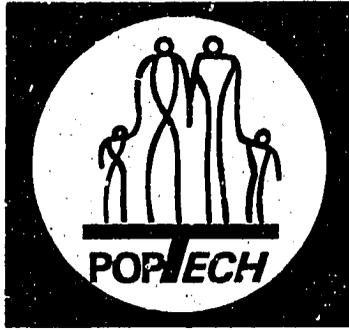
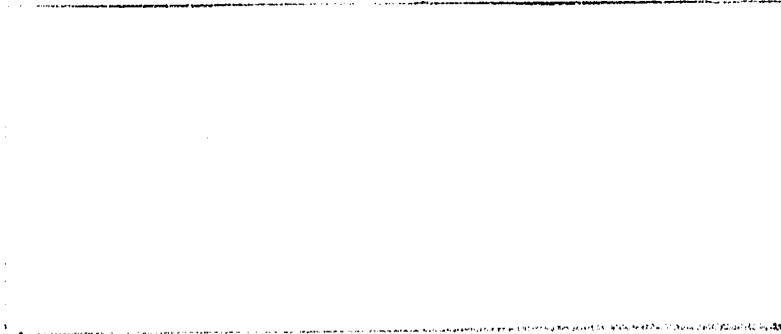


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Population Technical Assistance Project



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**Final Evaluation of the
Pakistan Social Marketing of
Contraceptives Project
No. 391-0484**

by

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**Fieldwork
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POPIECH'S REPORT-AT-A-GLANCE SERIES

FINAL EVALUATION OF THE PAKISTAN SOCIAL MARKETING OF CONTRACEPTIVES PROJECT

(1984-1994: USAID Funding - \$28 million)

SUMMARY

The Pakistan Social Marketing of Contraceptives (SMC) Project has made a number of substantial contributions toward furthering family planning objectives in Pakistan: the condom has been desensitized on a national basis; the name of the project condom, "Sathi," has become a generic term for a condom; there is wide recognition of the Sathi logo and its orange color; Sathi is now distributed nationally in both urban and semiurban areas; and Sathi has reached a significant sales volume — a total of over 291 million Sathi have been sold since the beginning of the program's sales in 1986.

The present organizational structure of the project, however, has inherent management difficulties and excess programmatic and financial oversight by the technical assistance contractor, USAID, and the government of Pakistan. This has led to severe tensions and an overall lack of cooperation among the participants. As a result, effective marketing and planning for the future are no longer happening. Advertising and promotional activities have not occurred for the past two years, the program's distributor is exerting a minimal effort, and shortages of Sathi condoms have now begun to occur at the local distributor and retailer levels.

The present contracts for this project end on September 30, 1993. Given that no other low-priced condom exists in the marketplace in Pakistan, this program needs to continue. USAID/Islamabad's intent is to incorporate the SMC program under the Private Sector Family Planning (PRIFAM) Project set to begin in late 1993. Given current management problems, a less complex project structure can be designed, with the distributor having the sole responsibility for the management and marketing of the program. Now that Sathi is an established product, technical assistance is no longer needed to achieve sales objectives.

FACTORS AFFECTING PROJECT PERFORMANCE

Facilitating Factors

- High-quality graphics and production in both the Sathi packaging and point-of-purchase materials have led to a perception of quality and high consumer recognition and acceptance of the product.
- There is no other low-priced condom available in the country to compete with Sathi.
- The government of Pakistan sees the need for a multisectoral approach to achieve a reduction in the rate of population growth, and its participation in the SMC project has been a factor in the project's not having received political backlash.
- The desensitization of the condom on a national basis and the fact that "Sathi" is now the generic term for a condom have been significant factors in achieving the program's sales levels.

Constraints

- An undue amount of monitoring and programmatic and financial oversight of the program's distributor has caused severe tensions among the participants, resulting in a lack of cooperation and lessened project activities.
- A total absence of mass media advertising or other promotional activities since 1990 has not allowed for increasing public awareness of, or desire to purchase, the Sathi condom.
- The government of Pakistan's decision to not permit a private sector firm to retain the rights to the brand names in the SMC project, combined with USAID's implementation of a U.S. Congress mandated phaseout of funds (due to Pakistan's nuclear program), has not allowed the project to expand beyond one product, Sathi.

