

Sizanani Mzanzi Marketing Mix – Product & Price

**Kesso Gabrielle van Zutphen
and Madhavika Bajoria**

Sight and Life, Basel, Switzerland

What is the Marketing Mix?

Neil Borden, of Harvard Business School, used the term “marketing mix” to describe the set of activities comprising a firm’s marketing program. He noted how firms blend elements of this “mix” into a program and how firms competing in one and the same product category may have dramatically different “mixes” at work. As shown in **Figure 1**, the 4 P’s of Product, Price, Promotion, and Place are often used to set out the marketing mix in an easy-to-recall way.¹

This is part four of our ongoing Sizanani Mzanzi series (for part one, please refer to Vol. 29(1) 2015 of this magazine; for part two, Vol. 31(1) 2017; and for part three, Vol. 32(2) 2017). In this first part, we will focus on product and price. The two remaining P’s, place and promotion, will be covered in the second edition of the *Sight and Life* magazine for 2018.

FIGURE 1: The 4 P’s of the marketing mix



Malnutrition in South Africa

The burden of malnutrition in South Africa is immense. One in five children in South Africa is stunted, and malnutrition is a major underlying cause of death in 64% of children under five years of age. Additionally, nearly half of children under five suffer from vitamin A deficiency, and one-third of women of reproductive age are anemic. Iodine, folate, and zinc deficiency are also extremely common in South Africa. It is estimated that South Africa loses over US\$1.1 billion in GDP annually to vitamin and mineral deficiencies.²

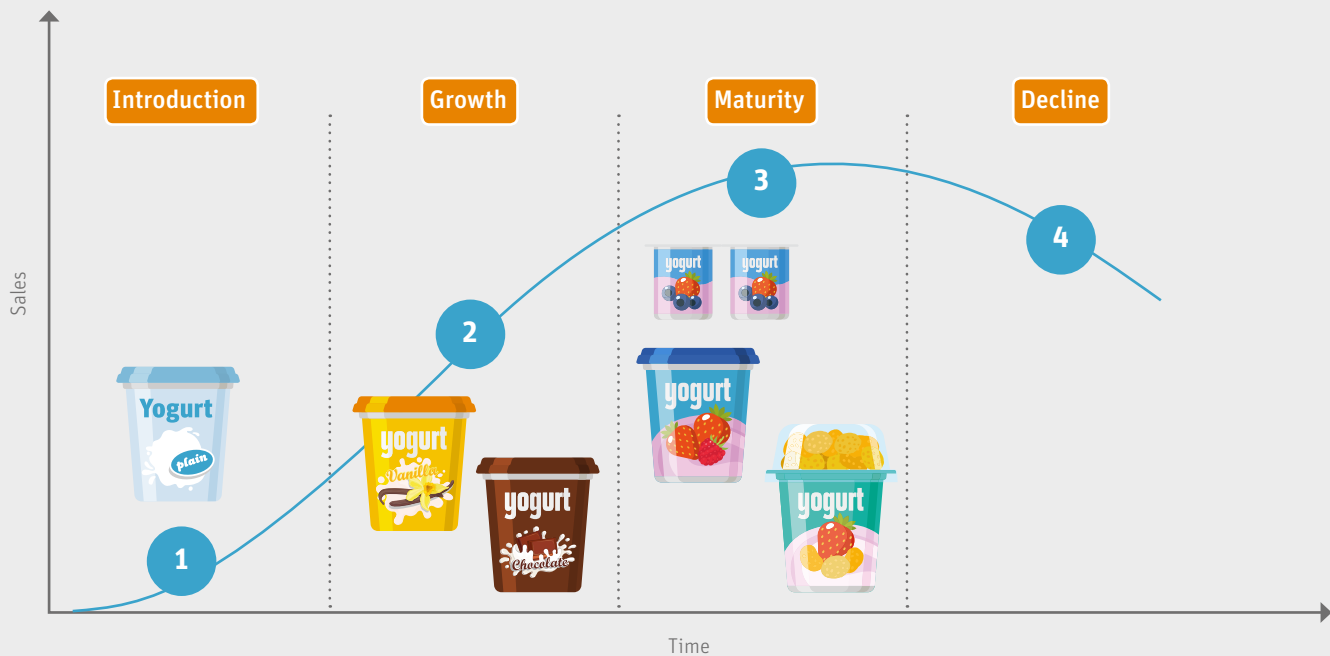
There are a number of factors contributing to this dismal scenario:

