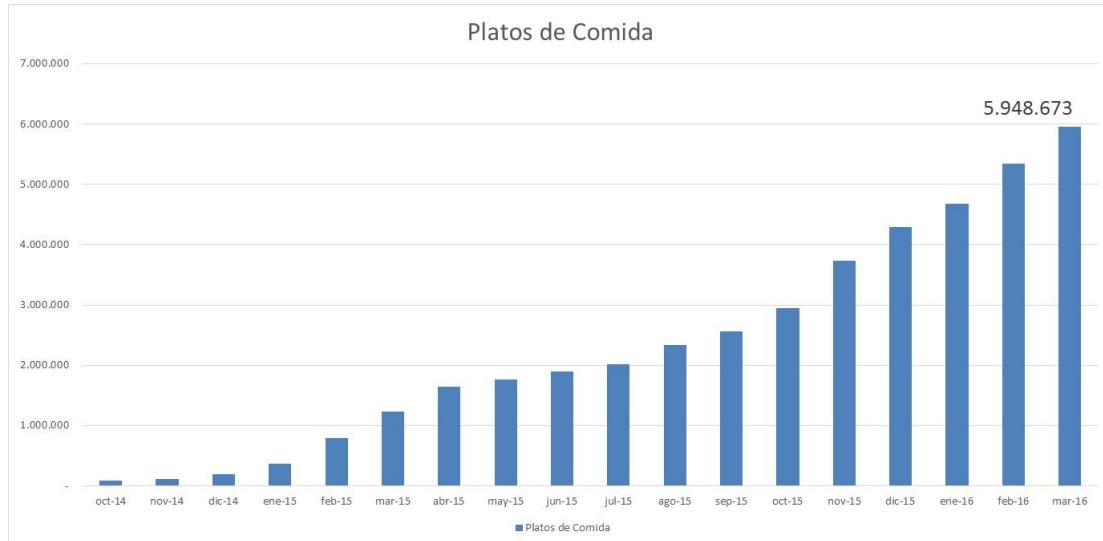
6.1. Social Impact Performance

The following section illustrates the social impact that Nutrividia has had to date in its first since it began production in 2014. While there are limitations in terms of measuring progress against the company's mission to eradicate undernutrition in Costa Rica, there are some early signs of progress made.

6.1.1 Social impact achieved

Since launching its first product in 2014, by July 2016 Nutrividia had sold a total of 8.1 million portions with a steady monthly increase in sales as shown in figure 4. These portions have been sold through the three key distribution channels mentioned previously.

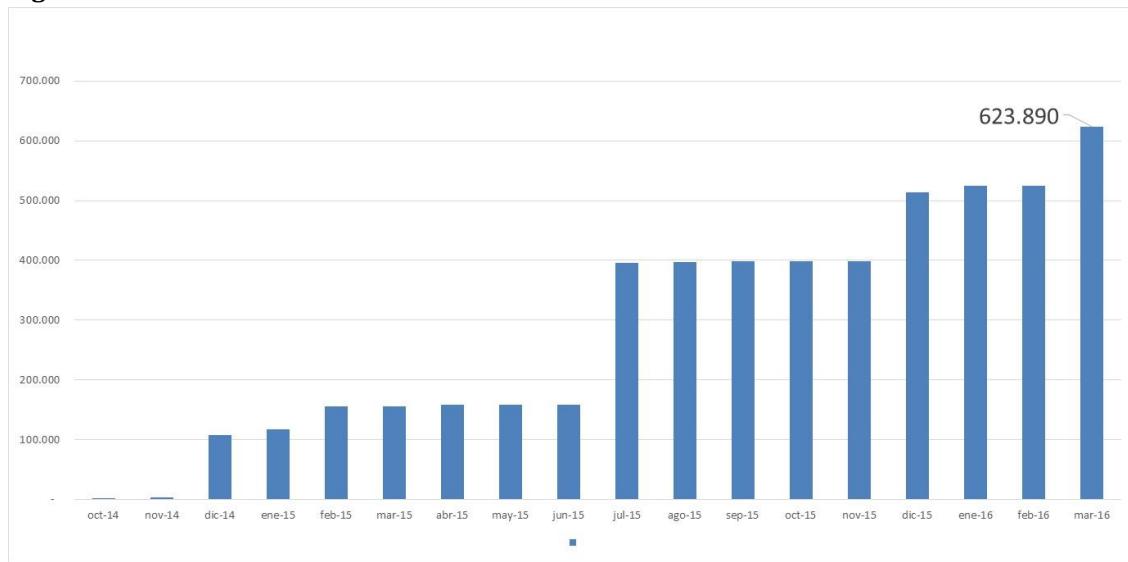
Figure 4. Portions sold since 2014



In addition to these three channels Nutrividia also distributes its products through a donations scheme whereby individuals can make a donation online through the Nutrividia website or make personal and institutional donations. This food is donated to organizations that work with the most vulnerable populations, including orphanages; elderly care centres or day care centres. 982,724 portions of food have been donated, with the majority through collaborations with other brands or companies. Donations also show a steady increase month on month and the evolution of donations made is shown in figure 5.

