FMCG // MAY 2013
igdIMPACT SECTOR FRAMEWORK
igdIMPACT

igdIMPACT is the Initiative for Global Development’s (IGD) practical, business-oriented approach to impact measurement. Designed with direct input from businesses, sector-specific measurement frameworks help companies map potential (or realized) impacts to key business drivers and performance metrics. Sector-specific frameworks are currently available for the agribusiness, financial services, FMCG, ICT, and power sectors, with more under development.

Businesses use the framework to guide impact assessment at any level – from the micro impact of a single product or service to the macro impact of regional operations or public-private partnerships.

IGD provides advisory support by partnering with individual companies to develop a tailored impact measurement strategy which reflects the needs, priorities, and operating contexts of our clients. We deliver value to companies by articulating impacts that result from core business operations, while also building in-house capacity for measurement and reporting and creating a platform for knowledge-sharing. We are currently working with Visa Inc. and ContourGlobal, among other leading companies.

We look forward to partnering with your company on impact measurement. Please contact us at impact@igdleaders.org to get started.

www.igdleaders.org/tools-initiatives/igd-impact/

ABOUT IGD

The Initiative for Global Development (IGD) is a non-profit organization that drives poverty reduction by catalyzing business growth and investment in the developing world. We bring together an influential network of senior executives from sector-leading companies with the interest and capacity to make strategic investments in high-need, high-potential areas of Africa. Members of our Frontier Leaders network shape global connections and frontier market insights, and promote business-driven development to create economic growth and opportunity.

www.igdleaders.org
## FAST-MOVING CONSUMER GOODS (FMCG) SECTOR

### Impact Framework // May 2013 version (for consultation)

www.igdleaders.org

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<tr>
<th>BUSINESS DRIVERS</th>
<th>POTENTIAL IMPACT</th>
<th>SUGGESTED METRICS/MEASURES</th>
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</thead>
<tbody>
<tr>
<td><strong>Achieving Growth</strong></td>
<td></td>
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</table>
| Expand products and services          | Supports mutual value creation by providing underserved markets with commercial products designed to meet the daily needs of low-income consumers. Improves affordability to life-enhancing products. Helps people live more sustainably through the impact of products in their lives. Delivers sustainable, profitable growth. | • # of new products offered  
• $ invested in R&D (or % of R&D budget) to develop affordable products and find sustainability-led products and technologies  
• % of products adapted/targeted to the low-income consumer segment (e.g., low unit packs, climate stable products; resource efficient products)  
• % increase in the sale of adapted products |
| • Develop innovative and superior products that address different consumer needs at different price points |                                                                                  |                                                                                           |
| • Adapt products to the low-income consumer market |                                                                                  |                                                                                           |
| • Drive sustainability-led innovation and support/invest in the commercialization of innovative products and technologies |                                                                                  |                                                                                           |
| • Enhance product quality and customer service |                                                                                  |                                                                                           |
| Serve more customers                  | Increases access to life-enhancing products and services. Benefits low-income consumers from product knowledge and usage. Delivers greater awareness of life-enhancing benefits of certain products. Strengthens connections between consumers and the products they buy. Delivers significant impact at a lower cost. | • % market penetration; % increase in market share  
• % increase in new consumers  
• #/% increase distributors/retailers (by channel)  
• % sales achieved through low come focused distribution channel  
• Compliance with International Code of Advertising Practice  
• $ spent on educational marketing campaigns (e.g., around product usage and benefits)  
• $ spent on consumer market research/behavior |
| • Develop innovative business models to scale marketing and distribution to reach rural/low-income and last-mile consumers (e.g., small-scale retailers/distribution centers, retail outlets) |                                                                                  |                                                                                           |
| • Promote products that have a strong purpose in low-income livelihoods |                                                                                  |                                                                                           |
| • Scale-up educational brand marketing campaigns that prompt consumers to adopt new, life-enhancing behaviors |                                                                                  |                                                                                           |
| • Increase the impact of rural outreach through partnerships and multi-brand interventions/educational marketing campaigns |                                                                                  |                                                                                           |
### Achieving operational efficiency and increased productivity through the value chain

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<tr>
<td><strong>Local workforce development</strong></td>
<td>Builds capacity within the local FMCG industry, including procurement, production, marketing, and finance. Addresses skills gaps. Supports job creation. Helps attract the best talent in the marketplace.</td>
<td>• #/% skilled/unskilled jobs created and filled by local employees; % filled by women; $ wages/benefits paid</td>
</tr>
<tr>
<td>• Hire local talent and build capability among employees to develop localized management and leadership</td>
<td></td>
<td>• #/% seasonal/contracted workers</td>
</tr>
<tr>
<td>• Provide employees with technical, health and safety training</td>
<td></td>
<td>• $/hours spent on training/development</td>
</tr>
<tr>
<td><strong>Cost-effective, responsible local sourcing</strong></td>
<td>Integrates local suppliers into the value chain. Builds capacity in local industry. Encourages entrepreneurship and economic empowerment throughout the supply chain by creating jobs, both directly and indirectly. Improves livelihoods of farmers while guaranteeing future supplies. Safeguards human and labor rights in own and suppliers’ operations.</td>
<td>• % materials/inputs/ingredients sourced locally</td>
</tr>
<tr>
<td>• Develop linkages with local suppliers to procure high-quality goods and services</td>
<td></td>
<td>• % total procurement sourced locally (vs. % imported)</td>
</tr>
<tr>
<td>• Source high-quality agricultural raw materials/inputs in a local, sustainable manner</td>
<td></td>
<td>• #$/contracts with local suppliers (% women-owned)</td>
</tr>
<tr>
<td>• Promote sustainable livelihoods for all workers and those in value chains</td>
<td></td>
<td>• $ invested in building capacity of suppliers</td>
</tr>
<tr>
<td><strong>Optimized local production</strong></td>
<td>Builds local production capacity and associated skills. Creates jobs and opportunities for value-adding activities. Fosters job creation and human capital development. Supports efficiency-gains within the supply chain. Elevates productivity. Reduces environmental footprint and waste, which creates efficiencies and reduces costs.</td>
<td>• % of production carried out in country</td>
</tr>
<tr>
<td>• Use technology to increase capacity, improve productivity and enhance local production</td>
<td></td>
<td>• % increase productivity, output</td>
</tr>
<tr>
<td>• Promote sustainable production and resource efficiency; cut energy, water and waste</td>
<td></td>
<td>• % reduction in energy/water usage/waste generated per unit produced/ carbon footprint</td>
</tr>
<tr>
<td>• Provide access to inputs needed for production (e.g., financing, technical assistance/training)</td>
<td></td>
<td>• % reduction in per unit cost</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• $ invested in sustainable technology</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• $ invested for financing and/or technical assistance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• $ invested in new PP&amp;E</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Applied Producers Guidance/Code of Conduct</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• % sites achieving zero non-hazardous waste to landfill</td>
</tr>
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</table>
## Responsible business

