



Transnational Companies as Actors in Global Health Outcomes: The Case of Maggi in Africa

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Introduction

In a highly connected and globalized world, definitions and praxis of and Corporate Social Responsibility (CSR) and Brand Reputation Management (BRM) are changing not just rapidly, but in innovative fashions. Several global brands and companies have been experimenting with long-term development oriented goals which not only help sell their products but create a positive image of the brand by associating it with a *cause*. This marriage of a cause with brand reputation management strategies are not merely “CSR activities” – but possibly a bigger phenomenon. It illustrates a new approach in global health outcomes and policy where diverse actors such as transnational corporations have entered the global scene that could probably change the way different groups and parties engage and influence the process of human development.

In this report, the focus is on Nestlé – a global company specializing in food products around the world. Nestlé has addressed the health outcomes of its consumers in developing regions by incorporating *micronutrient fortification* in its Popularly Positioned Products (PPP). One such example is iron fortification of the best-selling Maggi bouillon cube in parts of Central and West Africa to combat iron deficiency.

This case study will use Maggi and its iron-fortification as an example to detail the process of how brand reputation management, CSR and development goals are being tied together by multinational corporations. This merger of goals definitely affects business and *potentially* health outcomes.

For this report, the author also contacted Nestlé. Any information used from the interview has been indicated as Nestlé Communications in the footnotes or in text.

CSR, Brand Reputation and Global Outreach

There exists many definitions of what constitutes CSR, but the earliest conceptualization by Bowen in 1953 lays the groundwork of what is now seen and practiced in several different ways. He suggested that CSR is the social obligation “to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (pp. 6). Recently, CSR has also evolved from merely an altruistic or charitable contribution to a range of activities, policies, and ideas that drive performance and business (Tonello, 2011).

A company may take up CSR based initiatives in many forms: from products and services to reaching out to stakeholders. However, one of its goals is to manage the reputation of the brand. CSR and BRM are closely tied as the former is initiated to build the latter. CSR helps companies extend their reach in the market, collaborate strategically with groups, and gain legitimacy (Chen, Patten & Roberts, 2008). Most importantly, CSR helps build some goodwill with the public (Podnar & Golob, 2007) and increase positive reputation. Reputation reflects “...[the] overall measure of how customers, employees, suppliers and industry peer groups, as well as regulators and the communities in which an organization operates, perceive a business.” (da Camara, pp. 49).

The dynamics of BRM have changed drastically, and transnational companies such as Nestlé have an ever increasing need of maintaining credible reputation for several reasons:

- **Several cultures – one brand:** International companies operate in many countries where local cultures, norms, expectations, tastes and preferences vary greatly between and within states. This requires several balancing acts, such as weighing the need for consistency in the product type with the diversity of consumers that wish to have the local needs reflected. Some peculiarity in products may be useful, but too much can create potential losses for businesses.

- **The rise of the social media:** When catering to global markets, a company like Nestlé sells millions products every day. However, any crisis— either in terms of food quality or even an undesirable story— can set off a series of consequences via social media that may be detrimental to a product or brand’s image. This makes it difficult for companies to ignore complaints and inquiries, which could have been the case a decade ago.
- **There are more consumers – especially women:** Increasing number of women in the workforce increases the access of low to middle income consumers to the market. Further, women when in control of family budgets tend to make more pro-family, future-oriented and healthier choices (Esty, 2014). This may ultimately reflect in buying decisions that these consumers make amongst a range of products available – with possibly increased preferences for something which appears to be healthier – yet cheaper.
- **Consumers have more choices.** Market expansion allows local companies and even international brands to make inroads toward new consumers in a single country. This means that for an average consumer, there exists more options to buy an infant formula or coffee unlike a few years ago when a major international company such as Nestlé would hold the sway.
- **Demanding stakeholders and the need to perform:** Increasing information avenues also increase innovation potential – and stakeholders know that. Companies face pressure from stakeholders to be cleverer in their approaches to selling their wares and services. Moreover, brand reputation and CSR activities are now tied to increasing sales and financial performance.

The above are some of the big factors that are pushing transnational companies to pay attention to their brands in sustainable and intelligent ways.

Combining Business and Development

Today companies are faced with multiple tasks which include managing a good name online and offline in times of crisis and otherwise. This is accentuated by the fact that these companies cater to millions across the globe. The combination of these factors and those indicated in the previous section prompt companies to invest in long term product and service experimentations so that the needs of local markets can be understood and catered to efficiently. This is usually done via the creation of many Research & Development (R&D) departments within organizations. Internal research allows companies to customize the brand to specific regional or demographic needs. Nestlé, a 150-year old Swiss company that makes food based products for markets around the world has been able to take research and combine with development outcomes that help the brand and the business.

