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TRIP REPORT

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INTRODUCTION

The Family Planning Association of Honduras (Asociacion Hondurena de Planificacion Familiar, ASHONPLAFA) is interested in implementing a contraceptive commercial retail sales project. As an initial step, it requested USAID assistance in assessing the feasibility of a CRS project. This report consists of the findings of a consultant visit made for this purpose from November 17-21, 1980.

Initial consultation with ASHONPLAFA made clear that the organization places high priority on early implementation of a CRS project. Consultation, therefore, focused on:

(1) Development of an organizational design for the project, (Section I of this report);

(2) Development of a preliminary marketing plan, including identification of subcontractors and outline of tasks, (Section II); and

(3) Preparation of a brief statement of the underlying socio-economic conditions which justify a CRS project, (Section III).

(4) Preparation of preliminay report for immediate use, which was written during the site visit and which appears here as Appendix B.

EXECUTIVE SUMMARY

A commercial retail sales project is both desirable and feasible in Honduras. First, a significant portion of the population which does not currently have access to contraceptives (because of high commercial prices and insufficient public health services) could afford them at lower prices. Second, more than adequate advertising, distribution and packaging resources exist in Honduras. Market research services, though inadequate locally, are readily available through firms based in Guatemala.

A retail sales program in Honduras might have the following characteristics:

Products and Packaging: An oral contraceptive, condom (in packages of three) and a vaginal tablet (in tubes of 12 or 20 tablets). Packaging would be locally designed and produced.

Prices and Margins: A month's supply of each product would cost the consumer about 1 Lempira. Margins would be comparable to those of other products in the same distribution system - 25% at the distributor, wholesaler and retailer levels. This would return 0.50 Lempiras per monthly unit to the project.

Distribution: One or two commercial distributors could be used to distribute the three products in return for their standard margin. In a nationwide project, they would reach all 300 pharmacies, the 25-30 supermarkets and large retailers and between 5-600 smaller retailers as well as construct a method of reaching the 500 current CBD "distribuidoras". In a regional project (for example, covering from Santa Barbara to La Ceiba) they would reach 150 pharmacies and between two and 300 smaller retailers as well as resupply about half of the current CBD "distribuidoras".

Advertising and Promotion: A low key campaign emphasizing radio and point-of-purchase promotion is indicated here, with a modest press campaign directed to opinion leaders. At least three local advertising market research may have to be subcontracted to an outside company.

Pesonnel: At a minimum, the project will require an experienced manager and secretary to coordinate advertising, distribution, inventory, packaging and other project elements. The project should also have two salespersons working at the distributor company to promote project sales.

Timing: After the project is approved and funding secured, market research, construction of an advertising campaign, contracting with a distributor and packaging may occur within 3 to 4 months. The initial "selling-in" period would begin at the end of this period and take an additional 2 to 3 months. Toward the end of the second quarter, advertising may begin, with the intense introductory period lasting three months. Sales should be well under way by the third quarter of the first year and should be at maintenance levels by the middle of the second year of the project.

Project Organization: The project may be undertaken: (1) directly by ASHONPLAFA; (2) by a separately incorporated subsidiary of ASHONPLAFA; (3) by ASHONPLAFA subcontracts with an advertising agency, packaging company and distributor; or (4) by some combination or variation of these forms of organization.

Sales Penetration: Based on current usage rates and income distribution, a nationwide program can be expected to reach between 50-70,000 users at maintenance levels. A regional program covering half the population could be expected to reach between 15-25,000 users at maintenance level.

SECTION I. PROJECT ORGANIZATION

A. APPROACH

The CRS project in Honduras will be under the direction of ASHONPLAFA, an IPPF affiliate which as been operating for several years with the support of the Pathfinder Fund, IPPF, USAID and other donor agencies. The CRS project will not be directly connected with the Honduran Government.

At least three organizational forms are possible for the CRS project:

(1) ASHONPLAFA may directly implement the project with a manager and secretary located at the distribution company's office or at ASHONPLAFA. Subcontracts for advertising, distribution, packaging and other services would be made with local suppliers; or

(2) A separate corporation organized as a subsidiary of ASHONPLAFA could carry out the project; or,

(3) ASHONPLAFA could contract directly with various suppliers for all project activities, and not maintain any project staff of its own.