LESSONS LEARNED

- The goal of selling a donated product to lower-end socioeconomic groups is incompatible with the goal of arriving at sustainability, certainly full sustainability. Before designing a project, USAID should give careful consideration to basic policy decisions as to how long and to what extent it is willing to subsidize the program.
- Overly complex social marketing programs have a greater chance of encountering programmatic problems and less chance of becoming sustainable. The design of a social marketing project and its contractual deliverables should be kept as simple as possible (relative to local conditions) and closely in line with local commercial norms.
- When designing a social marketing project, it is best to contract only with a major, well-established distributor who already has its own sales force and is not dependent on the social marketing contract for the major portion of its business. USAID should not have to pay a distributor the salaries to hire additional sales people or staff.
- The distributor/marketing firm hired to implement a social marketing program is chosen because of its local commercial experience and expertise and therefore should have control and authority over its own distribution/marketing activities. The services of an outside technical assistance contractor, if required at the beginning of a program, are intended to provide assistance (both to the distributor and USAID) and to transfer technology; technical assistance should not be used to provide "oversight." The oversight of one firm by another actually blurs responsibilities and can create antagonism and distrust.
- The approval of a program's marketing plan by all interested parties can lead to long delays and can even cause the plan to become a political document. Because of this possibility, a marketing plan should not be a contract deliverable; rather, a simple workplan not more than five pages long should be the deliverable. The marketing plan should be the distributor's internal working document to assist in strategic marketing and in achieving the program's goals.
- A social marketing program's research is best used to determine how to market the product more effectively. The amount of research conducted should be largely dictated by the marketing requirements of the product and initiated by the distributor. The expertise of local research firms should be appropriately utilized to design the research to assist in solving the marketing problems. Although monitoring and evaluation are legitimate needs of USAID, a disproportionate amount of research, time, and expense should not be utilized for this purpose.

Source: *Final Evaluation of the Pakistan Social Marketing of Contraceptives Project, No. 391-0484* by D. Wear, C. Cromer, and M. Ali. 1993. POPTECH Report No. 93-193-147.

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Glossary

A.I.D.	Agency for International Development (Washington)
CYP	couple year(s) of protection
DRB	Domestic Research Bureau
GOP	government of Pakistan
IUD	intrauterine device
MIS	management information system
MPW	Ministry of Population Welfare
MWRA	married women of reproductive age
NDFC	National Development Finance Corporation
NWFP	North West Frontier Province
PACD	project assistance completion date
PCS	Pakistan Consultancy Services
PDHS	Pakistan Demographic and Health Survey
PRIFAM	Private Sector Family Planning Project
PSI	Population Services International
PSIMA	Population Services International Marketing Associates
Rs.	rupees (Pakistan unit of currency)
SMC	Social Marketing of Contraceptives (Project)
USAID	United States Agency for International Development (mission)

Acknowledgments

The team is grateful for the assistance it received from the staffs of USAID/Islamabad, Population Services International (Karachi), and W. Woodward Pakistan (Pvt.) Ltd. A list of the people who shared their expertise and facilitated the team's work in additional ways is included in Appendix A.

The team would especially like to thank Mr. Altaf Ahmad of USAID/Islamabad for his assistance throughout the assignment.

Executive Summary

Purpose of Evaluation

The purpose of the final evaluation of the Social Marketing of Contraceptives (SMC) Project in Pakistan was to assess project accomplishments and the performance of the technical assistance and distribution contractors. The evaluation was also to consider options for improving the financial sustainability of the Sathi condom and for incorporating the social marketing activities into the new Private Sector Family Planning (PRIFAM) project expected to begin April 1, 1993.