- > Low-income communities lack access to the goods and services they require in order to enjoy healthy and productive lives.
- > Public health programs are underfunded and need more support if they are to eliminate malnutrition.
- > Humanitarian and community projects, funded by grants only, have **limited reach** and **limited intervention** periods.

“South Africa is estimated to lose over US\$1.1 billion in GDP annually to vitamin and mineral deficiencies”

Hence, there is a need for **continuity, sustainability, and scale** to effectively address malnutrition in South Africa. In this context, Sizanani Mzanzi – founded by *Sight and Life* and DSM South Africa in 2014 – was created as a social business aiming to

- > **improve access** to quality, affordable, and frequently consumed nutritious foods that are currently not available in low-income communities;
- > **increase awareness of the importance of good nutrition** by training microfranchisees to deliver messages to the community;
- > **co-create income-generating** opportunities and build

FIGURE 2: The product life cycle curve – the example of yogurt

- capacity within communities that need them the most;
- > **improve equality** by empowering women in communities with high unemployment levels; and
 - > **ensure economic sustainability** by generating surplus from sales and reinvesting it into the business to benefit those being served.

What is a product?

In marketing, a product can be defined as a good, service, or idea that satisfies a want or need in exchange for money or another unit of value. A product can be tangible (a physical item that can be perceived by touch) or intangible (can only be perceived indirectly) and is produced at a cost and subsequently made available to the right audience at a price. Whatever the nature of the product, it will follow a life cycle that includes the introduction phase, the growth phase, the maturity phase, and the sales decline phase³ (see Figure 2). It is important for marketers to reinvent a product to stimulate more demand once it reaches the sales decline phase. A successful product has to fulfill a specific need in the market. It must be able to perform its function as promised. There also needs to be clear communication to users and potential customers regarding its benefits and features.³

- 1 **The introduction phase** – This is when the new product (e.g., yogurt) is brought to the market and is available in health food stores, for instance. Its packaging is functional and plain, and the product is promoted as a health food. In this phase, the price of the yogurt is often higher, as distribution is limited. Sales are low and increase slowly.⁴

- 2 **The growth phase** – The yogurt is now available in supermarket chiller cabinets, for example. Its packaging gets a makeover and new flavors are introduced (chocolate and vanilla). In this phase, demand increases rapidly, and with volume, the price declines. Distribution increases and promotion focuses on product benefits.⁴

- 3 **The maturity phase** – Here, the product is reinvented with added chocolate, muesli, and/or fruit, and the packaging changes into different shapes and sizes. The product competes with alternatives and the price drops. Distribution becomes intense (the product is available everywhere) and promotion focuses on the differences to competitors' products, such as the fact that this particular yogurt is now promoted as a fun snack and luxury treat.⁴

- 4 **The decline phase** – The product is reaching the end of its life and faces fewer competitors. The product begins to lose consumer appeal, and sales drift downward. Promotion aims to remind customers of its existence.⁴

FIGURE 3: The two fortified products being offered by Sizanani Mzanzi**Product 1: MixMe fortified instant powdered beverage**

Flavors: Orange | Pineapple

Pack size: 30 g – makes 1 L

**Product 2: MixMe fortified instant maize | soy blend porridge**

Flavors: Original | Vanilla

Pack size: 250 g, 750 g, 10 kg

**How do Sizanani Mzanzi's fortified products address the malnutrition challenges in South Africa?*****Solution 1:** Improve access to quality, affordable, and frequently consumed nutritious foods*

While staple food fortification has been shown to be one of the safest and most cost-effective measures to improve the nutritional value of a diet and address micronutrient deficiencies, one food vehicle alone cannot offer a complete portfolio of micronutrients, and thus can only partly address essential micronutrient deficiencies. In fact, while the fortification of foods is relatively easy in the case of some micronutrients (e.g., iodine), it is not so easy for others (e.g., iron).⁵ The MixMe fortified instant maize/soy blend porridge and fortified instant powdered beverage are two nutrient-dense products, offering 13 vitamins, 4 minerals, and 11% protein, and 13 vitamins and 5 minerals, respectively.

