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**ANALYSIS AND DESCRIPTION
OF PROFAMILIA'S
COMMERCIAL RETAIL SALES PROGRAM**

COLOMBIA

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EDITOR'S NOTE

Contraceptive social marketing programs are also known as commercial retail sales (CRS) programs, contraceptive retail sales (CRS) programs, commercial distribution of contraceptives (CDC) programs, or sometimes simply social marketing programs. In these reports the term CSM is generally used, except when a specific project has adopted one of the above terms as, or as part of, its project name.

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EXECUTIVE SUMMARY

PROFAMILIA (Colombia) has successfully operated a commercial contraceptive marketing program since 1973, having the following current characteristics:

- PRODUCT: The program sells more than 10 brands of oral contraceptives on vacuum blister cards with no outer packaging; two brands of condoms in strips and packages of three; two types of vaginal tablets in tubes of 20 and packages of 12; and a variety of other noncontraceptive products.
- PRICE: Oral pills, condoms and Norforms reach the public at between 40 cents U.S. to 70 cents U.S. for a one month supply of each.
- DISTRIBUTION: A salesmanager and five salesmen paid on commission distribute the products through pharmacies and pharmacy sections in supermarkets in urban and semi-rural areas. An estimated 70-80 percent of Colombia's 6,000 registered pharmacies carry PROFAMILIA products.
- PROMOTION: Modest press advertising for condoms is conducted in cooperation with Akwell. "Instructoras" in the community-based distribution program serve as an adjunct promotional tool.
- ORGANIZATION: PROFAMILIA, a nonprofit corporation, directly conducts the program. ACOSE and SOMEFA, sister nonprofit organizations, serve as importers and payors of duties and fees when applicable.
- SALES VOLUME: During 1981, PROFAMILIA sold nearly 3 million cycles of oral pills; 36,000 gross of condoms; 90,000 tubes of Neo Sampoo; and 80,000 boxes of Norforms (containing a contraceptive formula). Total revenue, including sales of noncontraceptives, was \$1.7 U.S. million and exceeded total cost by about \$200,000 U.S.

I. INTRODUCTION

PROFAMILIA operates a commercial contraceptive program which is different in several respects from marketing programs conducted in other countries. A consultant visit to observe and report on the project was made between January 25-February 1, 1982 at PROFAMILIA's invitation to The Futures Group. This document presents information gathered during the visit.

II. ANALYSIS OF PROGRAM ACTIVITIES

A. Overview

PROFAMILIA has successfully operated a subsidized commercial contraceptive sales program in Colombia since the early 1970s. Beginning with one salesperson distributing mainly to Cajas de Subsidio (employer-funded discount outlets) in 1973, the marketing program now penetrates 70-80 percent of the 6,000 registered pharmacies in the nation, as well as pharmacy counters in a significant number of supermarkets in urban areas. During 1981, PROFAMILIA's five salespersons accounted for commercial sales of contraceptives to over 300,000 Colombian couples (see Table 1). Program sales of contraceptives and other products generated approximately \$1.7 million U.S. of revenue for the same year.

Table I

PROFAMILIA MARKETING PROGRAM SALES, 1981

<u>Product</u>	<u>Volume Sold</u>	<u>Estimated CYP*</u>
Oral Pills	2,919,000 cycles	224,538
Condoms	36,300 gross	52,272
Nesosampoon	89,620 tubes of 20	17,924
Norforms	79,937 boxes of 12	9,592
		304,326

*Couple-years protection determined by dividing volume of oral pill cycles by 13; estimated 100 condoms or vaginal tablets per couple per year.

In several respects, PROFAMILIA's marketing program resembles commercial programs operated in other parts of the world. Like most other programs, PROFAMILIA distributes at least three different types of contraceptives (oral pills, condoms and vaginal tablets) through pharmaceutical outlets at low prices. Salespersons compensated on a commission basis sell to wholesalers and retailers who are permitted markups equivalent to those prevailing for similar products. As in Mexico's PROFAM project, PROFAMILIA uses donated funds and internally generated funds to purchase most of its product supplies from local manufacturers.

PROFAMILIA's marketing approach is unique in its product and promotional characteristics. Supplies are obtained directly from local and foreign manufacturers and are resold without any repackaging. For example, oral contraceptives are purchased from Schering Colombia and Wyeth Colombia in one-cycle blister packs, without outer packages. PROFAMILIA oral contraceptives appear in the marketplace at about \$0.45 U.S. per cycle alongside Schering and Wyeth products,

which sell for more than twice as much, and which are identical except for their additional outer package. In addition, the program has managed to acquire rights to sole national distributorship of Akwell products and has expanded its product line to include a variety of noncontraceptive products. Though many similar programs aspire to broaden their product lines, few have done so as successfully. Promotion through mass media currently plays a very small role, with only modest print advertisement for condoms being used. Most remarkable is that PROFAMILIA sales revenue exceeds its cost even after the project is charged for the estimated cost of donated products (see Table 2).

