

Little by little Nestle aims to woo Brazil's poor

Jonathan Wheatley and Jenny Wiggins report on a new drive to sell small quantities of goods to low-income families door to door



GLOBAL VILLAGE

Rita da Silva has ventured out to do a bit of cold calling. It is the middle of the afternoon - not the best time of day to catch people at home - and the saleswoman who normally covers this patch has been off sick for several weeks. Rita is not too hopeful that many people will buy her biscuits and yoghurts.

But to her surprise, on one row of simple houses and flats she sells two packs of Tostines, each containing six packets of cream-filled biscuits, and one pack of Neston, Petit Suisse and Moca yoghurts and puddings - 32 pots of five different varieties plus a children's drinking mug thrown in.

Rita works for Vita N, a distributor of Nestle products in Santo Andre, a metalworking town in greater Sao Paulo. She is part of a Nestle pilot project selling the company's products door to door - so far only in poorer parts of Sao Paulo, to reach the low-income consumers who are the bulk of Brazil's population and whose lives have improved dramatically during the past decade of low inflation.

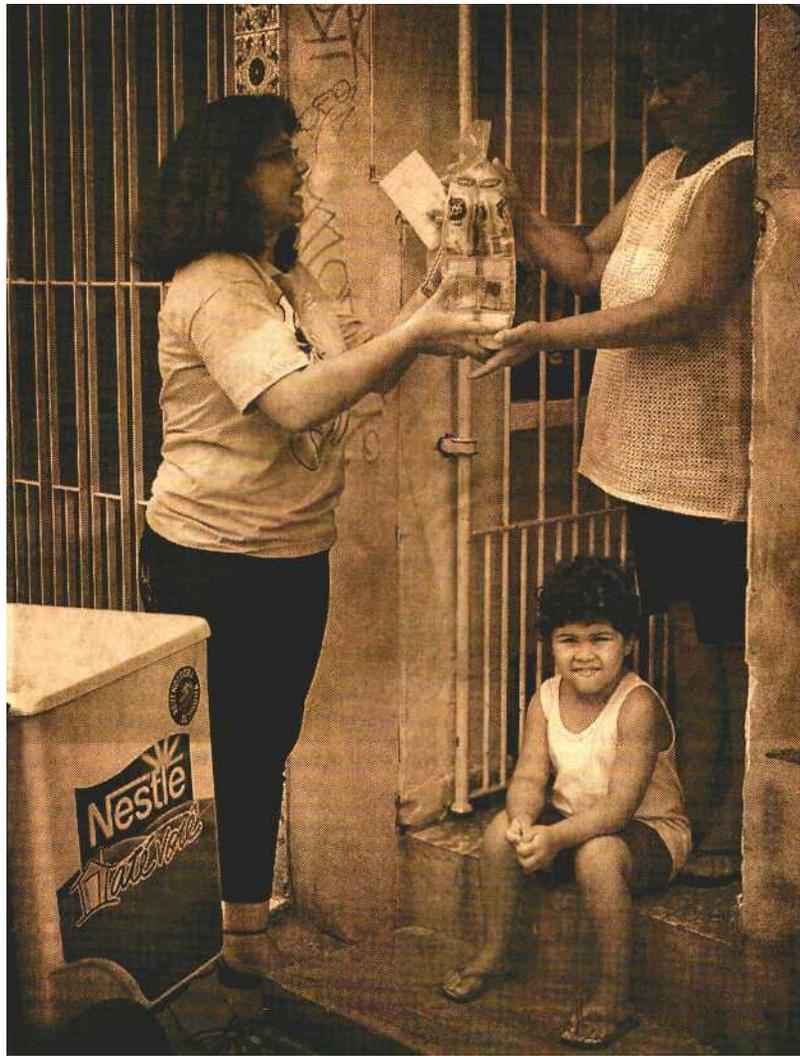
The project began in late 2005 and moved forward on February 9 when President

Luiz Inacio Lula da Silva opened Nestle's 27th factory in Brazil at Feira de Santana, Bahia state, in the country's less developed north-east. It is the first time Nestle has built a factory specifically to make what it euphemistically calls "popularly positioned products".

Targeting low-income consumers in emerging markets is becoming increasingly important to food and household and personal care companies as they face declining markets in Europe. In emerging markets, where millions of people buy unprocessed foods and locally made soaps, companies like Nestle and Unilever have spotted a great market opportunity.

David Lang, a consumer goods analyst at Investec, said Nestle appeared to be emulating what Unilever has done in India, where the company built a market for its shampoo by selling small "single use" sachets. Unilever has taken this concept into other categories, including detergent, toothpaste, deodorants and tea bags.

Harish Manwani, chairman of Hindustan Unilever, told the group's AGM last year that consumer goods companies needed to stop following a "one-size-fits-all" approach to the market, and instead "straddle the pyramid" by selling premium brands to the affluent, value-for-money brands to middle-income consumers and affordable goods to



Rita da Silva: part of a pilot project selling products door to door in Sao Paulo

Magdalena Gutierrez

low-income consumers. "Focusing on any one segment will mean limiting growth and profitability."

Nestle's new factory in Brazil will make powdered milk, biscuits and coffee in small packages, and sell them through neighbourhood shops as well as distributors like Vita N. Nestle's image has suffered around the world because of controversy over the way it markets powdered milk for babies in developing countries. But this has done little damage to its image in Brazil, where it can capitalise on its reputation for quality by offering poorer consumers products they might not normally buy.

Paul Bulcke, Nestle's executive vice-president for the Americas, says the company has found it hard to reach low-income

consumers because the areas they live in are not serviced by supermarkets. "You don't get there with classical distribution systems," he says, noting that the number of people living in *favelas*, or urban slums, in Brazil is increasing.

Nestle also plans to put messages out on local radio rather than advertising on national TV, which it believes will give it better interaction with consumers.

Door-to-door selling is already big business in Latin America, hi Brazil, Nestle learned from the experience of traditional companies such as Avon, the multinational cosmetics company, and Natura, a Brazilian competitor.

Its door-to-door project now uses some 4,000 self-employed sales people in greater Sao Paulo. At

Vita N, Marlene Silva, proprietor, has been selling dairy products door to door for 16 years. She has 400 salespeople - of which just 30 are men - who build close ties with their customers, often their neighbours. "In the *favelas*, you have to be part of the community or you just don't get in," she says.

Selling this way is inherently risky. Many consumers are given two weeks to pay - the usual interval between calls. This is unsecured, informal credit, but Ms Silva says her rate of non-performing loans is just 2 per cent - about a quarter of the rate among the biggest banks, for example. "In these neighbourhoods," she says, "people are ashamed not to pay, no matter how poor. That is the strength of the community."