Nestlé's specialization is food with a wide consumer range around the world. For a company of such breadth, it is an important business need to collect data on food preferences and other dietary measures. A portion of that dietary data is directly related to developing countries and needs of low to middle income groups that remain at certain nutritional risks as the company caters to millions in South Asia, Africa and Eastern Europe.

In a report, Nestlé claimed to use "... information to identify dietary needs both geographically and within a specific population group. Often, it is young children and women of child-bearing age who could most benefit from fortified foods. Already, Nestlé has collated data from Peru, Venezuela, Brazil, the Philippines, Indonesia, Guatemala, Malaysia and Vietnam. It is also looking at Oman, Saudi Arabia, the United Arab Emirates Jordan, Lebanon, Nigeria, Ghana and Pakistan."¹

The collection and analyses of sales data in combination with a developmental issue such as nutrition by an international company presents an interesting scenario. Not only does it connect the company's understanding of its consumers but also reaches further into development related strategies. This connects the BRM concerns of the company and with health outcomes. Therefore, we see an

¹ <http://www.Nestlé.com/media/newsandfeatures/nutritional-landscaping>

exchange of what is a commercial activity with what is also an exercise in development.

Until a few years ago, any nutrition or health related outcomes would be home turf for organizations such as World Health Organization (WHO), but today players from the private sector such as Nestlé are also engaged. This goes to show that transnational companies, which have market dominance in many developing parts of the world where low to middle income consumers make up a big portion of their customers can push for various goals such as: a) using findings from the data to create customized food products for consumers around the world or b) making changes in food based items that can possibly tackle needs surrounding food or health related development outcomes c) Use suggestions and recommendations by organizations such as WHO and Food and Agriculture Organization (FAO) that [recommend](#) food fortification as a way of combatting micronutrient deficiencies (WHO & FAO, 2006) .

Transnational companies like Nestlé can use all of the above reasons and combine in such them in such a way that CSR initiatives affect health outcomes at very large scales. This in turn could plausibly produce a change in development outcomes such as nutrition. All of this could ultimately increase sales, leverage the brand above competitors, and affect a “positive change” in the societies these companies work with.

Development and Nutrition – The Case of Africa

Malnutrition is a global problem with many countries facing severely stunted, underweight, and overweight individuals. However, this issue is not a priority for many countries, and even if it were, many countries lack capacity to deal with these issues. According to the [Global Nutrition Report 2016](#), several countries in Asia and Africa lag behind on focused budgeting initiatives for nutrition. Nutritional deficiencies appear in many forms such as iron or iodine related illnesses. In Africa alone, almost 62 percent of children between the ages of 6-59 months and 38.6 percent of women in reproductive age (15-49) years were anemic (World Health Organization, 2011). A leading cause of anemia is iron deficiency.

Nestlé used its existing portfolio in Africa to fortify one of its most popular items – the Maggi bouillon cube – with iron². According to Nestlé, the project took off in 2009 when they decided “... to add iron to *Maggi* cooking aids in countries with significant deficiencies, where, due to significant sales, we believed we could have an impact.”³ The idea makes business sense because in Nigeria alone, 80 million cubes are sold every day. The project took off after pilots were conducted in India, Sri Lanka and Bangladesh. Today, micronutrient fortification has expanded South Asia, Vietnam, Central America, Central and West Africa, East Africa, South Africa and Eastern Europe.⁴ The project particularly affects consumers who fall between low to middle income ranges and products that are sold by millions of units, often called Popularly Positioned Products (PPP).

In 2015, an estimated 44 billion Maggi products were fortified with iron. Other micro-nutrients that have been used to fortify foods in developing regions are: calcium, iodine, vitamin A and zinc. Among the products fortified in Central and West Africa include CERELAC Millet (Iron), NIDO (Iron, Calcium and Zinc), GOLDEN MORN (Vitamin A and Iron) and PURE LIFE (Zinc). An estimated 79% of PPPs were fortified by any or all of the above micro-nutrients.

² Nestlé fortified Maggi bouillon cube with iron only. Note that anemia can be caused by vitamin A deficiency and/or hookworms.

³ Source: Nestlé Communication.

⁴ Source: Nestlé Communication.

As Nestlé ventures into micronutrient fortification across countries, it begs the question of how local regulations and authorities can and should influence these decisions. According to Nestlé Communication: “We comply with applicable local regulations. Where local regulations do not exist, we follow CODEX⁵ Guidelines on Nutrition Labelling (CAC/GL2, 1985) and CODEX Guidelines for Use of Nutrition and Health Claims (CAC/GL 23-1997). This is in line with our corporate policy on micronutrient fortification⁶, which aims to promote the micronutrient fortification of foods and beverages at levels that are sufficient to help improve and maintain health, but that do not increase the risk of developing adverse consequences from excessive consumption.”