Table 2

PROFAMILIA MARKETING PROGRAM REVENUE AND COSTS, 1981

Revenue

Contraceptive Sales	\$1,521,642
Other Products	178,308
Total	

Costs

Personnel	US\$174,000
Products	1,111,200
Warehousing	58,900
Other*	160,350
Total	

Net Revenue US \$195,550

*Other costs include allocated administrative charges, rent, office expenses, etc.

B. Impact on the Commercial Sector

For several years, the commercial market for oral contraceptives has experienced steady, but very slow growth. IMS survey data indicate total sales (all brands) of 2,794,000 cycles for 1975 and 3,478,000 cycles for 1981--an increase of 24.5 percent during a six-year period. Between 1978 and 1981, Schering sales of oral pills in commercial outlets dropped from 954,000 cycles to 819,000 cycles--a decrease of 15 percent. The uncharacteristically passive behavior of the normally aggressive Schering marketing organization becomes understandable when its sales figures outside the strictly commercial market and PROFAMILIA's role are analyzed.

PROFAMILIA approached Schering in 1975 with an offer to purchase oral contraceptives at below market prices. Further, PROFAMILIA explained its intent to market some of these in pharmacies, alongside Schering products, but at less than one-half the prevailing price. Usually, pharmaceutical manufacturers have been unresponsive to similar appeals based on social or philanthropic motivation. Schering, however, responded enthusiastically to PROFAMILIA because it was presented with a request to supply oral pills to PROFAMILIA's entire service system: 2,000 community-based retail outlets (which have increased to over 4,000 in 1981); approximately 30 well-staffed clinics with substantial volume; and the pharmacy distribution system. With these outlets and over 100 "instructoras" in its community-based program (compared with 52 Schering salespersons who deal with a much larger product line) PROFAMILIA dwarfed Schering as a potential distributor of Schering's own products.

Schering Colombia total sales moved from under 1 million cycles annually before 1975 to over 4.5 million in 1981. As noted above, the commercial market grew only 24.5 percent during the same period. Of the 4.5 million cycles sold in 1981, more than three-fourths were sold or distributed by PROFAMILIA through its

marketing, community-based and clinical programs. Had Schering Colombia allowed PROFAMILIA to obtain its supplies elsewhere (i.e., Schering A.G.) it could have lost as much as \$750,000 U.S. in sales, annually. In addition, Schering Colombia remains able to sell identical brands in the same market at double the price and still maintain a comfortable share of the market.

PROFAMILIA's ability to convince a local manufacturer that all organizations would benefit from PROFAMILIA becoming its major distributor is based on several conditions particular to Colombia and PROFAMILIA. First, when it approached Schering, PROFAMILIA already possessed a viable and substantial distribution system in both the community-based and commercial sectors. Second, PROFAMILIA's over 100 "instructoras" are devoted entirely to promoting family planning and provided a promotional vehicle which Schering could never afford. Salary alone for these persons in 1981 was over \$350,000 U.S. Third, PROFAMILIA also offered to purchase Schering products for its clinical outlets, which then were mature enough to provide substantial sales. Fourth, PROFAMILIA had the flexibility to enable it to purchase supplies from any source, including local or foreign manufacturers. PROFAMILIA was, therefore, able to force Schering A.G. and Schering Colombia, as well as other pharmaceutical houses, to compete directly with each other. Fifth, a large portion of the prime consumers for commercially-marketed contraceptives were already using a product and the existing market presented no opportunity for growth to Schering.

C. Market Expansion

Commercial programs generally expand the entire market by opening new retail outlets outside the pharmacy network and by vigorously promoting brand-specific contraceptives via radio and point-of-purchase promotional materials. Analysis of IMS data and of PROFAMILIA's distribution system indicates that the

PROFAMILIA marketing program alone has not had the same (expanding) impact on the market.

Total commercial market sales of oral contraceptives have grown at an annual rate of 3-4 percent since 1975. During the same period, sales of Schering, Wyeth and other competitors have declined sharply. PROFAMILIA's marketing program which distributes only through pharmacies, has simply stepped in to (and perhaps brought about) this gap. Considerable market expansion has occurred, but has taken place in the community-based retail outlets rather than in the marketing program.