In the economically disadvantaged townships of Ivory Park and Soweto, consumer research has revealed that instant porridge and beverages are the most frequently consumed convenience foods. Consumers who buy instant porridge do so because it is a filling breakfast and saves time during the morning rush. Likewise, juices are regularly consumed and form an integral part of their diet. Consequently, both MixMe products (juice and porridge) and the product flavors (vanilla, orange, and pineapple) were chosen in light of these contextual dietary habits and

in accordance with consumer preferences. They are the easiest vehicles through which the required nutrients can be delivered to consumers on a regular basis.

***Solution 2:** Increase awareness of the importance of good nutrition*

After the microfranchisees were recruited, they underwent a five-day training where they learned the required skills for the job. The first day of the training focused specifically on nutrition. Trainees were provided with basic micronutrient and nutritional information, a public health nutrition flipbook, and a product portfolio, as well as information on the role and benefits of the products.

***Solution 3:** Ensure economic sustainability*

By generating surplus from sales and reinvesting the surplus into the business to benefit those it serves, Sizanani Mzanzi offers an appealing model to ensure economic sustainability, continuity, and scale in contrast to grant-funded humanitarian and community projects with limited reach and limited intervention periods. Currently, Sizanani's commercial viability has not yet been fully attained – only product, distribution, and marketing costs are recovered at present. The ideal level of cost recovery, whereby there is a complete break-even including overheads, is expected to be reached by December 2018.

Solution 4: How to co-create income-generating opportunities within communities that need them the most?

The social business model empowers low-income women franchisees to make a living and provide for their families. Sizanani Mzanzi works with women who are either unemployed, employed part-time, or pensioners. It actively recruits and hires low-skilled workers.

How is the offer defined?

A product or a service is an offer made by a marketer that can answer the desires and needs of customers. The *three levels of a product* are a way to pull apart what the consumer perceives

the product to be and its importance to the customer. The three levels of a product consider (1) the core product development, (2) the tangible product development, and (3) the augmented product development.⁶ As Sizanani Mzanzi products were new to the porridge and beverage markets, there was a need to increase awareness, visibility, and confidence regarding the brand and products. To this end, in 2017, BMI Research conducted consumer research through food diaries, shopping tours, and in-depth interviews to understand purchasing and consumption habits for instant porridge and juice concentrate. The results of the research provided answers to the product design and, more specifically, to the product-related questions above.

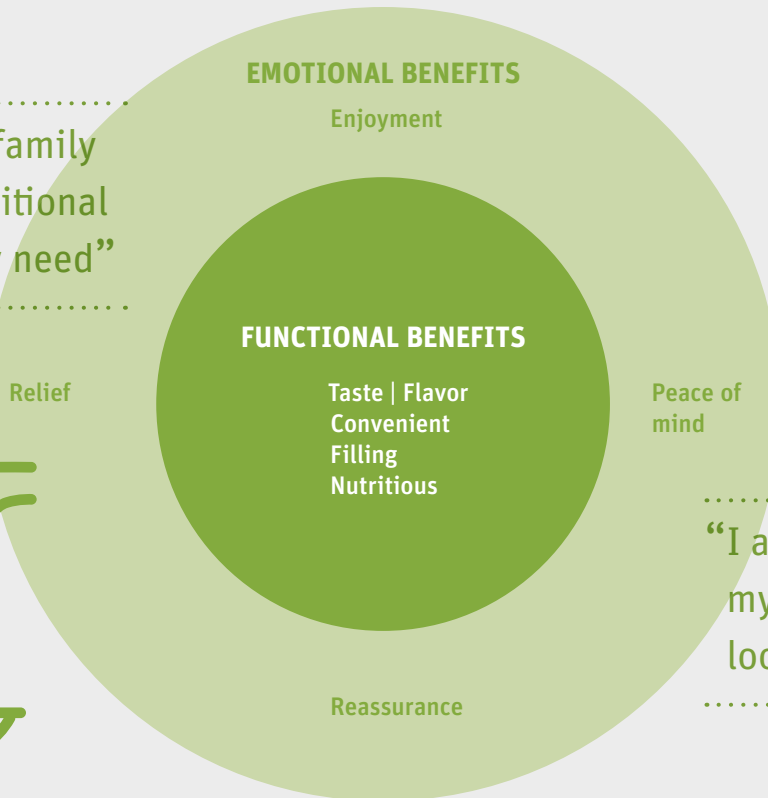
TABLE 1: Key characteristics of Living Standards Measure (LSM) 5–7⁹

