

# "SACHET MARKETING"

Here's an interesting business question: if roughly two-thirds of the world's population makes USD 1,500 or less per year, why try to sell them expensive, bulky goods and services originally designed for consumers who easily make twenty times as much in North America, Western Europe or Japan?



To the rescue come innovative micro-selling methods, aimed at new consumers in developing mega-economies like China, India, The Philippines, Mexico and Brazil. It's all about serving up your products, services and loans in affordable portions, sachets or sizes, so that consumers get to know and like your brand.

Meanwhile, you the manufacturer or service provider can still make a good profit from sheer overall volume (smaller sizes, but more buyers). Our sister-publication [Springwise New Business Ideas](#) has already been paying quite a bit of attention to these interesting initiatives: now it's up to TRENDWATCHING.COM to coin the overarching trend: **SACHET MARKETING**.

Consider the following examples highlighting the **SACHET MARKETING** trend:

- In Brazil, fast moving consumer goods giant **Unilever** sells Ala, a brand detergent created specifically to meet the needs of low-income consumers who want an affordable yet effective product for laundry that is often washed by hand in river water. In India, Unilever successfully markets Sunsil and Lux shampoo sachets sold in units of 2-4 dollar cents; Clinic All Clear anti-dandruff shampoo sachets at 2.5 rupees each; and 16 cent Rexona deodorant sticks. In Tanzania, Key soap is sold in small units for a few dollar cents.



- Filipino telco **Smart** has turned its customers into salespeople: the Smart Buddy System allows cell phone customers to resell their unused credits, which not only eases the strain on cash flow, but earns them money as well! For each 1,000 pesos sold, the

'merchant' receives a 150 pesos commission. For more info, check out the [Springwise item](#) on the Smart Buddy system.



- **Mexican Banco Azteca**, which launched in December 2002, is gearing a 'less is more' approach towards 16 million Mexican households who make too little (from USD 250-1300 a month) to attract the interest from established financial institutions. These Mexican consumers, even those without a bank account or solid proof of income, can now apply for a savings account, wire transfers, mortgages, or small one-year loans (sometimes purely based on their personal possessions). The force behind Banco Azteca is Grupo Elektra, Mexico's largest appliance retailer. Their 800+ appliance stores double as bank branches, and quite often bank clients are loyal Grupo Elektra customers as well, giving them a partial credit history. For more info, check out the [Springwise item](#) on Banco Azteca.

- **GrameenPhone**, Bangladesh's leading cell phone operator, is offering a special low-priced package to so-called 'phone ladies' in small villages, where fixed telephone lines are non-existent. The phone ladies share their cell phones with other villagers at a few taka a call. For more info, check out the [Springwise item](#) on GrameenPhone.

- In a surprising twist, microfinance, which has blossomed in emerging economies in Asia, Africa and Latin America, is now also catching on in mature economies. The practice, which involves lenders granting small business loans to entrepreneurs with low incomes or poor credit histories, is now tax deductible in the US and the UK. In the UK alone, more than 20 microfinance banks (like **WEETU** for women and **Prime** for entrepreneurs over the age of 50) qualify for the tax program. Another 40 are on the way, waiting to be accredited. Participating UK businesses usually have fewer than five employees, and require unsecured loans of between EUR 1,500 and 15,000. (Source: WSJ.)



- **Whirlpool** is cashing in on its line of inexpensive yet stylish washing machines in Brazil, India and China. Both price and looks have received a **SACHET MARKETING** makeover: machines cost USD 150 - 200 (about half of the US average) and are customized to local tastes. For example, in Brazil, customers wanted to see the machine operate, so Whirlpool made a transparent acrylic lid, that also

happens to be cheaper than glass. Machines also have a smaller capacity, because lower income Brazilians do laundry more frequently. In China, where washers are considered status symbols and are often placed in living rooms due to lack of space, extra attention was paid to sleek looks. Wash cycles were named on a by-country basis (in India, the delicate cycle is called the 'sari' cycle). And like microfinance, Whirlpool is already exploring the possibility of bringing these 'people's washers' to Europe and North America. (Source: WSJ.)