PROFAMILIA's community-based program operates mainly among urban and semi-rural, lower-income populations. Unlike many other community-based programs, however, it sells products through established retail outlets rather than through institutional or nonretail outlets (i.e., private homes, clinics, community organizations). In fact, PROFAMILIA's community-based program in all respects but one (its use of a large staff of salaried "instructoras") is as much a marketing program as PROFAMILIA's sales through pharmacies.

Viewing PROFAMILIA's marketing and community-based programs as one unit makes clear the substantial impact that PROFAMILIA has had in making contraceptives broadly available and accessible to all market segments. Taken together, the two programs expanded the commercial market by about one-half since 1975 (twice the growth rate of IMS reported commercial sales for the same period). Further, the pharmacy sales program appears to excel at generation of revenue and delivery of products to higher-income clients while the community-based program excels at delivery of information and sales to lower-income clients (though at much higher cost to the program). If analyzed jointly, the programs have the same characteristics and cost as most other commercial programs except

that promotion is done through "instructoras" rather than by mass media and point-of-purchase materials.

D. Financial Implications

PROFAMILIA's marketing program has consistently generated revenue in excess of costs attributed to its operation. One study comparing the various PROFAMILIA programs between 1977 and 1980 reached the conclusion that the program had a net excess of revenue of \$794,000 U.S. for the four-year period (Ojeda, G.C. et al., "A Comparison of Cost Effectiveness of PROFAMILIA's Service Programs, 1977-1980," PROFAMILIA working paper, 1981). Revenue and cost figures for 1981, shown in Table 2, show a net excess of nearly \$200,000. The latter figures charge the program even for contraceptives obtained by donation. Revenue generated by the marketing program has contributed to covering other PROFAMILIA services which do not cover their own costs.

Fair comparison to other marketing programs calls for aggregation of the costs and revenues of the marketing and community-based programs. Absent aggregation, the marketing program is simply a strictly commercial operation resembling a traditional pharmaceutical distributor rather than a social marketing program. Table 3 shows that when the programs are combined, cost per couple year of protection is within the range of similar programs conducted elsewhere.

Table 3

CALCULATION OF COST PER COUPLE-YEAR OF PROTECTION
 COMBINED COMMUNITY-BASED AND MARKETING PROGRAMS,
 PROFAMILIA, 1981

Step #1

Community-Based Total Cost	US \$1,553,000
Marketing Total Cost	1,504,000
Total Cost	US \$3,057,000

Step #2

Less Est. Total Revenue	US \$2,400,000
Net Cost	US \$ 657,000

Step #3

Community-Based Est. CYP	150,000
Marketing Est. CYP	300,000
Total	450,000

Step #4

Total Cost Divided by Total Est. CYP
 (\$657,000 U.S. divided by 450,000)

Est. Cost Per Couple Year Protection	US \$ 1.46
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E. Population Served

PROFAMILIA's marketing program distributes only through pharmaceutical outlets. Salespersons take orders only in amounts of \$200 U.S. or more. Dealing with outlets which are consistently late or delinquent in making payment is discouraged. Promotion takes the form of a very modest print media campaign for condoms only. The products rarely are displayed and no other in-store promotion takes place. Based on one salesperson's reports and conversations with 11 pharmacy employees in three cities, oral pill customers generally already know the brand name of the product when they enter the pharmacy--indicating previous contact with a physician, clinic or friend who is a contraceptive user.

The above indicators (coupled with the conclusion developed earlier that PROFAMILIA marketing sales have mainly displaced rather than increased commercial sales) tend to show that the program serves mainly consumers in high economic levels. Although program prices are well within reach of the lowest income groups in the cash economy, the program's distribution system is not directed toward these consumers. Having reached substantial sales levels (3 million cycles annually), PROFAMILIA sales have become static and are projected to remain at roughly the same level for the foreseeable future.

To the casual observer, PROFAMILIA's marketing program serves mainly as a revenue producer while not well serving the lower-income segment of the Colombian population. Such analysis is, however, at least incomplete and further indicates the need to view the marketing and community-based programs as one unit. PROFAMILIA's community-based program does appear to reach low-income populations. Sales outlets are generally in low-income neighborhoods whose populations are not regular pharmacy customers. The average annual sales per outlet is small (with 1,000 cycles of oral pills and 5-6 gross of condoms per year being high) but the program adds over 4,000 outlets to the distribution system.