Finally, Nutrividia has trained a total of 520 women as microdistributors through the *Red MANU* Network and by the end of 2015 had 76 women regularly selling 140 USD of products monthly. The women worked 25 hours a week on average, gained a profit margin of 35%, and earned around 50 USD per month. The long-term aim of the network is to convert the women micro distributors into change agents. As well as promoting health and nutrition education the aim is for them to give nutritional advice and education about healthy lifestyles to poor families.

Figure 5. Portions donated since 2014



6.1.2 Social impact measurement

Nutrivida currently uses the following three indicators to measure its social impact; 1) **Number of portions sold** calculated as units of food, such as a packet of soup, infant cereal or powdered drink; 2) **Number of portions donated by third parties** and distributed to vulnerable populations and the target group. These donations made either by individuals via the web platform or institutions in collaboration with Nutrivida at promotional events. An initial, and 3) **Number of women microdistributors** who regularly sell Nutrivida products and their corresponding income.

The main challenge is to measure progress in terms of the final outcome and progress to Nutrivida's mission to eradicate malnutrition as currently they measure only mid-term results such as portions sold, donations and sales from microdistributors. In 2016 Nutrivida will embark upon a project with the IDB/MIF SCALA program to scale up the women's distribution network and this will use the following indicators: 1) **Number of women who remain actively involved in the network two years after starting their micro-enterprises.** (The project aims to have 600 women in the network and indirectly benefit 14,000 families in the target groups); 2) **Number of microdistributors whose annual income increases by 15% or more after their first year of operations** and 3) **Increase of 60% in fortified products** in vulnerable communities.

In addition, Nutrivida will measure the "systemic impact" in terms of progress towards extending the women's network of micro distributors to other Central American countries and Haiti to improve women's income as well as significantly reducing undernutrition in the region. Finally, there is early evidence that Nutrivida's competitors are starting to increase the nutritional content of their products, as is the case of Maggie Soup in Costa Rica, which has

started to fortify products with iron (although it does not use as high quality iron as Nutrividia) as this is seen as a positive step towards Nutrividia's overall vision.

6.2 Financial Performance

As a social business set up in partnership with Yunus Social Business, Nutrividia abides by the following principles, with a commitment to solve a social problem and reinvest any profits back into the business with no dividends.

Muhammad Yunus Social Business Principles⁷

1. Business objective to overcome poverty, solve a social problem: not profit maximization
2. Financial and economic sustainability
3. No dividends
4. Company profit stays within the company for expansion and improvement
5. Environmentally conscious
6. Workforce gets market wage with better working conditions
7. ... Do it with joy

6.2.1 Revenue and Expenses

Figure 6 shows the break down of accumulated revenue for different types of products between 2014 and 2016 with the powdered soup generating the largest proportion of revenue at 29% of total sales, followed by the powdered orange flavoured beverage at 26%. The new flavours of beverage (lemon and apple) were only introduced in 2016, so at this stage it is not surprising that the orange had sold significantly more volume. Creating new flavours was in response to customer reaction for more variety of products.

⁷ The Yunus Social Business Centre supports, accelerates and finances entrepreneurs in developing economies, to address social problems using business principles. www.yunussb.com

Figure 6. Revenue streams from Nutrividia products (2014-2016)

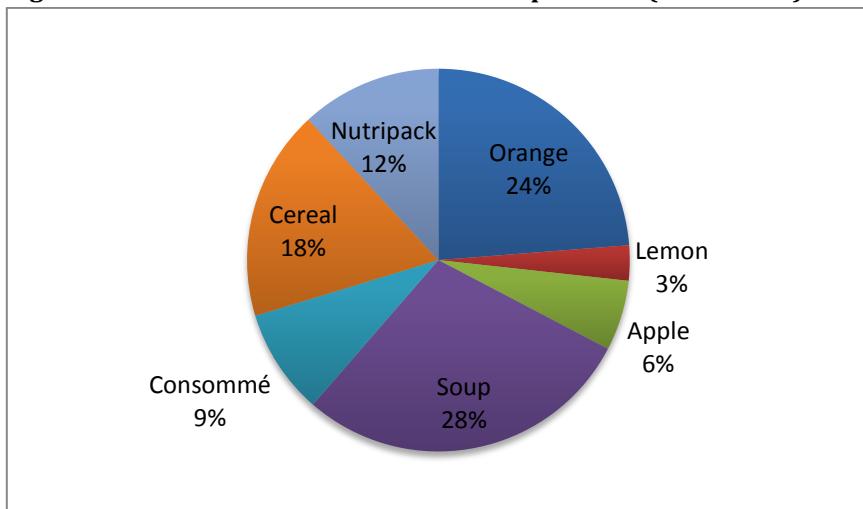


Table 4 shows the break down of sales for Nutrividia's different distribution channels with two significant changes in the 2015-2016 period. Firstly, Nutrividia started to sell to Walmart in this period, which meant a significant increase in supermarket sales, as the product was placed in more than 200 Walmart stores across the country after a successful 3-month trial period. During this time the traditional channel was maintained. The second change has been a significant increase in number of contracts with public institutions, currently representing the largest proportion of sales.