### High standards of governance
- Adhere to international standards for good governance and worker protection
- Comply with national/international consumer product safety and labeling regulation
- Promote stringent consumer protection standards
- Create a culture in which performance is aligned with value

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| Helps a company to acquire and maintain a valid license to operate. Supports an enabling operating environment and efficiency within the industry. Promotes good corporate citizenship. Motivates people to do good, while doing well. | - Compliance with international standards/principles, (e.g., UN Global Compact; ILO’s Declaration on Fundamental Principles and Rights at Work; UN Declaration of Human Rights)  
- Development and implementation of a fair, effective company-specific code of conduct/ethics  
- Implementation of auditing systems  
- Compliance with International Code of Advertising Practice  
- % products in compliance with consumer product safety and labeling regulation; # of product recalls  
- Remuneration of senior executives linked to positive impact |

### Macroeconomic impact
- Make transparent payments to employees, suppliers and governments

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| Stimulates local economic growth by increasing the capital flows needed to purchase local goods and services. Ensures company’s inclusive economic growth benefits reach all segments of society. | - $ employee compensation; % earned locally  
- $ paid in corporate and other government taxes  
- $ operating expenses; % earned by local contractors  
- $ paid to shareholders; %/$ shares held locally |

### Effective corporate philanthropy
- Launch targeted initiatives aligned to core business (e.g., promotion of product safety, access to products designed to improve health and well-being)
- Provide corporate sponsorships which resonate in local markets and leverage company technology and expertise

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| Creates shared value for the local community and the company by addressing key social challenges while simultaneously enhancing the company’s reputation and operational value. | - Effectiveness of initiatives, assessed against defined goals/metrics  
- # local beneficiaries; # stating improvements to livelihood  
- % of pre-tax profit invested in philanthropy/sponsorships  
- Perceived success of initiative (via stakeholder surveys)  
- Effective CSR governance and implementation of philanthropic activities  
- # $ corporate sponsorships; # beneficiaries of sponsorships |
## BUSINESS DRIVERS

### Enhancing the operating environment

**Improve the policy and regulatory environment**
- Engage local governments, ministries, and FMCG associations to promote sector development & reform
- Promote efficient consumer goods product safety and labeling regulation
- Encourage innovative approaches to increase/promote local supplier industry (e.g., tax incentives for local procurement)
- Raise the profile of relevant development issues and challenges with governments and regulators

**Potential impact**
- Contributes to an efficient, enabling operating environment which companies can invest and expand in. Creates a more equitable marketplace to support socio-economic development. Supports local industry development.

**Suggested metrics/measures**
- Participation in FMCG councils and associations
- % reduction in regulatory business processing costs and lead time required for licenses/permits; transaction costs
- Effective independent consumer protection agency/body and effective enforcement
- Engagement with appropriate consumer product safety and labeling regulation body
- Increased local sourcing of inputs as a result of tax breaks/incentives granted

**Strengthen institutional capacity**
- Collaborate with relevant ministries to foster best practices and knowledge-sharing
- Build capacity of higher education institutes to provide specialized technical and business training
- Develop farmer associations to improve reliability and quality of agricultural inputs

**Potential impact**
- Reduces barriers to investment. Fast-tracks development of consumer goods production to meet demand. Reduces industry’s vulnerability to external shocks.

**Suggested metrics/measures**
- # MOUs/partnerships developed
- $ spent; # officials trained
- # local education institutes offering technical skills/business education/entrepreneurial programs
- $ spent on extension services/training
- # local agricultural growers trained
- %/# increase in local grower associations

**Partner to achieve common objectives**
- Establish strategic partnerships with government and NGOs to promote FMCG-related issues (e.g., product affordability/accessibility and capacity-building)
- Collaborate with other commercial operators to achieve joint goals around complex issues (e.g., labor, women entrepreneurs, access to finance)
- Partner to scale-up programs/pilots cost-effectively, leveraging on-the-ground networks and expertise

**Potential impact**
- Catalyzes investment and expands capacity to underdeveloped markets by leveraging resources and sharing knowledge. Reduces costs and expands reach of interventions. Builds local capabilities to sustain activities in the long-term.

**Suggested metrics/measures**
- $ invested in partnerships
- Partnership of Charter of Collaboration/MOU
- Assessment of the perceived success of the partnership (via stakeholder surveys and/or independent evaluator)
- Partnership performance indicators defined and met
- # beneficiaries of partnership
- $/# increase investment in key areas