LSM 5	LSM 6	LSM 7 (low)	LSM 7 (high)
Demographics			
Gender: No gender bias	Gender: Female bias	Gender: Female bias	Gender: Female bias
Age: 15–34	Age: 25–49	Age: 25–49	Age: 25–49
Education: Some high school	Education: Some high school/	Education: Matriculation and higher	Education: Matriculation and higher
Location: Small urban/rural house, matchbox/matchbox improved	Location: Large urban house/ townhouse, cluster house	Location: Urban	Location: Urban
Average monthly household income in South African rand (ZAR)			
ZAR 5,636	ZAR 7,876	ZAR 12,280	ZAR 14,588
Media			
> Commercial radio, mainly African Language Services (ALS) stations and community radio	> Wide range of commercial and community radio	> Wide range of commercial and community radio	> Wide range of commercial and community radio
> TV: South African Broadcasting Corporation (SABC) 1, 2, 3, e.tv, Pay TV	> TV: SABC 1,2,3, e.tv, Pay TV, Community TV	> Accessed internet in past 7 days	> Accessed internet in past 7 days
	> Any All Media and Products Survey (AMPS) newspaper	> Outdoor	> Cinema & outdoor
	> Outdoor		
General			
Facilities:	Facilities:	> Full access to services	> Full access to services, including checking and savings accounts
> Electricity, water on plot, flush toilet outside	> Electricity, water in home, flush toilet in home	> Savings accounts	> Increased ownership of durables plus DVD and motor vehicle
> TV set, hi-fi/radio set, stove, fridge	> TV set, stove, fridge/freezer, microwave oven	> Increased ownership of durables plus DVD and motor vehicle	> Participation in all activities
Activities: singing, baking for pleasure, going to nightclubs, attending gatherings, buying lottery tickets	Activities: hiring DVDs, going to nightclubs, having a take-away meal in the past 4 weeks, attending gatherings, buying lottery tickets, going to the gym	> Participation in all activities	
Life stages:	Life stages:		
> 31.5% personally make use of a South African Social Security Agency (SASSA) card	> 27.4% personally make use of a SASSA card		
> 52.9% have a savings account	> 61.3% have a savings account		