Table 4. Revenue streams from Nutrividia distribution channels

	2014-2015	2015-2016
Supermarkets	48%	45%
Traditional channel (small shops, minimarkets)	46%	3%
Red Manu (women's network)	1%	1%
Institutional	2%	49%
Other	3%	2%
	100%	100%

6.2.2 Proportion of Income from Sales

Empresa Social Nutrividia, S.A., the legal entity behind the Nutrividia brand was set up with 1.5 million USD capital investment from FIFCO and also received a personal donation of 27,000 USD from Gisela Sanchez, which comprised 25,000 USD from the social entrepreneurship prizes she won in 2014 and 2015 and 2,000 USD from her personal savings. Since this initial capital investment the company has received no additional income from public or private organizations and 100% of revenue generated has been generated from sales. In 2015 the

company achieved a break even in terms of production and distribution costs (including raw material, packaging, production costs and direct distribution costs), however this is not yet sufficient to cover the overheads in terms of administration and office staff costs throughout the year. Projected breakeven for the entire company operations is for 2017.

7. Business Development and Ecosystem Evolution

The following section outlines the key milestones in Nutrividia's development since the initial concept development in 2011 to the present day. Below we describe the two key phases the business has gone through, startup stage (2011-2013) and early stage (2014-2016). The company has not yet reached a break-even point.⁸

Month/Year	Business Development		
2011			
Jan-Mar	FIFCO showed interest in social business.		
June	Gisela visited Bangladesh for the first time.		
Oct	Gisela participated in the Creative Lab & Global Summit.		
Nov	Gisela and others started to develop the concept.		
2012			
Jan-Oct	Social business plan was developed.		
June	Gisela visited Bangladesh for the second time.		
July	Company was registered.		
May-Nov	Market research and product development carried out.		
Dec		Setup start	
2013	Business Development	Production	Distribution
Jan - March		Production plant set up.	
March	First manager hired.	Equipment purchase, health & safety regulations put in place.	Negotiations carried out with distributors.
Nov		Plant opened by Yunus.	100 women started pilot .
2014	Negotiations with distributors	Production started	Retail and institutional distribution began
2015	Gisela awarded John McNulty Prize Laureate.	Production continued and grew in volume.	Institutional purchases started with government. Nationwide distribution with Walmart.
	Campaign with Hannah Gabrels, national boxing champion.	4 new products launched.	500 women undertook training.
	Nutrividia took part in British Embassy program for international expansion.		Donation scheme launched via web "Fuel This."
2016	Nutrividia selected for IDB/MIF Scala project.		New marketing campaign launched.

⁸ **Start-up stage:** a preparation period for setting up a business or an enterprise. An entrepreneur's team develops a business idea and a business model. In some cases, they have product/service prototypes, which are not fully developed or tested. **Early stage:** A period from business initiation until business scale-up. An entrepreneur's team may first deliver its products/ services in a test market to examine its business model. Also, the team may file patents or obtain licenses, if necessary. Once the business model is consolidated, it starts its business. However, the business remains quite small due to lack of capacity and resources. It may reach a breakeven point at the end of this period.

7.1 Startup stage (2011-2013)

7.1.1 Milestones

Inspiration from Muhammad Yunus

Muhammad Yunus, founder of the Grameen Bank in 1976 and winner of the Nobel Peace Prize in 2006, was the initial source of inspiration for Gisela Sanchez. After reading one of his books in January 2011 Gisela presented the idea of creating a social business in Costa Rica to the company. FIFCO is a Costa Rican listed public company and the industrial leader in food and beverage in Central America. It was founded in 1904 and is also internationally renowned for its commitment to sustainability, particularly in terms of water usage, solid waste and its carbon footprint. FIFCO has more than 2,400 shareholders and operations in food and beverages; real estate and hotels and investments. The company's sales reach 1.2 billion USD, it has over 6,000 employees, operations across Central America and exports to 11 countries, including Australia and China. FIFCO invests on average 6.5% of its net profit in social initiatives. In June of the same year FIFCO supported Gisela to visit Bangladesh to meet Yunus and explore the possibility of setting up a social business in Costa Rica. Later that year she participated in the Yunus Business Centre's Creative Lab and Global Summit in Austria. In November 2011 with colleagues at FIFCO she started to develop the Nutrividia concept.

Social business plan development

In 2012 a team at FIFCO led by Gisela started to develop a social business plan beginning with an anthropological study as well as research with the Ministry of Health. The research organization *Instituto Ciudadano* affiliated to the University of Costa Rica was contracted to carry out research of consumer behaviours and preferences of Costa Rican families in the E income segment. The study analysed in detail the behaviour of seven families, five in marginal urban areas and two in rural areas and revealed the eating patterns as described in section 5.3. The average family income of the target ranges from 4 USD per week to 100 USD per week. However, in the case of families with greater income, these continue to be below the extreme poverty line either because they are in debt to micro-lenders or because their fixed expenditures like electricity and water take up most of their income. As part of the anthropological study a pilot exercise was carried out whereby families were each given 4 USD to see what they would purchase. The trend was to buy packaged soups and packaged powder drinks, and with more available families purchased eggs.