F. Potential Problems and Opportunities

PROFAMILIA marketing and community-based program sales are in a period of relative stagnation, and sales projections show only modest increases between 1981 and 1985 (see Table 4). Though net revenue from all PROFAMILIA sales is expected to increase by \$260,000 U.S. between 1981 and 1982, the projected increase in all PROFAMILIA program costs for the same period is projected to be \$358,000 U.S. Increased foreign donor funds are expected to balance PROFAMILIA's budget.

Table 4

**PROJECTED SALES FOR PROFAMILIA MARKETING AND COMMUNITY-
BASED PROGRAMS, BY PRODUCT, 1982 and 1985**

	<u>1981</u>	<u>1985</u>
<u>Marketing Program</u>		
Oral Pills (cycles)	2.92 million	3.1 million
Condoms (gross)	36,300	57,000
Neo Sampooon (tubes x 20)	89,600	200,000
Norforms (boxes x 12)	80,000	380,000
<u>Community Program</u>		
Oral Pills (cycles)	1.78 million	1.95 million
Condoms (gross)	4,630	6,250
Neo Sampooon (tubes x 20)	4,525	20,000
Norforms (boxes x 12)	51,000	70,000

With sources of donated or contractual funding becoming increasingly scarce, PROFAMILIA is likely to increase its dependency on the marketing and community-based programs as sources of income. Coupled with projections of only modest increases in sales volumes and rising operations cost, pressure to raise consumer prices is likely. Increasing changeover of consumers from product methods to sterilization also implies slow revenue and sales growth. During 1982, PROFAMILIA expects to perform between 30,000 to 50,000 sterilizations. One consequence of price increases would be to sacrifice, in part, the goal of making contraceptives accessible at low prices in order to increase revenue to cover the cost of other services.

Despite the lack of growth in sales, a significant number of potential consumers remain unserved. Table 5 shows that over 600,000 Colombian couples are of fertile age, at risk, not using a contraceptive and have a family income above the minimum wage (\$134 U.S. per month). Based on consumer prices as low as \$.45 U.S. per monthly supply of contraceptives, these couples have financial access. Nevertheless, they are not current users.

Table 5
CALCULATIONS OF POTENTIAL CONSUMERS OF LOW-PRICE
CONTRACEPTIVES, COLOMBIA, 1982

	<u>Urban</u>	<u>Rural</u>	<u>Total</u>
<u>Step #1</u>			
Total population (est.)	18,360,000	8,640,000	27,000,000
<u>Step #2</u>			
Women of fertile age	18,360,000	2,016,000	6,300,000
<u>Step #3</u>			
Fertile couples in union	2,380,000	1,120,000	3,500,000
<u>Step #4</u>			
Couples at risk	2,040,000	960,000	3,000,000
<u>Step #5</u>			
Couples with monthly family income above minimum wage (est.) (\$134 U.S.)	1,632,000	576,000	2,208,000
<u>Step #6</u>			
Couples currently using modern contraceptive	1,200,000	400,000	1,600,000
<u>Step #7</u>			
Remaining couples	432,000	176,000	608,000

Data collected in the late 1979 Contraceptive Prevalence Survey ("Contraceptive Prevalence Survey: Colombia Summary Report," Westinghouse Health Systems, Ministry of Health, Colombia and C.C.P.S., October 1979) indicate that 29 percent of fertile women in union did not desire additional children but were still not using any contraceptive method. (See, also unpublished "CCPS Report," Luis Hernando Ochoa and Jose Augustin Arias, November 1979.) Though reasons for nonuse by this group remain unclear, data gathered in the same survey demonstrate that attitudes toward condoms and lack of information regarding sources of supply are a contributing factor.

Table 6 shows that knowledge of most modern methods is very high among both urban and rural populations. Between three-fifths and 95 percent of persons surveyed identified oral pills, IUDs and sterilization as contraceptive methods. On the other hand, only one-third of rural and one-half of urban persons identified condoms as a contraceptive product. Similar responses in other countries have led researchers to conclude that while most people are familiar with condoms, they do not perceive the product as an appropriate contraceptive method. Vaginal tablets were not even mentioned by a significant portion of the sample.