Project Implementation

The SMC Project has made a number of substantial contributions toward furthering family planning objectives in Pakistan: the condom has been desensitized on a national basis; the name of the project condom, "Sathi," has become a generic term for a condom; there is wide recognition of the Sathi logo and its orange color; Sathi is now distributed nationally in both urban and semi-urban areas; and Sathi has reached a significant sales volume.

The present organizational structure of the project, however, has inherent management difficulties inadvertently built into the contracts for the technical assistance and distribution contractors. W. Woodward Pakistan (Pvt.) Ltd. has responsibility for marketing, distribution, and contracting with the advertising agency. Population Services International (PSI) has the primary responsibility for technical assistance and research activities and is also responsible for the monitoring and financial oversight of Woodward. This project structure and the oversight activities have exacerbated already existing tensions between the implementing organizations. In addition, the extent of the programmatic oversight by the U.S. Agency for International Development (USAID) and the government of Pakistan (GOP), as represented by the Ministry of Population Welfare, has only added to the tensions among the participants.

The resulting poor working relationships and overall lack of cooperation between the various implementing organizations have led to a number of missed opportunities. Effective marketing and planning for the future are no longer happening. Advertising and promotional activities have not occurred for the past two years due to a long delay in writing and approving the program's marketing plan, as well as the GOP's not endorsing the new advertising campaign. Shortages of Sathi condoms at the distributor level are now occurring due to a number of factors, including less effort exerted on the part of Woodward during the past two years. The shortages have also been affected by a regional sales cap that was implemented in November 1992 in order to lessen perceived cross-border sales. The cap

has not been further considered or lifted because of the strains in the relationships between the parties implementing the project.

A substantial amount of research has been done for this project. It appears, however, that it has not always been relevant to or utilized for marketing purposes. Rather, a large amount has been used for monitoring and evaluation, as mandated by USAID. Further, PSI has viewed the research as an end in itself and as a contract deliverable to USAID.

Although this project was not designed to address sustainability issues specifically, pricing and sustainability are major considerations for the future of the program. After considerable debate, the price of Sathi was raised in stages in 1991 (year five of the project), from Rs. 1 to Rs. 2* for a four-pack. This increase does not appear to have affected sales. A limited survey of distributors and retailers indicated that the price could be raised to Rs. 3 for a four-pack without adversely affecting sales in the long term. Although a price increase would certainly contribute to defraying in-country program costs, full sustainability can never be achieved as long as the program is dependent upon a donated condom. As the program is now in its seventh year and will not likely expand beyond one condom, costs could be greatly reduced by eliminating outside technical assistance that is no longer needed.

Recommendations for Future Directions

Since no other low-priced condom exists in the marketplace in Pakistan, this program must continue. A major restructuring of the project should be undertaken, however, due to the current management problems and given that Sathi is now an established product and therefore technical assistance is no longer required to achieve sales objectives. The new SMC Project should have a less complex structure, with the distributor having the sole responsibility for the management and marketing aspects of the program. Contractual accountability could be achieved through USAID hiring a locally based accounting firm to conduct semi-annual audits of sales levels, areas of distribution, and confirmation of Sathi's pricing structure.

Because the present contracts for both PSI and Woodward currently end on September 30, 1993, it is urgent that USAID immediately begin searching for a new distributor. Woodward does not have the necessary sales force, has lost interest in the project, and has repeatedly been on record that it does not wish to continue beyond the end of the present contract. A well-known, senior Pakistani marketing professional should be hired to identify and short-list major established distributors with a proven marketing track record. USAID should contract with the successful bidder to implement the new SMC program.

*Rs. 25 equals approximately US \$1.

1. Introduction

Country Background

Pakistan's population has increased over six times since 1901 to over 119 million today. If the population continues to grow at the present rate, it will exceed 150 million by the year 2000. The overall population growth rate is approximately 3.1 percent. This rapid growth in population affects the country's ability to sustain high rates of economic growth and meet the social welfare needs of its people. Pakistan's estimated crude birth rate is about 35.0; its total fertility rate is about 5.4.