In addition the country's leading nutrition expert, Dr. Luis Tascan, from the Ministry of Health led a study based on the wealth of statistical information from governmental and other organizations around nutritional deficiencies in Costa Rica. He concluded that zinc, iron, Vitamin A and selenium were the key minerals lacking. The team decided to focus on zinc, iron and Vitamin A and not selenium, as taken in high doses this can be harmful to health. Based on the consumer patterns and the nutrients needed the final stage of this research was to contract the services of the internationally recognised nutrient formula company, DSM to develop the product formulas. DSM chose to use a high quality iron, with high bio-absorption levels.

Registration of the social business

In June 2012 Gisela returned to Bangladesh to visit Yunus again and convince him to enter into a joint venture partnership with FIFCO. Initially he was reluctant, as his perception was that Costa Rica was not a country with sufficiently serious poverty and malnutrition issues. In response Gisela decided to create an even more ambitious plan for Nutrividia to work across all of Central America and Haiti. With this broader vision Yunus agreed to go ahead and in July 2012 the company *Empresa Social Nutrividia, S.A.* was created under his Social Business concept.⁹ FIFCO's objective as the promoting company of the first social business in Central America was to obtain the strategic guidance from Professor Yunus and his team in such a way that this social business would become a model for Central America to be replicated in the region. Yunus owns 5% of the company, has two board positions and the power of veto, with FIFCO owning the remaining 95% and three positions on the board of directors. At this point FIFCO provided the seed capital of 1.5 million USD and committed to providing the know-how around producing and distributing mass consumption products as well as providing volunteer workers to help with the development of the business. During this phase Nutrividia also received pro bono legal and advertising support and in December 2013 the social business started the setup of the manufacturing facility.

Early distribution strategies

During 2013 Mario Cortes, Nutrividia's first manager with 12 years experience in the food and beverage industry organized the development of the processing plant, purchased high quality mixing equipment and put in place health and safety regulations and certification. In terms of distribution, the initial strategy was not to use Florida's existing distribution network because it could provoke confusion between the two brands. Nutrividia wanted to have its own identity and not be seen as a hidden business from FIFCO. Also the FIFCO trucks did not reach the small isolated areas where Nutrividia's target beneficiaries lived so Mario had to develop an alternative solution for distribution. He researched several distributor alternatives including DISAL, which had ample coverage to more than 5,000 small shops across the country and was also developing its own sustainability strategy. DISAL eventually agreed to support Nutrividia by charging less than 20% margin to cover distribution costs. The plant was later opened in November 2013 by Muhammad Yunus, which attracted significant press coverage and political support.

Pilot women's leadership training

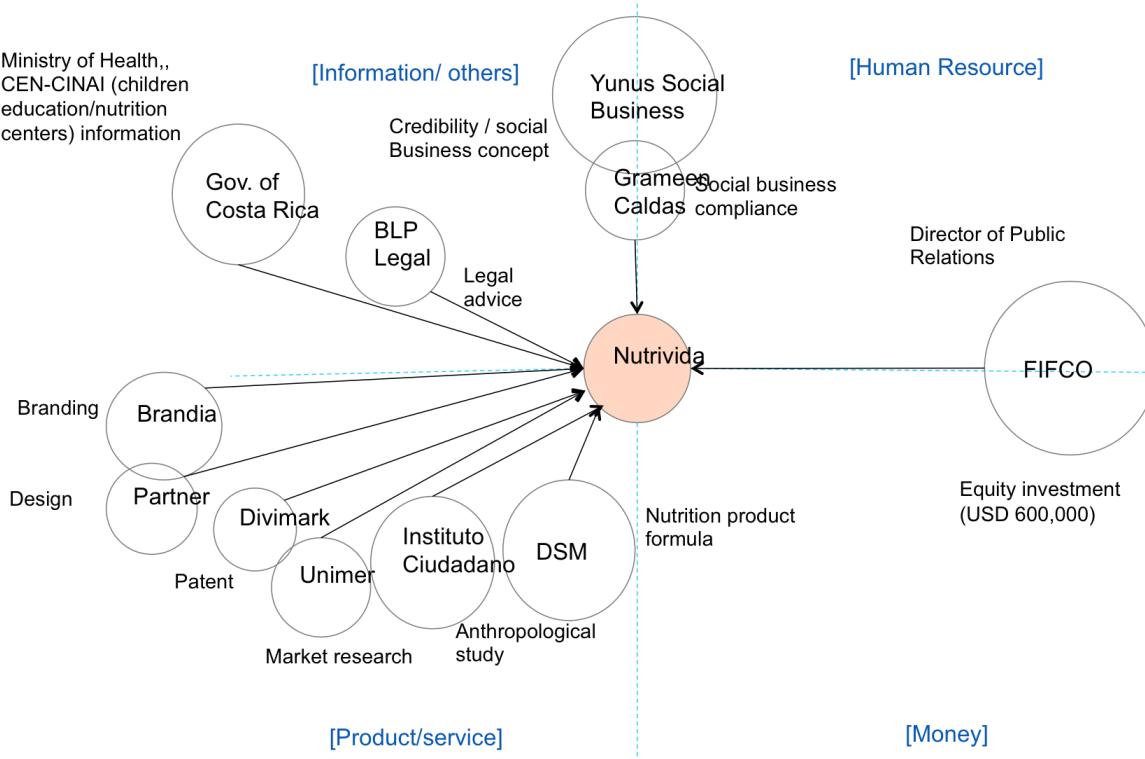
In 2013 Nutrividia began to develop a training program for women microdistributors in partnership with the NGO specialized in women's empowerment, Vital Voices Costa Rica (previously known as the Foundation United to Grow (in Spanish *Unidas para Crecer*)).¹⁰ The program had three areas of focus; development of leadership and communication through training, accompaniment through mentorship and networks of women leaders who in turn also become mentors. In November 2013, 96 women were recruited to start a pilot training