Table 6

KNOWLEDGE OF SELECTED CONTRACEPTIVE METHODS, URBAN AND RURAL SAMPLE, COLOMBIA, CONTRACEPTIVE PREVALENCE SURVEY, 1979

<u>Method</u>	<u>Percent Having Knowledge</u>	
	<u>Urban</u>	<u>Rural</u>
Oral Contraceptives	94.9	81.8
IUDs	77.2	55.9
Sterilization	77.0	62.2
Injectables	64.6	55.2
Condoms	51.2	33.3

Significant numbers of persons in both urban (22-40 percent) and rural (28-52 percent) areas were unable to name even one source of supply of contraceptives. The percentage cited varies based on the number of methods known by each respondent. Few urban (4-12 percent) and rural (1-6 percent) respondents knew of PROFAMILIA community-based distribution outlets. Lack of knowledge of conveniently located sources of supply rises in importance given the survey's conclusion that,

Trends in the utilization of family planning supply sources indicate that users were inclined toward the use of the private network of drugstores and any other distribution system which required a minimum of travel effort. (Emphasis added.) Contraceptive prevalence Survey, Colombia, 1979, Westinghouse, et al.

Advertising and promotion can be used to deal with all of the above issues. This has been done with substantial impact in other countries. Increased use of media and point-of-purchase promotion seems critical if PROFAMILIA is to reach remaining nonusers who desire to limit their family size. Further, failure to advertise may sharply limit sales growth and contribute to increased prices and other conditions which limit access to low-income consumers (i.e., decrease in sales outlets due to high cost of maintaining them).

Though PROFAMILIA's marketing program has only a modest promotional budget, the community-based program spends a substantial amount on promotion in the form of salaries and expenses of 112 "instructoras." "Instructoras" do serve the important function of opening new sales points and reinforcing consumer motivation. However, use of these highly trained personnel to supply and collect debts from sales points is prohibitively expensive and is not programmatically justifiable. Ultimately, PROFAMILIA may be faced with the need to reduce their number drastically as sales revenue is eroded by inflation (and static volume) while costs rise. A shift of their duties back to motivation rather than distribution, combined

with increased media promotion, seems the clearest short-term response to this problem.

III. DESCRIPTION OF PROGRAM ACTIVITIES

A. History of the Program

PROFAMILIA staff realized in the early 1970s that despite the efforts of their clinic-based program, a large number of people remained unserved. To satisfy this unmet need, PROFAMILIA began a commercial distribution program in 1973.

Sales outlets for this program were initially "Cajas de Subsidio Familiar." Cajas are a form of social security, funded by mandatory employer payroll contributions. The Cajas use these funds to operate large retail outlets which sell food and health supplies and to operate recreation facilities for their members. One of the larger Cajas, CAFAM, has 26 pharmacies in the City of Bogota alone. After sales in these outlets grew, PROFAMILIA expanded its program to include pharmaceutical outlets and began by employing one salesman to supply them. Originally, this salesman had been hired with funds donated by the Population Council to service ten condom machines also funded by the Population Council.

Santiago Plata, the program's Executive Director, joined the program in 1975. Two salesmen worked for the program at the time, operating in Bogota and Medellin. Groundwork for establishing a program in Cali also began then. Since the staff was so small, Plata began by working as a salesman in Cali and several other cities as well as performing his managerial duties. By the end of 1977, Plata hired a sales manager for the program (Gustavo Merizalde), and the program had a total of five salesmen.

Contraceptive supplies originally came through IPPF, London. Import of the products resulted in pilferage at the port of entry, delays in shipping, taxes, as well as objections from local drug manufacturers because the same products were available locally (except for condoms). Since 1975, IPPF has instead donated funds to PROFAMILIA to allow it to buy contraceptives locally. These funds are earmarked for the purchase of contraceptive products only and the account is carefully audited.

Until 1979 the program's oral contraceptives consisted exclusively of Schering and Noriday products. No purchases were made from other local manufacturers because their prices were consistently higher than those offered by Schering. During the last two years, however, Wyeth has been persuaded to reduce its price to \$.20 U.S. per cycle on a test basis. This has allowed PROFAMILIA to expand its product line on oral contraceptives.

When Schering and Wyeth began selling oral contraceptives to PROFAMILIA, they encountered objections from their own salesmen. Salesmen's complaints were based on their loss of commissions from sales they would have otherwise made, if not for the bulk sale to PROFAMILIA. In both cases, the companies dealt with these complaints by giving a small commission on PROFAMILIA sales to the salesmen. After a short period of time the complaints ceased.

The willingness of both Schering and Wyeth to sell directly to PROFAMILIA rather than on the open market is based on factors unique to Colombia and PROFAMILIA. When PROFAMILIA approached Schering to supply its products at \$.19 U.S. per cycle, PROFAMILIA possessed approximately 2,000 sales outlets through its community-based distribution program as well as an already operating commercial program serving a large number of pharmacies in the country. Also, PROFAMILIA's clinic-based distribution program was already substantial and well established. Consequently, PROFAMILIA's offer to purchase oral contraceptives to

supply its clinic-based programs, community-based programs and commercial programs was very attractive to Schering. In effect, at that time, PROFAMILIA was the largest single distributor of oral contraceptives in the country having capacity to serve a population more efficiently and at less cost than the sales staff of either Schering or Wyeth (or any single commercial pharmaceutical company). Few, if any, family planning programs in other countries could make the same offer.