Regardless of the form of organization chosen, the project will certainly require outside consulting services to supervise marketing reearch, advertising and general project management.

B. SUGGESTED PRE-PROJECT TASKS

AID:

1. Provide start up funding for the project:
2. Arrange for outside consulting services for the project;
3. Assist ASHONPLAFA in obtaining a regular supply of commodities, including low dose oral contraceptive pills;
4. Commit local mission personnel time to coordinate AID aspects of the project.

ASHONPLAFA:

1. Research local legal aspects of the project;
2. Determine organizational form for the project;
3. Make formal request for funding;
4. After initial funding, develop detailed marketing plan, invite bids and presentations by subcontractors.

C. CRS PROJECT TASKS

1. Background Information

Collection and analysis of additional data is necessary at an early stage of the project. This should include review of all available material on knowledge of, attitude toward and practice of family planning by current and potential consumers. A statement of local laws and policies regarding the marketing of contraceptives would also be helpful.

2. Marketing Plan

An initial step will be the preparation of a detailed marketing plan at a nationwide level, including procedures for moving from a regional trial to national distribution. The plan should include definition and analysis of the target market, including enumeration of the specific market segments to be served. Expected sales levels during the introductory and maintenance phases of the project should be specified.

Other elements of the marketing plan are:

a. establishment of prices at the consumer level which will make the products available to the target market;

b. development of procedures for testing brand names;

c. design of a specific distribution structure for the products, including the number and type of retail outlets and their location;

d. establishment of appropriate sales margins for the various levels of the distribution system;

e. development of testing procedures for packaging and advertising;

f. design of a schedule for advertising and promotion;

g. design of an information system to provide on-going information for project management.

3. Procedural Elements

Methods and criteria for selection of subcontractors including an advertising agency, packaging service and distributor should be designed. Procedures for securing supplies and storing them should also be developed. Timing of these and other project activities should be made clear.

4. Measurement of Project Output

Measurement techniques should be assigned to include sales of products relative to projections, detectable increases in sales and use of contraceptives through commercial outlets, behavioral measurements of increased awareness and knowledge, and inferred impact on public sector family planning activities.

5. Project Organization

Design of the project's organizational form should provide, at a minimum, for the following:

a. long term continuation of the project after the initial funding period ends;

b. a plan for establishing continuous and open communications between the parties interested in this project;

c. procedures for accounting and control of project inventory, receipts and disbursements;

d. reporting procedures for monthly, quarterly and annual sales and distribution reports;

e. procedures for training and hiring project personnel, including providing for future replacements;

f. budget and cost control procedures.

SECTION II. PRELIMINARY MARKETING PLAN

A. Products and Packaging

The project will distribute at least three types of contraceptive products-oral contraceptives, condoms and vaginal tablets. At the present time, the single name strategy for the product line used by the Mexican CRS project (PROFAM) seems appropriate. It provides the advantage of allowing male and female consumers to purchase any product by simply asking for them generically; i.e. PROFAM for men (condoms), PROFAM for women (pills and tablets). Market research will be conducted early in the project to determine the accetability of this approach or that of alternative approaches, including brand names for each contraceptive product.

ASHONPLAFA indicated a preference for use of a low dose oral contraceptive for this program rather than the product currently supplied through public sector programs. Interviews with distributors, pharmacists and local representatives of pharmaceutical companies also indicated that the low dose oral pills are by far the best sellers through commercial channels.

Local packging and printing capability is adequate if simple cardboard packages and promotional materials are to be used. If a vacuum pack or other sophisticated materials are required, a foreign contractor will be necessary.

B. Prices and Margins

Retail market prices for contraceptives are presently at standard international levels. Oral pills sell for between 2.75 and 6.25 Lempiras per cycle (US$1.38 to 3.12); condoms between 0.70-2.50 Lempiras for three units (US$0.35 to 1.25); and, vaginal tablets for 3-5 Lempiras (US$1.50 to 2.50). Spermicides are priced as high as 15 Lempiras (US$7.50) for a 70 gram tube.