⁹ The company will be dedicated to industry, commerce, agriculture and investments in general and has an initial capital stock of 24 USD in common stock. See section 6.2.1 for further details.

¹⁰ www.unidasparacrecer.org

program, selected on the basis that they could read, write, add and subtract and had the motivation to work. In addition, the selected women were opinion leaders in their zones, to be able to exercise influence in the neighbourhoods around nutrition and eating habits. The pilot identified the following challenges; first the target market didn't recognize the product, as the brand was still unknown, sales and incentives for women needed to be higher to reduce dropout levels from the program. Finally, the operational costs of the training need to be reduced to be able to scale.

7.1.2 Key supporters in StartUp stage



A key characteristic of Nutrividia's development is the high number of organizations that have supported the company both in the seed and early stages, including multiple organizations that have provided pro bono support. The following section describes in more detail the roles of key supporters in these two initial stages.

The **Yunus Business Centre** and **FIFCO** were the two critical players at the start of the social business. **Grameen Caldas**, associated with the Yunus Business Centre was also important in the seed stage. Grameen Caldas was founded in 2011 in the municipality of Caldas, Colombia to create social business and now is a key player in Latin America for promoting the concept. Under the leadership of Martin Loeffler, they helped ensure compliance with the Social Business principles developed by Professor Yunus.

Public sector support

Nutrividia had several allies in the Government of Costa Rica including the **Ministry of Health**,

which supported with information on nutritional deficiencies in Costa Rica as well as approval of the fortification formulas for each product under the supervision of Dr. Luis Tascan, the countries lead expert nutritionist. The Ministry of Education supported through the program **CEN-CINAI** (Children Education and Nutrition Centres) as a potential vehicle for distributing the product.¹¹

Civil Society

The main civil society partner in the seed stage was **Fundación Unidas para Crecer** (now called Vital Voices Costa Rica),¹² an NGO specialised in women's empowerment which supported the initial pilot with the women's micro distribution network through implementing the leadership and communication training and mentorship program for the first 96 women involved in the pilot.

Private sector

Partner Advertising Agency provided pro bono communication and marketing strategies for Nutrividia, **Brandia** provided support on developing the brand and the packaging of all products. **BLP** provided legal advice and company registration and **Divimark** helped on registering the brand. Nutrividia contracted market research from **Instituto Ciudadano**, specialized in anthropologic studies, and contracted **DSM**, the world leader in nutritional formulas, to design the fortified formulas for the products.

7.2 Early Stage (2014 -2016)

7.2.2 Milestones

In February 2014 production began at the plant and the first products were distributed through the women's network, which was being developed through a series of promotional events.

Women microdistributors program (MANU Network)

Following the earlier pilot, a six month intensive program in leadership and business management skills was offered by a training organization *BAC Credomatic* and *Fundación Unidas para Crecer* to equip women with the skills both to sell the products and also impart community nutritional education. 520 women took part in the course and were also given personal mentoring by volunteers. At the end of the program, 96 women went on to start distributing the products. Each was given an initial package of 12 units of each product to start off with. Early goals were to sell 12 *Nutripacks* and 12 packets of cereal per week, earn a 35% margin (other distribution channels receive only 20% margin). However, only 76 women have continued to sell the products. There were several reasons for not continuing the program; some women felt margins were too low, others felt clients would get bored with such a limited product range and others noted that although cheaper than other similar

¹¹ In Costa Rica there are over 600 CEN-CINAIs, and the proposal was to use their programs that provide food to poor families as a channel to promote the social business's products to families in poverty and extreme poverty.

¹² www.unidasparacrecer.org

products, buying small packages (of the cereal) was more expensive than buying a large package of cereal.

Further organizations were later involved to develop the scheme including *Fundación Mujer*, and Grameen Bank Costa Rica, which helped with recruitment and training and credits. By 2015 the scheme was adapted to be more flexible, modifying recruiting, packaging units, sales units, form of distribution, training, final sales prices and margins. The training scheme was reduced to one day with follow up visits to the communities every 15 days. By the end of 2015, 76 women were regularly selling products worth 140 USD monthly. In late 2015, Nutrividia successfully gained the support of the IDB/MIF SCALA program to further develop the women's micro distributors program with the following key components; selection and training of women, products, sales technique, client management and basic accounting; processing of orders to the micro distributors (sometimes involving access to credit); door to door sales carried out by the women and reporting of sales and register of income. The program was due to start in July 2016.