The 1990/1991 Pakistan Demographic and Health Survey (PDHS) reported that the contraceptive prevalence rate was 14 percent in 1990/1991. Female sterilization was the most used method (4.2 percent) followed by condoms (3.2 percent), IUDs (1.5 percent), injectables (0.9 percent), and oral contraceptives (0.8 percent).

A major goal of the government of Pakistan (GOP) is to reduce the rate of population growth in the country. The GOP recognizes the need for a multi-sectoral approach to achieve this goal. One part of this approach is the involvement of the private sector in increasing the availability and accessibility of contraceptives.

Overview of the SMC Project

Project Chronology

The Social Marketing of Contraceptives Project was authorized in March 1984, and the first project grant agreement with the GOP was signed on March 31, 1984. GOP approval for the project came a year later, in April 1985, following several delays resulting from a referendum election and extensive debate over the government's own authorization document. The project was initially authorized for \$20 million for the period March 31, 1984 through September 30, 1989. In September 1989, through a project amendment, the life of project funding was increased from \$20 million to \$45 million and the project assistance completion date was extended from September 30, 1989 to September 30, 1993, based on the recommendations of the 1988 midterm evaluation of the project. In July 1991, USAID began implementing a Pressler phaseout¹ due to Pakistan's nuclear program, and the total funding level for this project was reduced to \$28 million, the amount already obligated. In September 1992, the project assistance completion date was further extended

¹This was in response to the imposition in October 1990 of the Pressler Amendment to Section E(e) of the Foreign Assistance Act which cut off all United States bilateral economic and military assistance to countries because of non-certification of a lack of nuclear capability.

to March 31, 1994. USAID plans to continue support to social marketing activities under the new Private Sector Family Planning (PRIFAM) Project, which will be submitted to A.I.D./Washington for authorization in March 1993.

In December 1985, USAID competitively selected and contracted with Population Services International (PSI)² to provide technical advisory services to USAID and the GOP. This contract was for the period December 12, 1985 through January 31, 1991. Following re-competition, USAID again awarded the follow-on contract for technical services to PSI, for the period from February 1, 1991 through September 30, 1993. PSI's major responsibilities under the new contract include 1) overall responsibility for market research activities; 2) financial and technical oversight of the marketing contractor's activities on a day-to-day basis; 3) review of the marketing contractor's monthly invoices before they are submitted to USAID for reimbursement; and 4) preparation of annual marketing plans in close collaboration with the marketing contractor. In addition, PSI is responsible for providing advice to the marketing contractor, USAID, and the Ministry of Population Welfare on technical aspects of marketing.

The GOP signed a host-country contract in December 1985 with W. Woodward Pakistan (Pvt.) Limited, a Pakistani pharmaceutical manufacturing and marketing firm, specializing in over-the-counter child health care products, to market A.I.D.-donated Sathi condoms in Pakistan under the SMC Project. Woodward was selected competitively and awarded the host-country contract which was funded by USAID. This contract was for the period December 12, 1985 through June 30, 1991. In May 1991, Woodward was again competitively selected and awarded a USAID direct contract to carry out Sathi marketing activities as well as to undertake introduction of two new products, an oral contraceptive pill and a premium condom. The intent was that both these new products would be introduced so that they would be commercially viable by September 30, 1993, the SMC Project assistance completion date. In November 1991, however, the Ministry of Population Welfare reversed an earlier decision that would have allowed a private sector firm to retain the rights to the brand names of the two new products, a requirement for eventual commercial viability. As a result, the oral contraceptive pill and the premium condom were never introduced.

Woodward's major responsibilities under the new contract include 1) provision of assistance to the technical assistance contractor in the preparation of an annual marketing plan for Sathi, 2) implementation of the approved marketing plan, 3) procurement of packaging and point-of-sale materials, and 4) distribution and marketing of Sathi condoms nationwide through approximately 40,000 to 50,000 outlets including medical stores, general stores, *kiryana* (grocery) stores, and *paan* shops. Woodward has contracted with over 200 commercial distributors to distribute and market Sathi to wholesalers and retailers in Pakistan.