B. Market Potential and Sales Levels

Table 5 shows that Colombia's total population of approximately 27 million persons is approximately 68 percent urban, 32 percent rural, and includes about 6.3 million women of fertile age. Estimates used by PROFAMILIA for planning purposes indicate 3.5 million couples are in union and roughly 3.0 million couples are at risk. Of the 3.0 million couples at risk, approximately 1.6 million are currently using a modern contraceptive method.

During 1981, PROFAMILIA's commercial marketing program alone delivered products to about 300,000 couples, nearly 20 percent of all couples using a modern contraceptive method. Table 7 shows that the program's commercial sales accounted for sales of nearly 3 million cycles of oral contraceptives, 36 thousand gross of condoms and 18,000 tubes of Neo Sampoo.

Table 7

PROFAMILIA MARKETING PROGRAM SALES OF CONTRACEPTIVES, 1981

<u>Oral Pills (cycles)</u>	<u>1981 Sales</u>
Schering	1,781,000
Wyeth	734,000
Noriday	403,000
Total	<u>2,918,000</u>
<u>Condoms (gross)</u>	
Tahiti (packaged)	18,360
Tahiti (strips)	12,800
Stimula	5,100
Total	<u>36,260</u>
<u>Other</u>	
Neo Sampoo (tubes of 20)	
Norforms (boxes of 12)	79,937

The potential market for additional sales of contraceptives consists of nonusing couples who are able to afford low-price products. Based on consumers with a family income of 7,400 pesos (\$134 U.S.) per month or more, the minimum wage in Colombia, the potential market consists of about 600,000 couples.

Recently, PROFAMILIA has expanded its product line to include various non-ethical products. Though sales are not yet at levels comparable to their contraceptives, they are substantial and growing steadily (see Table 8).

Table 8

PROFAMILIA SALES OF NON-CONTRACEPTIVES, 1981

Product	Units Sold	Wholesale U.S. \$ Volume
Syringe (2.5 cc)	20,220	\$ 2,999
Syringes (5 cc)	21,650	3,759
Analgesic Tablets (boxes of 100)	9,159	28,354
Sanitary Napkins (boxes of 720)	277	10,904
Antibiotic (boxes of 100)	51,191	123,035
Distilled Water (2 cc) (boxes of 100)	890	3,958
Distilled Water (5 cc) (boxes of 100)	382	1,310
Disposable Diapers (boxes of 240)	81	4,746
Total U.S. \$		<u>\$179,065</u>

C. Program Operations

1. Product

PROFAMILIA sells a wide variety of products. These include Norinyl and Noriday; approximately 10 brands of oral contraceptives manufactured by Schering and Wyeth; Neo Sampoo; Norforms; Tahiti in strips; Tahiti in packages of three; Prime; Stimula; syringes; analgesic; sanitary napkins; antibiotic (this will not be sold in 1982); ampules of distilled water in plastic packages for use in mixing vaccinations or other items which require distilled water; and disposable diapers. Other products may also be added to the product line. PROFAMILIA has also recently become the national distributor for Akwell. Most of the products sold are locally manufactured and brought on the market without any repackaging. This results in a substantial reduction of expenses to the program as compared with other commercial retail sales programs in other countries.

PROFAMILIA has managed to develop and maintain a very favorable relationship with its suppliers. Mainly, this means being able to obtain timely supplies of its product needs at very low prices, comparable in fact to the prices obtained in much larger bulk purchases by international donors. It has been able to maintain this relationship by consistently making early cash payment for its supplies. For example, PROFAMILIA pays Schering for the entire 1982 supply of oral contraceptives during February or March of 1982. It is able to do so because these funds are covered by donation from IPPF or other sources. Since the cost of capital is prohibitively high in Colombia, Schering provides excellent service at low prices. At the present time money market rates in the country yield 39 percent interest for placement of funds for 90 days.