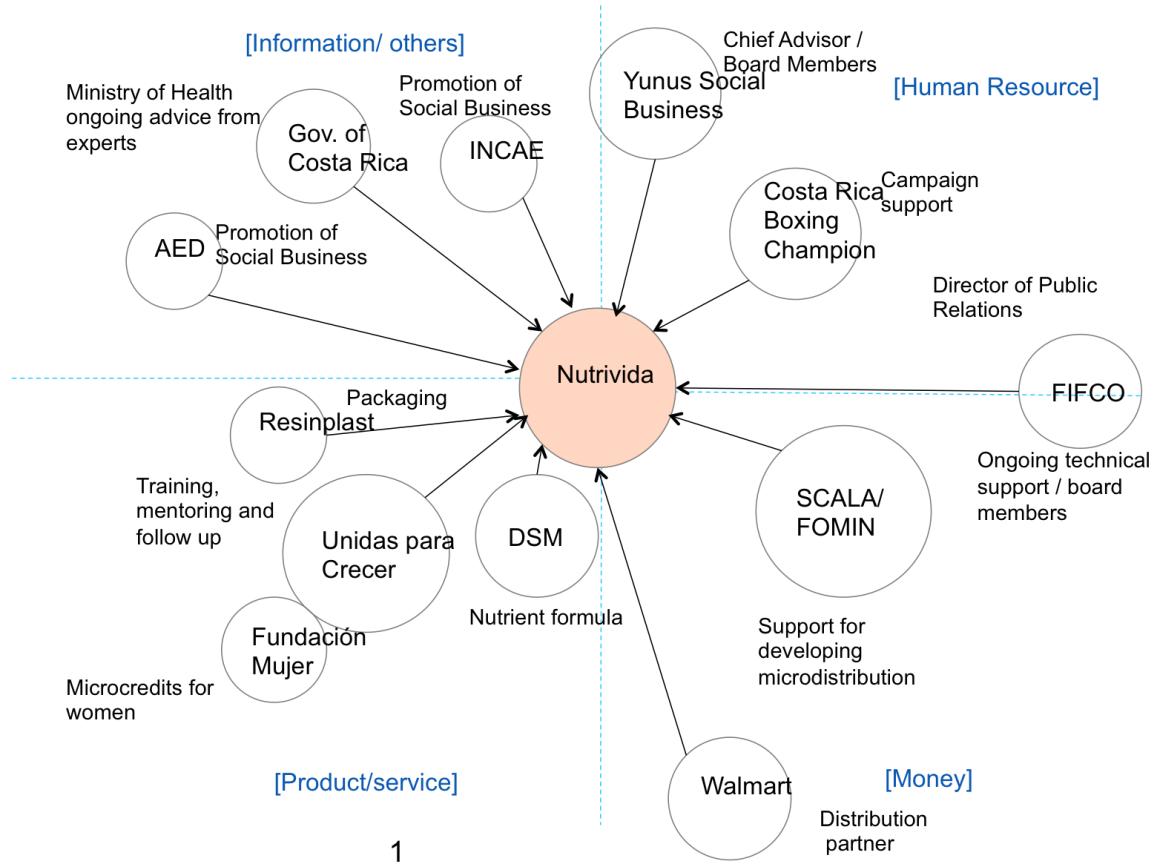
New management team

After two short-lived managers in the seed stage of the company, in 2015 Anne Marie Nouel Calcaño, who was formerly working at FIFCO, was contracted as the new General Manager of Nutrividia. In the same year she hired a new administrative and finance coordinator, a manager for the plant and a manager in charge of the commercial side. The team was then established with a total of 10 full time employees. Over the course of the year sales increased consistently every month through all channels and in particular the institutional contracts increased from a 3% of total sales in 2014/2015 to 29% of total sales in 2015/2016. Anne Marie also launched the online platform for donations through an independent site, "Fuel This" although uptake was not as good as expected, given the low penetration of Paypal in Costa Rica. She also convinced the national boxing champion, Hanna Gabriels to support the campaign and secured numerous other pro bono collaborations (more than 30 NGOs, companies and government institutions have supported Nutrividia).

Support for expansion

In 2015 Nutrividia was one of the 10 Costa Rican social companies to be selected for an exports program financed by the British Embassy and led by COMEX, the Ministry of Foreign Commerce. The company received training and support to develop an exports strategy, however the board decided that this will begin as of 2017 allowing for 2016 to consolidate sales in Costa Rica.

7.2.2 Key Supporters in Early Stage



Many of the players involved in the seed stage continued to be involved in the early stage, however in some cases to a lesser extent, particularly in terms of the Ministry of Health and private sector pro bono service providers. Yunus and FIFCO's roles were formalised and they are both represented on the board, with Muhammad Yunus as Chief Advisor in addition to two seats from the Yunus Business Centre and FIFCO with three seats. FIFCO also continued to have a crucial role in terms of technical and logistical expertise. The other supporters' roles evolved as described below.

Government

The Ministry of Health continued to be involved in a supporting role, and a new player from the public sector was the Ministry of External Commerce who supported Nutriveda in 2015 with a program to develop their plans for replication into other countries, with support from the British Embassy.

