

## Royal DSM: Promoting Childhood Nutrition



### Initiative Description

In July 2013, global science-based company Royal DSM joined the Business Call to Action with its commitment to improve childhood nutrition and create employment opportunities in poor communities in Indonesia.

#### Royal DSM's goals:

- Enhance Mercy Corps' *Kedai Balitaku* (KeBAL) healthy food cart social enterprise programme
- Establish 10 KeBAL cooking centres in Jakarta and serve 30,000 children annually, or 10,000 meals a day, by 2015 and educate 20,000 households on the benefits of healthy eating and improved nutrition
- Build a profitable, self-sustaining, scalable business model that can function as an independent operation, thereby strengthening the food supply chain and meeting a critical market need while creating employment opportunities for local Jakartans



### Business Model

In Jakarta, one third of children under age five are acutely malnourished, nearly eight million in total, according to UNICEF. Many homes in the city's slums lack adequate kitchens, which turn inexpensive street food, often sugary and deep fried, into necessary staples for low-income households. While food carts provide affordable and filling meals, the food often lacks the micronutrients that are essential for early childhood development – a problem referred to as “hidden hunger”. Over time, hidden hunger has devastating effects upon a person's physical well-being and productivity levels and upon the social and economic development of a country. Exacerbating this problem is rampant unemployment, with many families migrating to find work in the city, where jobless rates are over 30 per cent in poor neighbourhoods.

*We see KeBAL as a fantastic opportunity to reach young children of low-income households with nutritious meals and snacks. Balanced food providing all vitamins and minerals is crucial for the physical and mental development of children.*

Stephan Tanda,  
member of the DSM Managing Board

Established in 2009, KEBAL's unique services provide nutritious, affordable meals and snacks sold by vendors operating food carts in slums and offer employment opportunities for people living at the base of the pyramid in urban, low-income areas. Partnering with the international non-profit organization Mercy Corps in 2012, Royal DSM is helping to scale up KeBAL, with investments from the Rabobank Foundation, an international food and agribusiness organization.

The partnership is part of Royal DSM's Nutrition Improvement Programme, a marketing unit and incubator to incorporate new nutritional products into business models that are market-driven, financially sustainable and scalable. As a leading producer of micronutrients globally and the world's largest producer of vitamins, carotenoids and nutritional lipids, Royal DSM is well positioned to provide scientific and technical support to enhance KeBAL's impact.

Since KeBAL's launch, the social enterprise has grown to include 2 central cooking centers, 10 franchise vendors and 20 vendors directly employed by the programme, serving four low-income communities within Jakarta. Thousands of children have already been exposed to healthy eating habits and proper nutrition. Vendors report serving, collectively, more than 500 regular customers a day and averaging 30 per cent profit margins on their goods.

For Royal DSM, supporting KeBAL makes good social and business sense. KeBAL serves as a prime opportunity to engage business in the fight against childhood malnutrition to the benefit of both the children they serve and the people they employ. Not only does providing nutritious food tackle malnourishment but it provides employment opportunities for slum residents. Vendors are now using their profits and honed business acumen to expand their individual operations.



## How it Works

Royal DSM's Business Call to Action commitment is focused on addressing malnutrition by scaling up KeBAL into a viable inclusive business. The current model is based on partnerships with cooking centres – a division of labour which has proven both efficient and sustainable. Centralized cooking facilities offer a simple way to fortify food in large volumes and cooks are able to devote their time exclusively to preparing healthy meals. Partnerships between cooking centres and vendors have resulted in profits for all parties through greater output without compromising quality.

KeBAL's tagline (recently rebranded) is "Kebal, Enak, Praktis, Pasti Bergizi" meaning "My Child's Café – Delicious, Convenient, Nutritious". KeBAL's menu has been carefully developed by nutritionists and the carts use quality nutritious ingredients and materials. Meals and snacks, including macaroni, porridge, meat, vegetables and fruit jellies, are prepared at the centres and vendors sell them to customers. Vendors receive regular health inspections from KeBAL's management team.

A variety of mechanisms differentiating KeBAL food carts from those selling the standard fare are used to urge mothers to make healthy choices. Carts feature brightly coloured pictures of "super kids" representing four nutritional food groups (protein, grains, vegetables, and fruits), speakers play jingles promoting healthy eating and the food is displayed at children's eye level. The carts also have educational toys for children to play with and display good hygiene messages, such as hand washing. Every day, vendors ready their carts at strategic times, for instance, before and after school on weekdays.

Ensuring customer loyalty has played a critical role in the success of the business. Survey data has found that roughly 97 per cent of customers bought from a KeBAL vendor at least three times a week. The nutritious food options, cleanliness of the carts, relationship with vendors and fair pricing of goods have all contributed towards acquiring and retaining customers.