FIGURE 4: The emotional and functional benefits of MixMe products

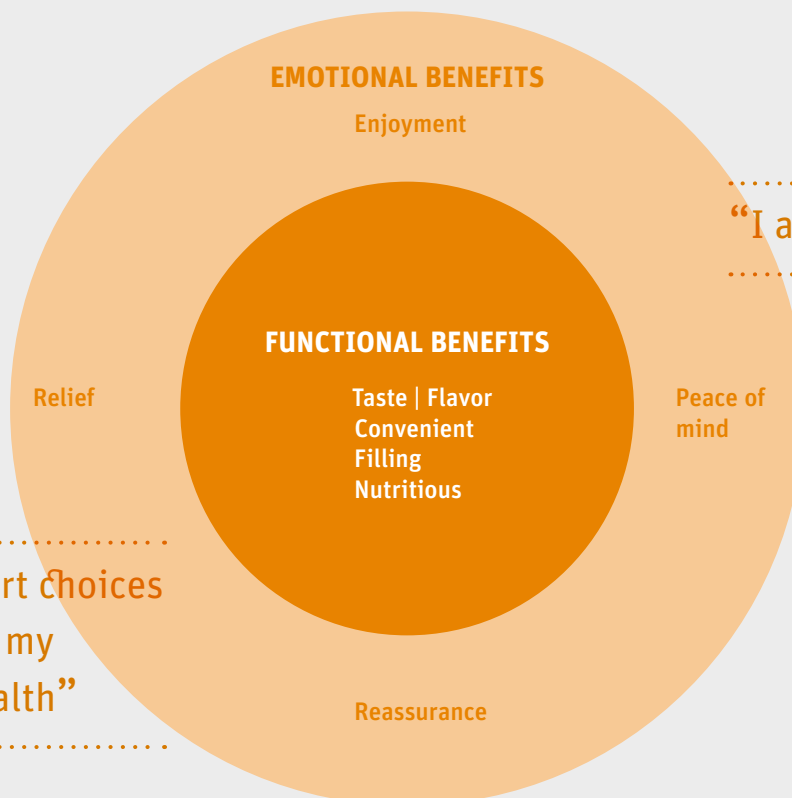
PORRIDGE

.....
 “I ensure my family
 gets the nutritional
 benefits they need”



.....
 “I am a good mother:
 my kids are well
 looked after”

JUICE



.....
 “I make smart choices
 concerning my
 family’s health”

.....
 “I am a good mother”

TABLE 2: Summary of the characteristics of the MixMe tangible products

	Consumer needs	Marketing implications
Quality	Quality of the product is the most important driver after taste.	Vitamins and minerals are supplied by DSM Nutritional Products, a recognized leader in the manufacture and supply of micronutrients blends. DSM offers high safety standards and meets relevant regulatory requirements.
Features	Taste and flavor are the key drivers for brand choice.	The flavors had to be culturally relevant and chosen based on what is already available in the market in order to keep down marketing costs. The porridge is available in original and vanilla flavors, while the juice has either an orange or a pineapple flavor.
	Product had to be easy to prepare. Consumers who buy Instant Porridge do so because it is a filling breakfast and saves time during the morning rush. Mothers in particular feel reassured that they are giving a good meal to their child.	Instant porridge is easier to prepare (add warm water and mix) compared to regular fortified maize meal.
	Mothers needed a juice with less sugar to give to their children.	The juice, containing vitamins and minerals and less sugar, offers a better beverage alternative to more sugary options.
Packaging	Packaging generally communicates the quality of the product, underpinning taste expectations.	Packaging thus had to be interesting and appealing in order to communicate quality ingredients.
	Women are extremely price-conscious and generally want a large pack size. The packaging needs to enhance consumers' perception of value for money.	Porridge is offered in sizes of 250 g, 750 g, and 10 kg. Sizanani will need to consider increasing value perceptions about packaging by offering a resealable Instant Porridge pack and attempting to align pack sizes to market needs, if financially viable.
	The package size needs to promote use of the entire package for one mealtime to avoid attracting rats.	The 30 g juice pack enables consumers to use the entire package as it makes one liter, which is the usual quantity of juice bought.
Branding	Shoppers have a small repertoire of brands that they know will be consumed by the family. They are very unlikely to buy an unknown brand for fear of wasting money in case the family dislikes the product.	This meant having to increase brand activity to familiarize consumers with the brand. Extensive presence in public areas would stimulate interest and trigger people to try it out. Chosen openings were: radio, billboards, community centers, and newspaper adverts.
		Currently, Sizanani Mzanzi products are undergoing a rebranding exercise, which will be completed in mid-2018. The exercise will include a new name for the products and improved packaging.
		This will be discussed in greater detail in the second part of this article, to appear in the second issue of the magazine in 2018.