Given income levels of the target population for this CRS project, a one month supply of each product should be priced within the normal purchasing pattern of what commercial firms call Class C and D consumers. In Honduras, this means reaching consumers with a monthly household income as low as 100 Lempiras (US$50). Based on experience with other CRS projects, the price of a one-month supply (1 cycle of oral pills; 10-12 vaginal tablets; or 3-4 packages of three condoms) of each product should not be more than 1% of monthly household income of the lowest cash income consumers in the project's target market. Using 100 Lempiras, this means a price of not more than 1 Lempira (US$0.50) per monthly unit of each product.

It is possible that some consumers who can afford to pay more than 1 Lempira will perceive the comparatively low price as an indication that this is a serious problem, a second higher priced brand line may be marketed, as was done in the Ghana CRS project.

A consumer price of 1 Lempira should allow reasonable margins for distributors, wholesalers and retailers as well as provide a modest return of funds to the project. Current margins in the private sector are regulated by the government for ethical pharmaceutical prices and are between 25-31% at wholesale and retail levels. Ethical products are generally marketed directly to retailers by distributors, with the wholesale level bypassed. Proprietary products usually carry a margin of 20% at distributor, wholesaler and retailer levels.

A margin structure for the project's products might be:

	PRICE	MARGIN
Consumer Price	1.00 Lempira	-
Price to Retailer	.80	25%
Price to Wholesaler	.625	25%
Price to Distributor	.500	25%

This would return 0.50 Lempias (US$0.25) per monthly unit, to the project.

As an incentive to retailers, the initial supply of product ccould be given free. This will allow retailers to obtain sufficient funds to purchase their second and following orders without financial strain. For "distribudoras" now being supplied by the Community Based Distribution System, this would be essential.

C. DISTRIBUTION

At a nationwide level, the project can be expected to have the following distribution points:

	Metropolitan Tegucigalpa	Other Urban	Rural	Total
Pharmacies	66	184	30	280
Supermarkets & othe large retail	25	50	--	75
Small retailers	200	300	100	600
Total	291	534	130	955

In addition, the 500 current "distribudoras" who operate this Community Based Distribution (CBD) program would also be supplied through the commercial sector. This would probably be achieved by pharmacies that would sell to them at wholesale prices.

Should the project be undertaken initially on a regional basis, it would be reasonable to expect 100 pharmacies, 2-300 large and small retailers and about half of the CBD "distribudoras" to be points of sale. Such a program might be best undertaken in the northern half of the nation (i.e. between Santa Barbara and La Ceiba) since distribution generally divide the country this way.

Whether regional or national, distribution would be contracted by competitive bid through one or more Honduran distributors. Distributors who appear to have good nation wide coverge and experienced staff include:

- Rivera y Compania
- Drogueria Mandofer
- Drogueria Rischbieth
- Distribudora Istmania
- Distribudora Astro
- Compania Distribudora Hondurena

Several of these claim to reach all three hundred pharmacies and approximately an additional 8,000 non-pharmaceutical retailers. This is about one-third of the retail outlets in the country. Each of the first three above has a staff of salespersons and a detail force that is augmented by representatives of the international pharmaceutical companies. The latter three do not distribute ethical products and would have to obtain a licence in order to distribute oral contraceptives.

Regardless of the distributor chosen, it would be advisable to contract with the company to hire at least two salespersons whose only responsibility would be to sell the program's products. They would be paid on a salary plus commission basis, as are other salespersons.

D. Advertising and Promotion

Based on discussions with local advertising agencies, ASHONPLAFA and other persons, the following preliminary advertising and promotion plan has emerged. Market research will, of course, preceed development of a ccomplete marketing and advertising plan when a project is implemented.

Only radio and point of purchase media effectively reach class C and D consumers, especially in rural areas. In a nationwide program, this means using 2-3 radio stations in Tegucigalpa, 2-3 in San Pedro Sula (the second largest urban area) and 4-6 others in the remainder of the country. During the first three months of advertising, each station could carry as many as 10 messages of thirty section duration each, every day. Point-of-purchase/promotional materials may include an outdoor metal sign, posters, attractive wall dispensers and perhaps a shelf display. A regional program would require use of fewer radio stations, but with the same relative message frequently.