## OPPORTUNITIES

Thinking small in large volumes -- the essence of **SACHET MARKETING** -- yet never losing brand focus, could open up entirely new markets for many of the worlds B2C and B2B manufacturers and service providers. If your customers are willing but cash strapped, think micro loans, think mini-sizes, think leasing, think bundling, think reselling! It will make you money, AND lay the foundation for brand awareness with future affluent customers. And as the microfinance and Whirlpool examples show, some of the thinking may eventually translate in innovative products for mature markets as well. Small IS 'Sundara!' >> [Email this trend to a friend.](#)

**SEPTEMBER 2004** | TRENDWATCHING.COM is about observing changes in consumer behavior and in business thinking, on as broad a scale as possible. So whereas INSPIRATIONS may be about conspicuous consumption, our **SACHET MARKETING** trend caters to the other end of the spectrum: those consumers who cannot (yet) afford to fully be part of the consumer society. As you may recall, when we introduced our **SACHET MARKETING** trend, we noted that two-thirds of the world's population makes USD 1,500 or less per year.



This is not to say that there's no market opportunity: according to a recent article in Foreign Policy by University of Michigan Business School professor C. K. Prahalad, and Allen Hammond of the World Resources Institute, the 18 largest developing nations are home to some 680 million families earning USD 6,000 a year or less. These low-wage earners take in USD 1.7 trillion a year -- roughly the size of Germany's gross domestic product.

The money is there, but why try selling these consumers expensive, bulky goods and services originally designed for consumers who easily make thirty times as much in North America, Western Europe or Japan?

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The solution: **SACHET MARKETING**, named after single-use shampoo sachets which sell for a few cents in emerging economies (for example, more than 60 percent of the value of the shampoo market and 95 percent of all shampoo units sold in India are now single-serve; source: Foreign Policy), which is all about micro-selling methods, about serving up products, services and loans in small portions and sizes, light versions, or single-use sachets, so that aspiring consumers can afford AND get to know and like your brand. Like the Smart Buddy system in the Philippines we recently highlighted, and Banco Azteca in Mexico, Unilever in Tanzania, or Whirlpool in South America.

With the number of aspiring **MASS CLASS** members steadily rising, **SACHET MARKETING** is on a roll. Time for some inspiring new spottings, proving that virtually every business discipline and B2C industry can play at this game:



## Hardware

Personal computers, **SACHET MARKETING** style: in India, the **Simputer**, priced at less than 10,000 rupees, may look like a Palm handheld device, but it's several times more powerful. Multimedia and internet-enabled, current models allow the user the choice of English or one of three Indian languages built into the computer. It is designed to be useful even to the illiterate, thanks to built-in text-to-speech conversion software. **Acer** has also introduced a sub-Rs 21,000 AMD Athlon-based desktop for the Indian market, which comes with Linux, a 40GB hard disk drive, CD ROM and 1.44 Floppy Disk Drive. A smart move, given the fact that the number of PC users is expected to hit or exceed 1 billion by 2010, up from around 660 million to 670 million today, fueled primarily by new adopters in developing nations such as China, Russia and India, according to analysts. (Sources: Business Times, CNet.)



## Software

**Microsoft** recently announced it would offer a low-cost starter edition of its Windows XP operating system in Asia starting in Oc-

tober 2004. This 'XP Lite' will have lower-resolution graphics, fewer networking options and less capacity for multitasking than full XP versions. Described as a "low-cost introduction to the Microsoft Windows XP operating system designed for first-time desktop PC users in developing countries", the software will be sold in Thailand, Malaysia and Indonesia. Cost? In Thailand, the software will go for 1,490 Thai Bath, or roughly USD 36. Security software maker Symantec is following suit and has launched a Thai version of its anti-virus software that costs half as much as its English counterpart. (Sources: CNN, CNet Asia, BBC.)