Civil Society

Fundación Unidas para Crecer continued to help deliver the training program and now in partnership with the Women's Foundation (in Spanish **Fundación Mujer**) offered training and recruitment as well as help with logistics using their centres for stock and distribution. Another NGO, Work from the Holy Spirit (in Spanish **Obras del Espíritu Santo**) collaborated

through promotions at their community centres, where over 2,000 people are fed per day. Finally the new player **SCALA** from **IDB/MIF** started to collaborate to support the development of the women's network to help reach a first growth stage. **INCAE Business School** and the **Business Association for Development** (acronym in Spanish AED) both supported in a more general sense in terms of promoting the concept of social business in Costa Rica.

Private sector

DSM continued to supply the nutrient formulas, which were directly shipped to the plant and new suppliers came on board such as **Resinplast**, a packaging supplier offering Nutrividia a discounted price. In terms of distribution suppliers Nutrividia decided to work with *Distribuidora La Florida, S.A.* (part of FIFCO) that offered a discounted distribution fee for Nutrividia. The pro bono advertising and marketing services of Partner and Garnier advertising agencies continued and Costa Rica's national female boxing champion Hanna Gabriels also came on board to brand the products. The web platform **Fuel This** began to collaborate for the online donation campaign.

8. Scalability and Replicability

From the outset Nutrividia's mission was to significantly reduce malnutrition across Central America and Haiti through a process of scaling the existing business model, rather than entering into partnership with other organizations or operating a social franchise system.

The consultancy company Ernst and Young carried out pro bono market research for Nutrividia and this showed great potential for scale for both instant soup and powdered beverages with considerable market sizes across Central America. In both product lines the traditional distribution (small local shops and convenience stores) is where the most opportunity lies for growth and in terms of other countries, Guatemala has the highest level of consumption for instant soup, and for powdered beverages is the second highest consumer after Costa Rica. Table 6 shows a summary of the market volume in the region.

Table 6. Market volume and competition in Latin America and Central America (2013)

Product	Competing companies % of market in Latin America	Total sales Central America	Distribution in Central America
Instant soup	Company 1 (39.8%), Company 2 (17.9%), Company 3 (12%), Company 4 (11.5%), Company 5 (3.5%)	142.7 M USD Guatemala (28%), El Salvador (18%), Honduras (17%), Panama (15%), Costa Rica (12%)	Traditional 70% Supermarkets 30%
Powdered beverages	Company 1 (48% of market share), Company 2 (8%), Company 3 (7%), Company 4 (5%) and Company 5 (4%).	100.1M USD Costa Rica (28%), Guatemala (23%), Honduras (16%), El Salvador (12%), Panama (11%) and Nicaragua (10%).	Traditional 55% Supermarkets 45%

In terms of Costa Rica there is also a considerable market for all types of products although competition is fierce, with just three companies occupying the majority of sales.

Unsurprisingly the Greater Metropolitan area has the greatest share of the market, and although overall there is greater distribution through supermarkets, for Nutrividia's target market the traditional channels are more popular.

Table 7. Market volume and competition in Costa Rica (2013)

Product	Total annual sales CR	Regional distribution	Distribution channels
Instant soup	13.3M USD 80% concentrated in 3 companies with 4.7% annual sales growth	Greater Metropolitan area 62%, Pacific 22%, Atlantic 16%.	Supermarkets 59%, Traditional 41% (for E segment this is the reverse situation).
Powdered beverages	29.5M USD 73% concentrated in 3 companies with 11% annual sales growth	Greater Metropolitan Area 57%, Pacific 22%, Atlantic 21%.	Supermarkets 68%, traditional 32% (for E segment this is the reverse situation).

To capture this market potential and reach its social mission Nutrividia currently has two strategies, first to consolidate the women's network of micro distribution and secondly to start international operations.

Consolidation of RED MANU

In July 2016 Nutrividia will begin an initiative to consolidate the women's network with the support of the MIF's SCALA program. Currently there are 76 women active in the network and the aim is to scale this to 600 women and indirectly benefit 14,000 families by 2017. A total of 152,000 USD is expected in revenues for the women with projected monthly sales of 385 USD and a net income of 135 USD for each woman. In addition the women are expected to become change agents within their communities as they are trained to promote healthy lifestyles, eating habits and better nutrition to vulnerable families.

Nutrividia will incorporate the lessons learned so far into this new program. These include having more flexibility to adapt to the characteristics of where women live, standardizing the essential elements of the operation, generating a unique image that is easily recognized to create a shared value system, transferring knowledge around sales and nutrition to the women and engaging in strategic alliances to reduce costs. The consolidation strategy contemplates the following improvements to the earlier program:

- Integrate a sales component to training, including basic business management, leadership and effective communication.
- Strengthen the coaching and mentoring process to enhance motivation and sales.
- Create a system of values and culture (respect, solidarity, excellence, discipline, and quality of service amongst the women).
- Standardize the sales goals and procedures to project a single identity and easily recognizable brand, as well as generate shared values across the women's network.
- Provide access to credit and legal advice to help women formalise commercial activity.
- Develop a Sales Kit women can use for promotions in community centres, small shops, infant centres or old peoples homes. Also a family program whereby families can subscribe to the products on a weekly or biweekly basis will be added.