Nestlé argues that micronutrient fortification is one of the ways the food and beverage industry can tackle issues related to health particularly in developing countries. When asked if these initiatives can adversely affect the brand reputation by being labelled paternalistic, Nestlé suggested that in their experience such exercises are seen positively.

⁵ The Codex Guidelines on Nutrition Labelling were adopted by the Codex Alimentarius Commission at its 16th Session, 1985. For information see: <http://www.fao.org/docrep/005/y2770e/y2770e06.htm>

⁶ https://www.Nestlé.com/asset-library/documents/library/documents/corporate_social_responsibility/Nestlé-policy-micronutrient-fortification-foods-beverages.pdf

Impact of Micronutrient Fortification on Health and Business

The goal of any effort when it comes to development is to actually produce an effect. When asked if there is any data on improved iron presence in the consumers/region, Nestlé responded as follows:

“Our scientists - in collaboration with external academic experts - continuously research the effect that our fortified foods and beverages have on the health of a nation’s people and economy. In 2015, a systematic review of the literature suggested that iron-fortified noodles and condiments, including seasonings, can effectively reduce the risk of anemia. Armed with this knowledge, our scientists sought to link the evidence that consuming fortified condiments can have an impact on anemia. The first country selected for assessment was Côte d’Ivoire, where about half of women and young infants are anemic, as are 75% of infants aged between 6 and 59 months. The production losses caused by anemia were calculated to be 297000 Disability Adjusted Life Years (DALYs) (the equivalent to 4900 full life spans lost) and the economic long-term costs were found to be equivalent to 2.5% of GDP. Iron-fortified condiments were estimated to contribute to a significant reduction in terms of health and economic impact.”

It was not clear which systematic analysis yielded results that iron fortification can reduce anemia. However, this author found a meta-analysis on the subject that synthesized data from 18 Randomized Control Trials (RCTs) to test if fortification strategies, such as iron only and multi-micronutrients (MMN), reduced anemia risk. Over all, MMN strategies reduced the risk of anemia more so than just iron fortification. There was a small 14 percent risk reduction over all for iron-only and MMN strategies (Eichler, Wieser, Rüthemann & Brügger, 2012).

In terms of business, Maggi bouillon cubes have been doing very well. According to Nestlé: “Developments such as these have brought a 30-40% improvement in market penetration among lower income consumers in the last two years and

have been a key factor in the increased distribution of *Maggi* noodles in small towns”⁷ through packaging and marketing campaigns that highlight the fortifications. Thus, the product has improved sales, created a difference between Nestlé and its competitors, and improved brand perception.⁸

The process of improving health outcomes with fortification “makes good business sense” according to Nestlé. In their own words: “At Nestlé, we call this “Creating Shared Value”: creating value for our shareholders, while at the same time creating value for the societies in which we operate. To achieve the biggest impact, it is important to fortify a range of popular and affordable products that fit into people’s existing eating habits. Foods chosen to carry nutrients should be those consumed widely and frequently”⁹.

The success of the idea can be gauged from business assessments by Nestlé. The company aims to increase from 150 billion servings of fortified products in 2012 to 200 billion fortified servings worldwide by 2016.

⁷ <http://www.Nestlé.com/csv/case-studies/allcasestudies/micronutrientfortificationofmaggi>

⁸ Source: Nestlé Communication.

⁹ Source: Nestlé Communication.

Conclusion: The Future of Global Health Outcomes

According to Nestlé, fortifying foods not only adds value to their products but also increases sales. However, the merger of brand reputation management initiatives with development related outcomes has potentially long-term consequences. For instance, it certainly affects the way health outcomes and the diversity of global players interact. Previously, clients, governments, NGOs, foundations and international organizations would usually interact with each other on the development of policy related measures. Now with transnational companies - who inherently operate to sell - using development-related outcomes for CSR purposes, the dynamics of global interaction for development changes.

This means that it would be hard to imagine achieving many global development outcomes without participation from multinational companies or local initiatives that tie brand reputation management with development outcomes. This is especially the case when popular products for low to middle income groups are being seen from not merely a selling point but development outcomes. Transnational companies also have the resources and access to reach large segments of the population which is not always possible when it comes to international organizations.

Combining CSR initiative with nutrition related outcome has benefitted Nestlé in terms of sales and reputation. What is yet to be seen is if food fortification actually yields significant health outcomes for populations in need. In the meanwhile, we can certainly predict that in the coming years that development related outcomes will have some effects from multinational corporations. This is an opportunity for international organizations and governments to prepare themselves and their goals accordingly.

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