2. Prices and Margins

PROFAMILIA products reach consumers at remarkably reasonable prices. A cycle of oral contraceptives reaches the public for \$.45 U.S. A one month's supply

of condoms is sold to the public for less than \$.75 U.S. The price of Neo Sampoo is substantially higher because it is currently sold in tubes of 20 tablets for more than \$3.00. However, PROFAMILIA plans to introduce Neo Sampoo in aluminum foil strips in units of one tablet for about \$.10 U.S. per tablet. These prices compare favorably with commercial market prices for similar or identical products. An oral contraceptive marketed by Schering, for example, sells for approximately \$1.02 U.S. per cycle.

PROFAMILIA's presence in the market has contributed to maintenance of low prices in general. Even the Schering and Wyeth lines are consistently low by international standards. Schering and Wyeth labels are still within the reach of families with a monthly income equal to the minimum salary of 7,400 pesos (\$134.00 U.S. per month). One cycle of oral contraceptives of most brands on the market remains less than 1 percent of monthly income of a large portion of Colombia's population.

Margins for PROFAMILIA products are generally 30 percent of consumer price to the retailer and an additional 5 percent to the wholesaler when wholesalers are used. Certain retailers are more favorably treated. These include Cajas de Subsidio and selected other large outlets.

3. Terms of Sale

PROFAMILIA sells on a 60-day credit basis. The minimum sale is \$200.00 U.S. This is indicative of a number of factors also unique to Colombia and this program. First, it means that sales are going mainly to well-established pharmacies. Second, it means that sales are going mostly to urban and semi-urban areas. Third, it means that it is likely that the clientele of these pharmacies is of relatively high income. PROFAMILIA has a total of approximately 2,500 clients. Some of these, however, are chains or sell to other pharmacies so that

PROFAMILIA covers a majority of the 6,000 or so registered pharmacies in the country.

Terms of sale include discounts in price for volume purchases on certain products. A price list of the entire product line of PROFAMILIA appears as Exhibit 1. No volume discount is given for purchases of Schering or Wyeth products because PROFAMILIA believes these to be well-established and well-selling products. PROFAMILIA does vary its prices for certain retail outlets. Cajas gets a lower price than other retailers. For example, they pay approximately 14 percent less for oral contraceptives. However, they do not receive the 5 percent discount for early payment.

Until recently, PROFAMILIA has allowed a 5 percent discount for payments by retailers within 45 days of delivery. However, many retailers have demanded the 5 percent discount while paying in 70 to 90 days or more. This is especially the case in Medellin. PROFAMILIA is currently considering eliminating this discount entirely or limiting it to immediate cash payment.

4. Distribution

PROFAMILIA's marketing program is centrally operated from Bogota. All program functions other than the salesmen themselves (sales manager, warehouse, accounting, invoicing, executive director, purchasing, etc.) are located in the capital city. Five salesmen, working on a commission basis with a guarantee of a very small monthly salary (\$272.00 U.S.), are based in the five largest cities of the country. These include Bogota, Bucaramanga, Cali, Medellin and Baranquilla.

Salesmen operate in mainly urban and semi-urban areas, serving only towns with 25,000 or more persons. However, salesmen do sell to local wholesalers that serve large numbers of pharmacies; and, they also sell to pharmaceutical chains which have as many as 20 to 30 pharmacies. In this manner, the sales force

manages to penetrate as much as 70 to 80 percent of the approximately 6,000 pharmacies in Colombia.

Salesmen must cover a large geographic territory. For example, the salesman for Baranquilla must cover six departments in the country (Atlantic, Cordoba, Sucre, Bolivar, Magdalena and La Guajira). Even though each salesman may be able to visit as many as ten or fifteen pharmacies per day and also use local wholesalers, this is a large geographic area to cover. As a result, PROFAMILIA is moving to convert the salesmen to distributors who would have a number of salesmen working for them.

Delivery of products is done centrally, as is invoicing. Orders are mailed to Bogota by the salesmen. Products are then shipped from the Bogota warehouse via two or three transportation companies which have fleets of trucks or vans which are able to deliver products to any point within PROFAMILIA's area of sales within two days. PROFAMILIA's sales manager reports that products generally arrive at their destination within ten days of receipt of the sales request from salesmen. Some points, however, are difficult to reach in Colombia, especially during the rainy season.

Salesmen are paid only for those accounts which are actually collected. The collection cycle averages 93 days. In Medellin it is 83 days. Payment of the salesmen's commission is based on collections rather than on sales to ensure that PROFAMILIA will have an adequate cash flow and that commissions will not be paid on those sales which become bad debts. In order for salesmen to push sales of Noriday (a donated product on which the net margin to PROFAMILIA is much greater than on the products it must buy) PROFAMILIA salesmen do not receive their commission on Schering and Wyeth products unless they meet their allocated sales goal for Noriday first. Salesmen also receive a bonus on their sales. Again, however, the payment of the bonus is not made unless at least 90 percent of the

sales are collected with 90 days. The sales manager regularly visits with his salesmen on site. He reviews accounts to determine their age and, on an annual basis, determines sales objectives for each quarter and for the year.