The MIF will donate a total of 400,000 USD to this initiative (49% of the total cost of the project) and Nutrividia will provide the remaining funds. The objective for this micro distribution network is that it is self-financing by 2018.

International expansion

During 2015 Nutrividia was one of the 10 social businesses in Costa Rica chosen to participate in a capacity building program for exports financed by the British Council and executed by the Ministry of External Commerce. Since the training Nutrividia has explored expansion options in Nicaragua and Guatemala. In Guatemala the brand has been registered and sanitary certification for production is already underway with exploration in both countries to expand the women's distribution network. A challenge for both countries is the low cost of similar

products with Nicaragua having the lowest prices for both soups and beverages and the need for significant investment in marketing. Nutrividia plans to continue to work in partnership with supporting organizations for the expansion, and will continue to be an active player in international social enterprise and social innovation forums.

9. Final Reflections

Nutrividia is an example of social innovation through *intrapreneurship*, where a new business idea has emerged from an existing company and with the initial support, technical expertise, brand and reputation of the “mother” company has evolved into a self-sustaining social enterprise. Within three years of registering the company as an independent organization Nutrividia reached a break-even point in terms of production and distribution (however this has not yet covered all administration and office costs).

Key milestones

The following three moments in the history of Nutrividia have been pivotal to the development of the company;

- In July 2012 Mohammed Yunus agreed to enter into partnership with Nutrividia and formally recognized the organization as a social business (after several years of campaigning from the intrapreneur Gisella Sánchez).
- In February 2014 production of the first products began at Nutrividia’s newly opened factory. This marked another key milestone in the company’s development and was the result of 2 years of research and development both in terms of the target beneficiaries needs as well as a careful design of the nutritional aspects of the product.
- In 2015 500 women undertook training from Nutrividia to become the first cohort of microdistributors, giving both nutritional education advice to the target beneficiaries as well as generating their own supplementary income. This was also a key moment for the company and later Nutrividia grows on this initial experience with the support of MIF’s Scala program.

Key challenges for growth

The first key challenge is to implement a results-oriented, effective capacity building program to enable the inclusive distribution model to scale sales in remote rural areas as well as generate income for the women working in the network. Maintaining the momentum of this new sales force, and keeping the women motivated and engaged after the initial training period will be a key challenge to address.

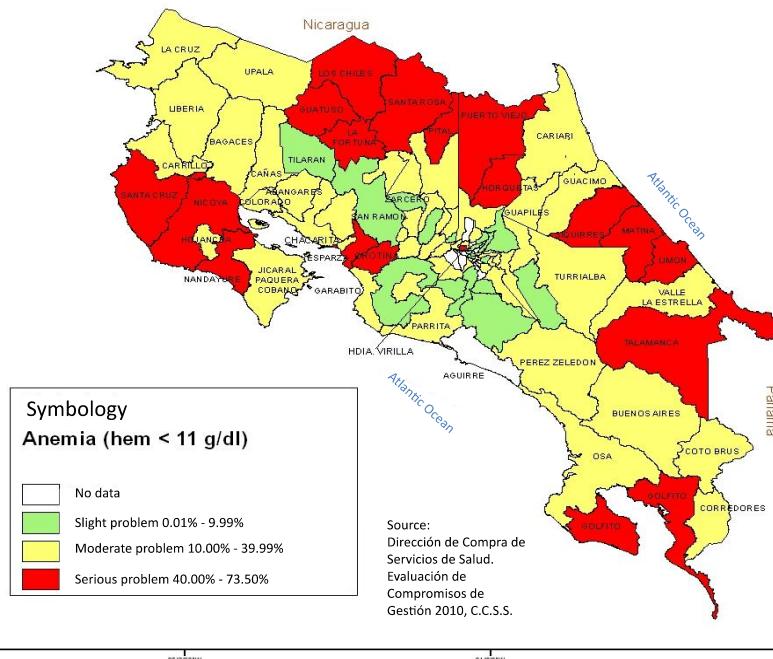
The second challenge is to maintain a competitive edge (both in terms of price and quality) when other larger, more established brands (such as Maggi) start to incorporate nutritional aspects into similar products such as powdered beverages and powdered drinks. Due to their economies of scale the larger companies are in a position where they can undercut Nutrividia

with lower prices, making it more difficult for Nutrividia to maintain its position as an attractive product for low-income households.

Contribution to social innovation and systemic change

Finally, Nutrividia has made a contribution to social innovation in Costa Rica, as the company has put the concept of social business on the map due to high profile marketing of the company particularly at the time of registering the business and opening the factory with Mohammed Yunus. Nutrividia is one of the first companies of this kind to become a member of the Federation of Social Organizations in Costa Rica, which traditionally had a membership of volunteer based non-profit organizations. In this sense, thanks to the well known brand of FIFCO, Nutrividia has also attracted the Ministry of External Commerce to engage with the concept of social business. Finally, in terms of the food and beverages sector Nutrividia has also begun to influence its competitors in terms of introducing more vitamin and mineral content into their products with Maggie Soup introducing more iron into their products.

Annex 1 Anaemia affected areas across Costa Rica



Source: INE 2014, Encuesta de Hogares, 2014