



BIMBO Bakery Case History

Brief Background

In 1945, Lorenzo Servitje inaugurated the first plant of Panificación BIMBO S.A. in Mexico City. Today, BIMBO is structured into six business units coordinated by a corporate headquarters in Mexico. Through its business units, BIMBO produces, distributes and markets over 4,500 products and has more than 100 prestigious brands such as BIMBO, Marinela, Mrs. Baird's, Oroweat and Lunetas. BIMBO owns 73 production plants, and reaches 1,325,250 points of sale daily, located throughout Latin America, Europe and the United States. Specifically, Latin America Organization (OLA) is responsible for operations in 12 Latin American countries.

The Bottom of the Pyramid Project (BOP)

In OLA countries, BIMBO was positioned as a high class sophisticated bakery product. For example, in Argentina it had a 76.5% market share in the top 10% of the population and less than 14.7% in the other social economic tiers (Latin Panel: Low Income Consumers 2005). The Argentine situation was typical of BIMBO's position in Latin America. Trying to reach the BOP has been an historical concern for the company. During the previous few years, several projects had been designed but achieved limited success. For example, in Chile an economic muffin called "Rayita" was launched and in Brazil there was a very similar product called "Mini Bolo" that was sold in 12 unit boxes to wholesalers but was distributed in individual packs to retailers.

Description of the Argentine Pilot Program

While the BOP project involved all of Latin America, OLA decided that they should carry out the pilot program in Argentina. There were several factors that the group considered in making this decision. First, poverty in Argentina was not uniform (especially after 2001 crisis), so the knowledge from this experience could be applied to both structurally poor countries as well as countries that had undergone some crisis. Second, the Argentine reality was complex, consequently, they had to be very creative in order to increase sales, and their lessons would be more substantial. Finally, Argentina is relatively small with regards to other countries (e.g. Brazil), where it could be difficult to identify the real causes of an increase of sales volumes. By March 2005, the budget was approved and the decision made to adopt the Innovation Methodology. The process required conducting market research (stage 1) and two multi-team workshops: the Innovation Workshop (stage 2) and the Ideation Workshop (stage 3).

Stage 1- Market Research. The information from secondary data and the ad-hoc research was summarized as follows (Latin Panel: Socioeconomic Levels by Regions, 2004, AC Nielsen: An Integrated Vision of the Latin-American Consumer 2005):

BOP Families

- The BOP in Latin America represents between 60%-70% of the population.
- Low income and subsistence level families' needs are not simple. These families are highly conscious of the value for money relationship and thus buy premium-priced branded products when the differential benefit is clear.
- Low income families are sensible shoppers who take into account many factors besides price when calculating their shopping costs. These are sophisticated shoppers.
- Low income families spend a high proportion of their income on food and basic consumption goods. In these households, given the eating habits, bakery products are a central part of their diet.
- In these complex realities, many segments can be identified based on lifestyle and attitudes.

Retailers

- Since the 2001 financial crisis, there had been an important growth of the indirect channel (small mom & pop stores).
- Low income families are satisfied with traditional retailers, and don't necessarily aspire to shop in modern supermarkets.

- Product variety could attract BOP to supermarkets, but it would not necessarily make them buyers.

Stage 2- The Innovation Workshop. In DA's words:

"We invited about twenty people to the workshop. Some from BIMBO (from the sales department, from marketing, from R&D, from manufacturing) while others were externals (from market research agencies, opinion leaders, from NGOs). In short, all those we believed could help develop a better understanding on the BOP topic."

The objective of the workshop is to arrive at ten insights. Insights were described as a concept that synthesizes a situation or an idea and that can be translated into a product or service concept. The insights on the BOP were:

1. A family with an income higher than \$800 has concerns that go beyond buying food for today's meal.
2. Mothers want to feed their children properly to prevent them from getting sick. "Illness is a member of the family".
3. They try to get as much information as they can in order to know how to feed their children properly. They ask teachers and doctors for advice and they pay attention to the information on the product's package.
4. In some product categories, they buy premium brands as insurance. They do not want to take risks. They feel that if they buy branded products they are taking better care of their children.
5. Women don't have high expectations for their future, so they are devoted to their children.
6. Bread helps feed the family. The industrial loaf bread is a luxury product.
7. They have time but they don't have enough money: mothers are proud of what they do at home with the limited resources they have.
8. They choose the package size according to the money they can spend to satisfy daily needs. As a result, they tend to buy products in smaller package sizes, even though the per-unit cost is higher.
9. They prefer small retailers in the neighborhood rather than supermarkets. In the supermarket, they might be tempted to buy more than what they need. They feel observed. There is a sense of inferiority when they see too many items they can't afford.

10. The school has a central role. There, children have meals and, sometimes, they receive extra food to take home. It is a place where mothers exchange information and advice about products, retailers, prices, etc.

Stage 3- The Ideation Workshop. The Ideation Workshop aims to reach a set of testable product concepts. In the workshop, the group divided itself into smaller work-teams and each team studied, more in-depth, a specific insight. Based on the insights, they analyzed what BIMBO might offer the BOP families. They concluded that it was important that BOP identify BIMBO as a nutritional brand that provides high quality and tasty products. These products would help mothers to delight the family with nutritious and tasty meals. The packages had to provide information on the nutritional factors of the products. The group defined three potential product lines:

“Super kid”: delicious and very nutritive products (e.g. chips, muffins, pasta, etc) that would provide the children all the nutrients they need to grow up healthily.

“Polentosa”: fortified bread and buns based on barley, corn and potato to complement main dishes providing extra energy.

“Delicias de Mamá”: pre mixes to prepare pizza, bread and cakes.