Message content will be determined by pre-project market testing of alternative messages. One currently suggested approach is to provide several information about family planning followed by the statement that inexpensive contraceptives may be obtained wherever the project s symbol is displayed. A symbol could be designed on metal or heavy cardboard and displayed by retailers. This approach would be effective especially outside Tegucigalpa, where many retailers use Coca Cola or Mejoral metal signs to identify themselves as retil outlets.

A small number of press messages is also suggested in order to provide information to opinion leaders and to counter whatever opposition may arise to the project.

A second type of radio message might be a pre-packaged question and answer program which deals with health and family planning. Each program could contain a segment which identifies the products, their availability and location.

Advertising agencies in Honduras regularly make presentations to clients at their own cost. A subcontract can be given to one or more agencies based on presentation and competitive bidding. At least three local agencies are capable of implementing the required campaign: APCU (a J.W. Thompson affiliate); McCann-Erickson (offices in San Pedro Sula); and Publicidad Calderon. The quality of marketing research is not adequate locally and will have to be contracted to an outside firm, except perhaps for small group panel sessions. the local agencies do regularly use outside firms based in Guatemala for research and a subcontract could be let through them.

Media costs are relatively inexpensive. For example, a thirty second spot on a Tegucigalpa station can be purchased through a large agency for between US$1.00 to 3.00. In rural areas, thirty second spots are available for between US$.50-1.00. Promotional mateials are expensive if locally produced and local agencies often use suppliers in other Central American countries. A well produced thirty second radio spot costs between US$200-400. The program could expect to use as many as five different spots in the first three months and two or three new ones during the first 6-9 month maintenence period.

E. Timing

Once the decision is made to implement the project and funding is secured, a three-month preparatory phase will begin. Duing this time, personnel will be retained for the project and a distributor and advertising agency will be selected by competitive bid. Also, a more complete marketing strategy will be prepared including a decision about pakaging. Product procurement arrangements will be made and packaging of a 3-6 month supply done.

During the second quarter of the project, the distributor will begin to reach the target distribution points. After this is well under way, the initial product launch may begin and last about three months.

The project should be established in most of the target distribution point and sales well established by the start of the fourth quarter of the first year of the project. Sales should be at maintenance levels by the 18th month of the project.

F. Market Penetration

There are currently approximately 700,000 women of fertile ages in Honduras. Fewer than 100,000 of these are using some modern contraceptive method. Of the remaining 600,000 women, 420,000 are rural residents and 180,000 urban. Based on available data, about 40% of rural women (or 176,000), live in households with monthly incomes of 100 lempiras or more. About 70% of urban women or 126,000 live in households with the same income level. In a national campaign, at maintenence level, the project could expect to reach as many as 20% of the rural women with monthly household incomes of 100 lempiras or more, or about 36,000 women; and, an additional 30% of urban women or 37,000. A regional campaign geared to the northern population sector could hope to reach as many as half this amount.

Market penetration at above estimated levels would represent a significant addition to present usage levels. Public sector programs currently serve as estimated 50,000 uses and private sector 25-35,000 more, or 12% of fertile couples. Should a CRS project meet its projections, an additional 70,000 couples or 10% of fertile couples, would be served.

G. Estimated Budget

Budget preparation at this early stage is only for the purpose of determining the order of magnitude of the project. Estimates here are for undertaking a nationwide program. A regional project would require between 50-75% of a national budget, assuming that the regional program covers a significant area (such as the Northern sector of the country between Santa Barbara and La Ceiba).

During the first year of the project, total cost exclusive of product and contractor expenses should be in the vacinity of US$120,000. This would include an introductory advertising campaign of about US$25,000 for three to four months, an additional US$5,000 to $10,000 for marketing research and maintenance advertising and about US$20,000 for packaging. Estimates are based on the assumption that newly packaged products would begin to become available within 6 to 9 months after the start of the project. Budgets for the second and third years of the project should be in the vacinity of US$175,000 to $200,000 (exclusive of U.S. contractor costs) since they will include a full year of advertising and packaging expenses.