5. Promotion

PROFAMILIA does not engage in a substantial amount of promotional activity other than through the ancillary activities of other PROFAMILIA projects such as the community-based distribution program. However, recently PROFAMILIA has begun a press campaign for condoms in cooperation with Akwell. Akwell and PROFAMILIA contribute \$2.00 U.S. each per gross of product purchased for the promotional campaign. During 1981 approximately \$40,000.00 was spent. Exhibit 2 demonstrates the variety of advertisements used as part of this program. In 1982, a billboard promoting Stimula was placed in Cali as an experiment to test for negative and positive reaction. Considerable resistance from newspapers was encountered when the program initially began to place condom advertisements. Several large newspapers refused to place these ads for PROFAMILIA and have editorialized against advertisement of these products. These objections have not been damaging to the program thus far and are not likely to be, since the level of advertising is very modest.

D. Organizational Form

Organizational form has posed problems for many commercial programs as a result of the complexity of donor organization requirements, local tax laws and other local regulations. For example, in Colombia nonprofit organizations may sell products (even donated products) as long as they pay sales tax. USAID regulations, however, prohibit payment of any taxes with USAID funds. Also, commercial programs often pose political problems for family planning associations, and therefore they desire to place some distance between themselves and the commer-

cial programs. After reviewing the possibility of creating a parallel "nonprofit" organization to operate its commercial program, PROFAMILIA opted for the following form.

A nonprofit entity, ACOSE, was created as an import agent. ACOSE pays sales tax (as do all entities in Colombia) and customs duties (applicable only to proprietary drugs) and resells the imported goods to SOMEFA. SOMEFA then transfers the goods to PROFAMILIA. ACOSE is also the organization used to make exclusive distribution agreements with foreign manufacturers, when necessary, as is the case with Akwell.

E. Related Programs

1. Community-Based Distribution Program

PROFAMILIA's community-based distribution program, which began in rural areas in 1971, is one of the first programs of its type. In 1974 the program expanded to cover the urban poor (marginal areas of large cities).

During 1974 the 288 sales outlets in the community-based program sold 489,000 oral contraceptives. In seven years the number of outlets has grown to 4,120 and the number of cycles distributed to 1,783,000. Approximately 2,600 of the outlets are located in the major metropolitan areas and the remaining 1,400 in smaller towns (200,000 population or greater). Unlike many other community-based distribution programs in other countries, the distribution points in this program are mainly retail outlets. They vary in size and nature from small neighborhood food stores to large general stores known as "miscelánias." Plans for the near future call for improvement of outlets rather than further expansion.

One hundred twelve instructors are employed by the program to perform a wide variety of functions. They are a primary element of PROFAMILIA's information, education and communication program, delivering lectures, talks and

other forms of instruction about family planning to groups and individuals. In addition, they locate and develop sales outlets for the community program as well as resupply and collect money from retailers. In some areas, each instructor performs all of these functions; in others, one instructor is assigned to resupply the outlets and collect money while two or three others do information, education and communciation work. Preliminary review of these two methods by the community-based distribution staff indicates that the latter arrangement is more effecitve and less costly.

Instructors are paid a salary of approximately \$260.00 U.S. per month. The staff is conducting an experiment to test the use of bonus payments for increased sales. No data is available yet on this subject.

Since 1979, the program has been delivering service in Colombia's least-populated and most isolated area--the "national territories." Sales points there consist almost entirely of pharmacies which are visited by a single instructor retained by the program. During 1980, sales outlets in the national territories sold approximatielely 180,000 cycles of oral contraceptives, 1,000 gross of condoms and 8,000 tubes of vaginal tablets. Once sales outlets have been more developed, their resupply and service is transferred to commercial retail sales program.

2. SOMEFA

SOMEFA (Asociacion Sociedad Medico Farmaceutica), a private nonprofit organization, markets various contraceptive and related products directly to physicians and private clinics. The entire sales effort consists of one part-time detail man and direct mail sales.

SOMEFA sells a wide variety of products. Exhibit 3 shows the product line and prices. IUD sales are the most successful, with between 25,000 and 30,000 units sold annually. Sales to physicians are particularly important since none of PROFAMILIA's programs is directed toward this group.

IV. SOURCES OF INFORMATION

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