**Innovations**

**that improve lives**

## Results Achieved

Royal DSM, through its Business Call to Action commitment, seeks to strengthen the food supply chain as an effective way of raising living and nutrition standards in Indonesia and developing countries more generally.

### Business Impact

Royal DSM's partnership with Mercy Corps is committed to reducing poverty and combatting child malnutrition. As an inclusive business, KeBAL has sought to address major impediments to the country's development. Addressing malnourishment among children and high rates of unemployment in the slums, the KeBAL programme seeks to mitigate both of these issues simultaneously.

Advising on best practices in both nutrition and business, DSM provides high-quality micronutrients tailored to the needs of malnourished children and offers guidance on how to maximize foods' nutritional impact.

KeBAL has already increased its distribution channels to include schools, traditional bazaars, door-to-door sales, and government-sponsored community development organizations in order to expand total sales.

These marketing activities enhance brand awareness, increase consumer demand and spark new business opportunities for KeBAL.

### Development Impact

Royal DSM's investment in Mercy Corps' KeBAL programme aims to achieve Millennium Development Goals 1 and 7 to reduce poverty and hunger and to improve the lives of slum dwellers.

By enhancing KeBAL's effectiveness, Royal DSM is helping to reach more children suffering from malnourishment. As the KeBAL business model develops and spreads, Royal DSM is also creating employment opportunities for slum residents.

Already, thousands of children have been served nutritious meals and are learning about nutrition and the importance of healthy, fresh food.

Profit generation is another result. KeBAL vendors are reinvesting profits to expand operations. Some have sought loans from microcredit institutions in order to purchase new equipment to enhance food options, such as food processing machines and refrigerators, or to aid in distribution, such as motorbikes.

KeBAL is improving the lives of those living in the poorest parts of Jakarta. The programme is helping entrepreneurs become financially independent while providing fresh, nutritious and affordable food to poor communities.

Royal DSM is a leading producer of micronutrients globally and the world's largest producer of vitamins, carotenoids and nutritional lipids and is well positioned to provide scientific and technical support to enhance KeBAL's impact.

*Royal DSM seeks to strengthen the food supply chain as an effective way of raising living and nutrition standards in Indonesia.*



## Key Success Factors

### Sustainable Business Model

The KeBAL pilot programme had experimented with a variety of business models – and is still doing so - to elicit the most efficient use of resources while producing the greatest impact. Initially, one person served as both cook and vendor. However, they often could not produce enough food to satisfy consumer demand. Eventually, the current model based on partnerships with cooking centres was adopted, a division of labour which has proven both efficient and sustainable.

Partnerships between cooking centres and vendors have already resulted in greater profits and output. Cooks charge 1,500 IDR (approximately 16 cents) per portion of porridge and 750 IDR for fruit jellies. In turn, vendors sell the porridge for 2,000 IDR and the jellies for 1,000 IDR to customers. Through this two-tiered system, both cooks and vendors doubled their respective revenues in four months, compared to the initial model.

In order to ensure sustainability, KeBAL makes entrepreneurship a key priority. After receiving initial training in nutrition standards, hygiene, record keeping, marketing and customer service, each food cart operation becomes a vendor-owned micro-franchise responsible for its own profits. Vendors must possess local knowledge and strong personal ties to the neighbourhood, enabling them to develop relationships with customers to secure high retention rates.

## Achieving Scale

Royal DSM's Nutrition Improvement Programme is committed to incorporating new nutritional products into scalable business models. Royal DSM has formed a strategic alliance with Mercy Corps to ensure that KeBAL's products meet the challenges of fitting the limited spending capacities of the urban poor and building a market for commodities that are healthier and not necessarily suited to local taste preferences.

Demand for KeBAL meals and snacks has already exceeded supply in eight neighbourhoods in Jakarta. By strengthening and developing KeBAL's business model, Royal DSM is helping to bring the programme's essential services to more people who need them. Royal DSM wants to extend KeBAL's reach to communities throughout Indonesia and to other poor communities in low-income countries.

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## Next Steps and Spin Off Effects

Royal DSM is working towards achieving its Business Call to Action commitments. With Mercy Corps and the Rabobank Foundation, Royal DSM is exploring and testing scale-up modalities of the current business model to fully realize KeBAL's business potential and is making inroads to actively develop and expand KeBAL's business model throughout other disadvantaged communities in Indonesia and around the world in regions where malnutrition is most prevalent.

Moving forward, the programme seeks to serve 30,000 children, serving 10,000 nutritious meals per day, annually by 2015.

Royal DSM has further pledged to establish 10 KeBAL cooking centres in Jakarta by 2015 and to educate 20,000 households on the benefits of healthy eating and improved nutrition.



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