At maintenance levels, project budget could be 15-20% below this level. Apart from supply of product, the majority of these costs should be set off by revenue from project sales once the project reaches maintenance levels.

SECTION III. SOCIOECONOMIC CONDITIONS

A. Socioeconomic Conditions

Socioeconomic conditions in Honduras are favorable for contraceptive commercial distribution program. Income levels and literacy are comparable with those of countries in which CRS programs exist or are proposed. (See Table 1.)

1. Demographic Background

The current population is estimated at 3.7 million, with an annual growth rate of nearly 3.5%, the highest in Central America. Population density is relatively low, though arable land is in short supply and overcrowding in the nation's largest cities is increasing. The rural population is about 70% of the total.

2. Income Distribution

Accurate data regarding income distribution is not currently available. Best estimates indicate that less than 10% of rural population has annual per capita income of US $40 or more. Half the rural population is believed to have annual per capita income of less than US$100 per year. As much as half the urban population has annual per capita income of less than US$450. However, with average household size over 6 persons per household, it is fair to estimate that 40% of rural households and 70% of urban households are in the cash economy.

TABLE 1

Economic and Social Indicators for Honduras and Other Countries with Subsidized Commercial Distribution Systems

	Jamaica	Dominican Republic	Peru	Guatemala	El Salvador	Honduras
Population (millions)	2.10	4.98	17.0	6.2 ('78)	3.6 ('75)	3.7 ('80)
Percent economically active	42.6	31.0	28.0 ('77)	30.9 ('75)	30.9 ('75)	25.0 ('80)
Percent agriculture forestry	29.5	46.8	39.5 ('77)	58.2	41.2 ('75)	63.6 ('78)
Percent of labor force in manufacturing	10.8	8.3	12.8 ('77)	13.5	10.0 ('75)	8.7
Wages in manufacturing (hourly, 1975)	NA	125p/mo. ('79)	US108/mo. ('77)	$59/wk('77) or 49.4 centaros/hr.	55-69 colon/wk. ('77) or 1.30-1.50 colones/hr.	US$104/mo.
Price Index 1977 (1970-100)	237.5	196	263 ('76)	124.4 ('77)	204.3('78) 180.8('77)	182 ('78)
Motor Vehicles in use (1975)	86,100 ('72)	117,000 ('77)	495,000 ('74)	133,000 ('76)	60,000 ('74)	61,000 ('78)
Population per hospital bed	257 ('74)	351 ('73)	497 ('72)	457 ('73)	563 ('75)	585 ('77)
Birth rate	30	36	41 ('70-'75)	42.8	39.9	46.9
Death rate	7	11	11.9	11.8	7.9	14.6

TABLE 1 Continued

	Jamaica	Dominican Republic	Peru	Guatemala	El Salvador	Honduras
Telephones per 100	0.5	5.0	2.4 ('76)	1.0 ('73)	1.4 ('76)	0.7 ('78)
Rate of natural increase	2.3%	2.7% ('79)	2.0%	3.1%	3.2%	3.47% ('76)
Urban population	41%	40-50%	66% ('79)	36.4%	42%	31.1 ('80)
Adult literacy	86%	68% ('77)	72% ('76)	47%	NA	43.0 ('77)
GNP/capita (US$)	1,070	780 ('76)	800 ('76)	630	NA	481 ('78)

Sources: United Nations Yearbook of Labor Statistics, ILO, 1979; and United Nations Statistical Yearbook, 1978; International Marketing Data and Statistics, 4th ed. Euromonitor Publication, 1980, London; World Statistics in Brief, UN 1979, 4th ed. Statistical Abstract of Latin America, UCLA, 1980.

3. Family Planning Services

Family planning services are available in the public sector through the Ministry of Health and the Honduran Family Planning Association. Most recent data indicate that the Ministry of Health clinic-based delivery system serves about 25,000 continuing users. ASHONPLAFA delivers sevices through a community based distribution system which currently serves an additional 25,000 persons. By method, in public sector programs oral pills are the overwhelming choice (70%), with IUDs next in MOH programs (24%). Nearly 10,000 users have accepted some permanent method.