Core product development

A core product provides benefits that correspond to the needs specified by consumers. These benefits are of two types, namely: (1) functional benefits and (2) emotional benefits. The consumer research carried out by BMI Research led to valuable findings concerning the forms and functional utilities consumers were demanding, as well as their latent needs and desires. This information further framed and informed the marketing mix strategy. The illustration at left (**Figure 4**) describes the emotional and functional benefits of porridge and juice consumption among consumer research respondents. Respondents were all women aged 24–60 and had a living standards measure of 5–7 within

the SAARF (South African Audience Research Foundation) Living Standards Measure (LSM). This is the most widely used and unique segmentation tool in South Africa.⁷ Instead of segmenting the population according to race, age, gender, and other variables, it groups people according to their living standards, using criteria such as degree of urbanization and ownership of cars and major appliances.⁷ The population is currently divided into 10 LSM groups, from 1 (lowest) to 10 (highest). LSM 1–5 contain the poorest of South African citizens, followed by a middle-income group within category 6–8, and the wealthiest South Africans within LSM 9–10.⁸ **Table 1** depicts the characteristics of LSM groups 5, 6, and 7, with each having an average

FIGURE 5: MixMe product instructions for use**MixMe instant maize/soy blend porridge****MixMe Flavored Powdered Drink**

monthly household income, in South African rand (ZAR), of ZAR 5,636, ZAR 7,876, and ZAR 13,434, respectively.⁹ Some of the women worked full-time, while others were part-time workers, housewives, or unemployed. They all resided in the township of Soweto.

Tangible product development

The product concept becomes visible and operational when psychological needs are specified in physical terms. Any product has five characteristics: (1) quality, (2) features, (3) design/style (note: design/style is not included here, because the juice product itself is a premix powder formula that looks like any other powder, and the same applies for the porridge, which looks

like normal oat flakes), (4) packaging, and (5) branding.⁶ It is in terms of these five characteristics that a consumer expresses the benefits he or she desires. Marketers have to look at how important each characteristic is to the consumer (consumer needs) and how much of each characteristic is to be incorporated in product design (marketing implications).⁶

Augmented product development

As defined by the management theorist Peter Drucker, the augmented product is none other than the total package of benefits obtained by consumers (in our case, consumers of Sizanani Mzansi products).¹⁰ These benefits are outlined in Table 3. Marketers should have the vision to look at the specific needs of

TABLE 3: MixMe augmented products

What MixMe Instant Porridge offers	What MixMe Flavored Powdered Drink offers
Instant – just add water or milk and mix	Instant – just add water and mix
17 vitamins and minerals added – high in 13 and a source of 4; 11% protein per 100 g serving	18 vitamins and minerals added – high in 13 and a source of 5
Sells at a lower price compared to similar instant protein porridges with added vitamins and minerals	Currently the only known easy-to-mix powdered drink with added vitamins and minerals
A range of three package sizes – 250 g, 750 g, 10 kg	Incomparable value for money for the combination of a drink and a source of 18 vitamins and minerals
Shelf life: 12 months	Shelf life: 18 months
Delivered to your door	Delivered to your door

TABLE 4: Types of product line planning decisions for Sizanani Mzanzi

Product line planning decisions	Sizanani Mzanzi
Product line breadth:	
How many different lines a company offers	a. MixMe Instant Porridge b. MixMe Flavored Powdered Drink
Product line length:	
How many items there are in a line covering different price points	a. MixMe Instant Porridge > 250 g > 750 g > 10 kg b. MixMe Flavored Powdered Drink > 30 g
Product line depth:	
How many types of a given product there are	a. MixMe Instant Porridge > Vanilla > Original b. MixMe Flavored Powdered Drink > Orange > Pineapple

consumers and also at their related requirements in order to obtain a complete picture of their consumption to attract them with the right offer.⁶ Table 3 summarizes the value proposition of the Sizanani Mzanzi products in question.

Do we need a portfolio of products? New products?

A product line is a group of related products under a single brand sold by the same company. For Sizanani Mzanzi, the product line consists of the MixMe brand of Instant Porridge and Flavored Powdered Drinks in their various sizes and flavors. There are three major types of product line planning decisions marketers need to make: product line breadth, product line length, and product line depth (Table 4).