### Domestic Appliances

**Consul**, a Brazilian affiliate of Whirlpool, has designed a fully automatic three-cycle centrifuge washing machine that costs no more than a clunky tank washer, about USD 220. In India, Electrolux Kelvinator launched a refrigerator that keeps ice frozen for up to six hours after a power failure, which is an essential feature in a region plagued by blackouts. (Sources: NYT, Newsweek.)

### Financial Services, Microfinance

**Bradesco**, Brazil's biggest private bank, invested USD 100 million to set up very basic teller services (called Banco Postal) in under-used post offices. Even though most depositors earn USD 65 a month or less, Banco Postal has already captured 1.6 million new accounts, and is expected to break even soon (source: Newsweek). In India, India's ICICI Bank together with engineers at the Indian Institute of Technology in Chennai have built the first rural ATM to serve micro-savers in remote areas of the subcontinent. It can process small denominations (normal ATMs don't dole out 10-rupee notes, yet many Indian consumers need them) and worn notes that are the main currency in Indian villages, and at only \$800, the machine costs less than one-twentieth of the price of a regular ATM.

Meanwhile, **Citibank India** was the first in India to open online-only accounts for small savers. Customers with only USD 20 to deposit can get special convenience accounts whereby they do everything through ATMs, the Internet or the phone. The number of these accounts has surged more than 60 in the past year to one million. (Sources: Newsweek, FEER.)



### Packaging

With **SACHET MARKETING** innovations taking off, it will come as no surprise that the sachet itself is ready for innovation too. Check out Snap! International and Snap Pak, two companies that provide packaging of sachet products and a unique new advertising medium. The units are designed to open and dispense the product

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with a two-fingered snap-and-squeeze (rather than cutting or tearing). In addition to more convenience, one side of the packaging can be printed with high-resolution, photographic quality artwork. For more info, see an [earlier article](#) on Springwise New Business, our other website.

### Telco



The Cell Phone is the new Car, and nowhere does this ring more true than in **SACHET MARKETING** prone regions! For example, one of the most popular cell phones in rural India is the sturdy Nokia 1100, which is advertised as dust-resistant and doubles as a flashlight, as power supply isn't always as reliable as it should be. In China, China Mobile brought out the Shenzhouxing brand, aimed at low-end users, many of them rural. The brand offers plans with heavy roaming restrictions that cost as little as 0.20 yuan a minute, a price that rural residents, most of whom rarely travel, are willing to pay. Low-end wireless services from Netcom and China Telecom - also with restricted roaming - are comparably priced.

And this May, in the run-up to Mother's Day, Brazilian consumers snapped up 1.5 million cell phones, the vast majority of them 'prepagos' -- basic, cut-rate handsets that operate on prepaid phone cards and which can be had on installment plans for as little as USD 3 a month. In neighboring Venezuela, BellSouth International's USD 4 phone cards (instead of the usual USD 10 or USD 20 cards) are wildly popular, and sell at more than 30,000 retail outlets. (Sources: IHT, Foreign Policy, Newsweek.)



### Automotive

At the lower end of the MASS CLASS you'll find consumers dreaming of owning a Volkswagen Golf, though insufficient funds may entice them to go for a Chery QQ or Renault X90 instead. These new 'MASS CLASS' cars, sometimes costing less than 2000 euros, come in 'light' versions, though sport nice enough



design to not be uncool. For a full update, see our [recent report](#) on MASS CLASS CARS.

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### Travel

And in an interesting (if not ironic) twist, 'mature' members of the consumer society are discovering the convenience of sachets: both [Mikrotravel](#) and [TravelBags](#) offer stylish sachet kits to service last minute travelers, or those just tired of having to lug around a multitude of heavy flasks and tubes. From mikroTRAVEL's website: "We address the needs of the consumer whilst away from home with innovative personal care and grooming products that can be easily used at the beginning and end of the day. Our products will allow you to reduce the time spent packing toiletry containers that are too bulky to travel with and too time consuming to use." It's a SACHET world, indeed!

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