²Often referred to as Population Services International Marketing Associates (PSIMA), the name used by PSI in Pakistan.

Project Purpose and Objectives

The original purpose of the SMC Project was to increase contraceptive use by promoting family planning and expanding the availability of contraceptives through the private sector to complement the efforts of the public sector program. In 1990, USAID unofficially incorporated a secondary objective of improving the sustainability of project activities. This included attention to cost recovery through sales revenue and appropriate product pricing.

Project objectives include

- an effective distribution system established to move contraceptives from the port of entry into suitable packages and then through wholesale and retail outlets to consumers;
- promotion activities;
- establishment of over 70,000 retail outlets in approximately 300 urban and semi-urban areas;
- distribution of approximately 260,000,000 condoms and 1.8 million cycles of oral contraceptives (orals were later dropped); and
- provision of an estimated 2.74 million couple years of protection (CYP).

Project Accomplishments

Significant accomplishments have been achieved by the SMC Project since 1986, the first year of sales of the Sathi condom.

- Perhaps the most notable achievement has been the **desensitization, on a national basis, of the condom**. Sathi appears openly in shops in small towns and cities. Through point-of-purchase materials (posters, displays, etc.), it is widely seen by the general public. It is important to realize that all of this was accomplished without any political backlash. Further, retailers noted that there is little reluctance on the part of the consumer to ask for and purchase Sathi. This was not the case before the program began; at that time, retailers tended to hide condoms under the counters.
- A further achievement is that the name **"Sathi" has become the generic term for a condom in Pakistan**. The Sathi logo, including its orange color, is now widely recognized. This is due to efforts made in the first years of the program when there were cinema and television advertising, promotional events, and wide distribution of point-of-purchase materials.

- **The program has achieved wide national urban and semi-urban distribution of Sathi condoms.** At present, some 210 distributors handle Sathi, and over 33,000 retail outlets sell the product. Sathi is available in an estimated 600 cities, towns, and peripheral localities, including villages. Sathi has become by far the most commonly purchased condom in Pakistan. As of the end of 1991, about three out of every four condoms (75 percent) purchased from retailers were Sathi.
- **The program has achieved significant sales volume.** The sales have increased from 28 million in 1987 (the first full year of program sales) to 73.4 million in 1991, with a drop to 34.2 million in 1992. A total of over 291 million Sathi have been sold since the beginning of program sales in 1986. (The drop in sales in 1992 is thought to be due to a number of reasons and is discussed in detail in Chapter 3.) According to the 1990/1991 PDHS, condom usage has increased from 2.1 percent in 1984/1985 to 3.2 percent in 1990/1991. To quote the PDHS, "The increase in condom use . . . may be attributed at least partially to the active social marketing of this method."
- **From 1986 to 1992, the project produced 2.9 million CYPs.**

In summary, the SMC Project has achieved its objectives. Although the project aimed to establish 70,000 retail outlets, the current distribution system of some 210 independent distributors and over 33,000 retail outlets has been more than adequate to reach the project objectives.

2. Organization and Management Structure

Background

When the activities under the SMC Project began in 1986, Woodward, under its contract with the GOP, had the responsibility for distribution, marketing, and packaging as well as subcontracting for research and advertising. The Ministry of Population Welfare³ (MPW) was responsible for overseeing project activities. Communications between the MPW and Woodward were funneled through the National Development Finance Corporation (NDFC), through its Pakistan Consultancy Services (PCS) division under a contract with the GOP. PCS provided consulting and auditing services. Marketing consultancy services were provided by PSI through a technical services contract with USAID.

The overall project activities were directed by an Advisory Board chaired by the minister of Planning and composed of representatives from the MPW, NDFC, Woodward, and USAID. The Advisory Board met five times during the planning and start-up phase of the project. In late 1987, the board formed an Executive Committee, chaired by the secretary of the MPW which included representatives of Woodward, PCS, PSI, USAID, and others from the MPW.