For Sizanani Mzanzi's future product line planning, decisions on individual items need to be considered within the context of the firm's full product line due to individual item interrelationships. The consumer research carried out by BMI Research in 2017 shows that MixMe Instant Porridge is marketed as an alternative to a time-consuming breakfast, even though people use it as filler and even a meal replacement for dinner. This gives the marketer a chance to **strengthen the positioning** of the Instant Porridge by offering different flavors for different times of the day. This means that the **product line depth** for the MixMe Instant Porridge line could be increased to include more nutritious flavors for breakfast and more indulgent flavors for dinner. The original would be considered more nutritious since it has no added flavors, whereas banana, strawberry, and vanilla would be considered more indulgent.

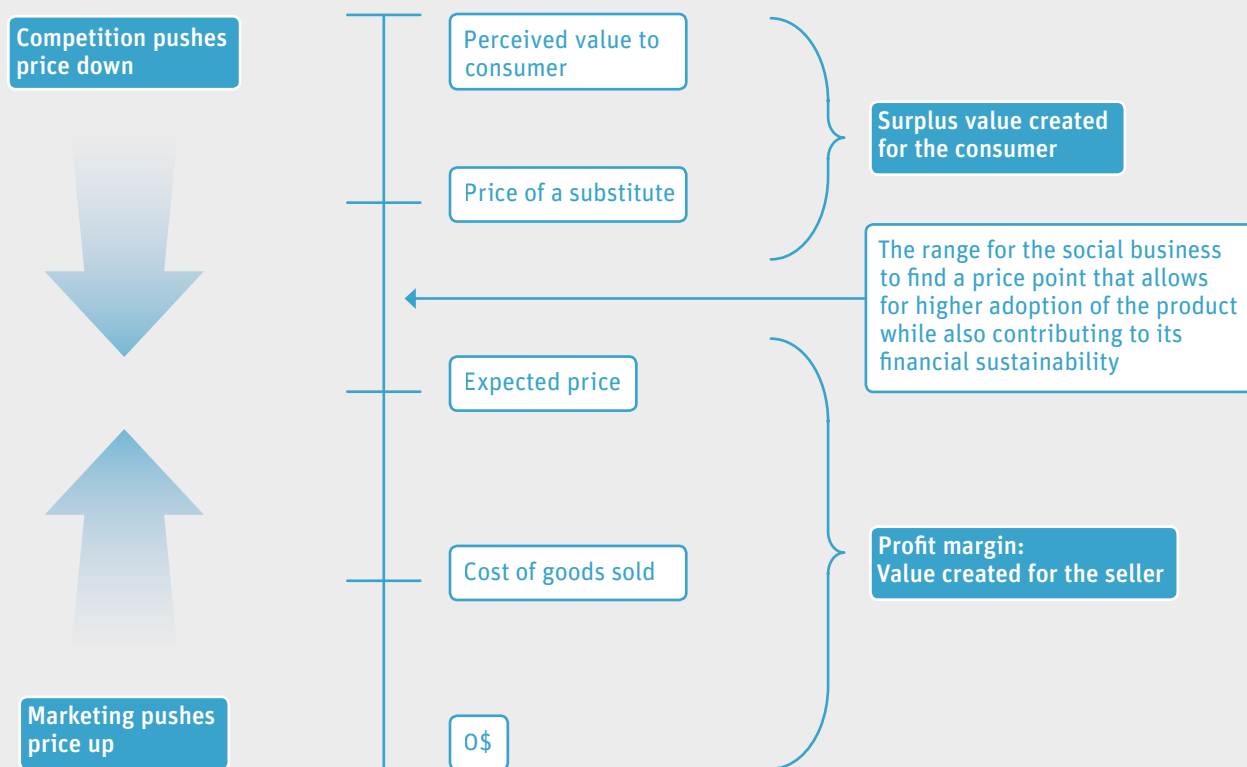
Similarly, the MixMe Flavored Powdered Drink is a cost-effective alternative for fresh fruit juices and carbonated drinks and could be **repositioned** by offering different flavors for different occasions during the day to stimulate consumption. Thus, the **product line depth** for MixMe Flavored Powdered Drink could also be increased.