4. Private Sector Sales of Contraceptives

Local distributors indicate that a broad range of contraceptive products is available on the local market, at international prices. This was confirmed by several brief visits to pharmacies in Tegucigalpa, Choluteca and a number of smaller towns. Contraceptives do not appear to be available in non-pharmaceutical retail outlets.

Estimatio of the volume of private sector sales of contraceptives is difficult. Although IMS data is locally available, it is not considered reliable, based on information supplied by the largest distributors of contraceptives and local representatives of international pharmaceutical companies, it seems that about 25-35,000 Honduran couples currently obtain supplies from the private sector. Oral pills are used by most of these, with total annual sales in the vicinity of 300,000 cycles per year. Sales of condoms appear to be under 5,000 gross annually.

5. Legal Issues

No formal government policy on family planning exists, however the Honduran Constitution does recognize its citizens' right to freely plan their families. Distribution of ethical pharmaceutical products, including oral contraceptives is limited, and prices of these products are regulated by the government.

APPENDIX A

SOURCES OF INFORMATION

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2. Business International, "Indicators of Market Sales For 131 Countries, 1980
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10. John Massey AID/Honduras
11. Raul Torres Lazo, Distribudora Istmania
12. Dr. Marie Cerna B., Amedicor Centroamericana
13. John M. Marcilla Sr., Grupo de Desarrollo Economicio
14. Mario A. Coello R., APCU
15. Avel Garcia, Amedicor Centroamericana
16. Alfonso Murga, APCU
17. Norma Alvarez, Calderon Publicidad
18. Sales Mgr. DIAPA Distribudora
19. Viztor Garcia, Parke Davis, Honduras
20. Oswaldo Valladares, Rivera y Cia

21. Dr. Nunez, Treasurer, ASHONDL AFA

22. German Cerrato, ASHONPLAFA

23. Dr. Ricardo V. Maldonado, Schering AG, Honduras

24. Jim Stone, AID/Honduras

25. Arthur Danart, AID/Washington, D.C.

26. Dr. Alejandro Flores, ASHONPLAFA

APPENDIX B

PRELIMINARY REPORT

MERCADEO SOCIAL

RESUMEN EJECUTIVO:

Un programa de mercadeo social en Honduras puede contar con los siguientes elementos:

Producto y Embalaje:	Anticonceptivos, condones, tabletas vaginales, empacados localmente o importados de PROFAM en Mexico.
Precios y Margenes:	1 Lempira es el precio al consumido por una remesa de cada producto para un perfodo de un mes. Un margen del 25% para el distrinudor, mayorista y detallista. Ingreso de L.O.50 por unidad mensual al proyecto.
Distribucion:	En todo el pais, 300 farmacias, 5-600 otros detallistas y 500 "distribudoras". Regionales, 150 farmacias, 2-300 otros y 250 "distribudoras".
Propaganda y Promocion:	Una campana suave, utilizando mensajes radiales y puestos de compra, con algunos mensajes por la prensa dirigidos a lideres de opinion.
PERSONAL:	Un gerente con experiencia, dos vendedores ubicados en la distribuidora, una secretaria.
Calendario:	Despues de su aprobaolon, 3 meses de preparacion, 3 meses de distribucion de los productos. Ventas y propaganda en progreso durante el 3r trimestre del primer ano.

Organizacion del Proyecto:	(1) Directamente por ASHONPLAFA: o (2) por una subsidiaria de ASHONPLAFA incorpordo por separado; o (3) subcontrato con una firma publicitaria y distribuidora local; o (4) mediante combinacion de los anteriores.
Introduccion de Ventas:	En todo el pais, en mantenimiento 50-70,000 usuarios. Regional, en mantenimiento, 15-25,000.
Presupuesto:	Primer ano en el pais US$180,000 con un ingreso de US$30,000 por un costo neto de US$150,000. Primer ano regional US$120,000 con ingreso de US$15,000 por un costo neto de US$105,000. A niveles de mantenimiento, el ingreso deberia cubrir la mayoria de los costos fuera del producto.