.....

“The combination of product, place, and promotion determines the target customer's perception of the value of the firm's product”

.....

In the coming year, Sizanani Mzanzi is also planning to increase its **product line breadth**. Mageu is a non-alcoholic drink made from fermented mealie meal, a relatively coarse flour made from maize, which the native populations of South Africa have used for centuries and is now mostly used as a quick and affordable snack, available in most supermarkets and shops across the country. Mageu will be tested with a fruit drink in the community, along with a chocolate spread. A product tasting questionnaire and the cost structure for these new product lines are being developed. The new products follow the guiding principle of making affordable nutritious foods available to low-income communities and thus fit perfectly into Sizanani Mzanzi's plans for expanding the breadth of its product line.

FIGURE 6: Price-setting guidelines for marketers

Price

The combination of the 3 other P's – product, place, and promotion – determines the target customer's perception of the value of the firm's product. This perceived value represents the maximum **price** the consumer is willing to pay. This is the primary guide for pricing the product.

Base-of-the-pyramid (BoP) consumers are ready to pay more for nutritious products they value and there are two key contextual insights from South Africa that are important to pricing decisions:¹¹

- > Luxury brands are up to 20 times more expensive than traditional non-fortified foods.
- > People are ready to spend up to seven times the price of local non-fortified foods on affordable fortified products.

TABLE 5: Benchmarking analysis for pricing MixMe Instant Porridge

Brand Type	Price
Non-fortified brands	x
Healthy and nutritious luxury brands	6x

To determine the price for any new product, the benchmarking analysis should include looking at available brands and conducting a cost-plus pricing analysis, which means that the costs of delivering the new product to the consumer should be recovered. The guiding principles for price-setting that a marketer needs to follow are summarized in **Figure 6**.

By way of example, before pricing the MixMe Instant Porridge, two categories of instant porridge brands in the market were investigated:

- > Non-fortified brands
- > Healthy and nutritious luxury brands

“Sizanani Mzanzi products should be positioned as an investment in the family's health”

From this benchmarking analysis, the marketer will be able to ascertain that the ideal pricing for Sizanani Mzanzi's MixMe Instant Porridge should be between x and 5x, at a point below the customer's perceived value and above the producer's cost of goods sold.

Recent consumer research by BMI Research tells us that price, though important for this price-conscious market, is a relatively weak driver of brand choice. However, if the consumer uses a repertoire of brands, most consumers will opt for the cheaper of the two brands. This means that the health and nutritional benefits of Sizanani Mzanzi products will have to be accentuated in the pricing communication if the pricing premium is to be maintained. For the price-conscious consumer, Sizanani Mzanzi products should be positioned as an investment in the family's health.

Additionally, consumers are non-compromising on price for taste and quality across both product categories and only compare prices across brands they use on a regular basis (and few use multiple brands within the two categories). Thus, an approach to pricing similar to or cheaper than competing brands is currently being considered.

Acknowledgements

We would like to thank Kalpana Beesabathuni (Board Member, Sizanani Mzanzi) for providing us with invaluable guidance, resources and feedback that helped us shape this article. Akash Raghoonadhan (General Manager, Sizanani Mzanzi) carefully reviewed the article and provided us with helpful insights from the ground in South Africa, for which we are extremely grateful. We would also like to acknowledge Taurai Nyakunu (Entrepreneurship Coordinator, Sizanani Mzanzi) for preparing the documents from which we were able to draw the major lessons learned about Sizanani Mzanzi's products.

Correspondence: Kesso Gabrielle van Zutphen,

Knowledge and Research Specialist, and

Madhavika Bajoria, *Manager Nutrition Integration,*

Sight and Life, Wurmisweg 576/241-367,

4303 Kaiseraugst, Switzerland

Email: kesso.vanzutphen@sightandlife.org;

madhavika.bajoria@sightandlife.org

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