Based upon USAID's concerns about management communications as well as recommendations from the SMC midterm evaluation in 1988, USAID decided to change the management structure of the project. In 1991, when Woodward's contract with the GOP expired, USAID contracted directly with Woodward. Woodward continued to subcontract for advertising and to be responsible for marketing, distribution, and packaging. In 1991, PSI's new contract was expanded to provide technical assistance for marketing, revise the program's management information system, provide financial and field monitoring, and subcontract for all research studies. PSI also assumed the responsibility for providing day-to-day oversight and monitoring of Woodward, including reviewing Woodward's expenditure statements before submission to USAID for payment. (See Appendix B for the current SMC Project organizational structure.)

The SMC Executive Board continues to have the responsibility for approving annual marketing plans and for providing policy guidance. The Ministry of Population Welfare, in addition to chairing the Executive Board, approves all major SMC Project funding documents and all policy matters.

³Formerly the Population Welfare Division of the Ministry of Planning and Development.

Discussion

The new management structure put into effect with the 1991 contracts has inherent flaws. Rather than simplifying the management system, as was intended, by giving the technical assistance contractor (PSI) oversight and monitoring authority it exacerbated the already strained relationships between the implementing parties and confused the reporting lines of authority.

This kind of contractual arrangement is inadvisable for several reasons. 1) Such oversight and interference in a company's business is not the commercial norm. 2) The oversight powers insult professional business people and automatically create resentment. 3) Technical assistance is intended to transfer technology and provide assistance, not to provide oversight. 4) This type of structure can easily lead to the over-personalizing of relationships and thereby to the development of antagonism and distrust. 5) In this particular case, the oversight of one firm by another actually blurred responsibilities, in that the marketing firm did not have full control and authority over its own marketing activities.

Due to the relationships that developed between all parties concerned, USAID was forced to become more involved in the day-to-day management and oversight of the program than would normally be necessary. When at one point an extreme decline in sales patterns occurred, USAID initiated an increase in PSI's monitoring activities. This further strained the relationships due to Woodward's becoming aware of the increased monitoring.

Although contract deliverables under this project have been met, the strained relationships have resulted in a number of missed opportunities. For example, it took over a year (May 1991 to June 1992) and 20 drafts to write and approve the program's present marketing plan (covering the period July 1991-September 1993). The delay resulted in the advertising agency's not having the authority to begin developing the new mass media campaign until June 1992, when the marketing plan was approved. The program has been waiting since December 1992 for final approval from the Ministry of Population Welfare for the new mass media campaign. Since 1990, there has been no mass media advertising, and no other promotional or public relations activities have been carried out in lieu of advertising. (A fuller discussion of missed promotional opportunities appears in Chapter 4.)

Also, because of the present strains in relationships, a cap which had been placed on sales in certain locations in November 1992 to alleviate perceived cross-border sales has not been further considered or lifted, even though there are shortages of stock in retail outlets in some areas (see Chapter 3).

Recommendation

1. USAID should continue the achievements of this project in activities under the new PRIFAM Project by simplifying the program's management structure and by reducing

the amount of management time required by the mission. This can be accomplished by redesigning the program and hiring a new, major, well-established distributor to operate the program for a five-year period. This distributor would not need to receive any outside technical assistance. (A thorough explanation of the proposed new SMC design appears in Chapter 10 of this report.)

3. Distribution

Background

Woodward sells the Sathi condom to some 210 independent distributors who in turn sell Sathi to wholesalers and retailers throughout Pakistan. The last known count of retailers selling Sathi was 33,000, at the end of 1991, when Woodward still had a USAID-paid field force of 40 salespeople (see below). The present marketing plan estimates that the number of shops may actually be more than 50,000 because of a steady increase in the number of village shops, but this number is difficult to confirm.

In September 1991, the Ministry of Population Welfare instituted a monthly sales "rationing" of Sathi of 4-5 million condoms a month because it was concerned about the question of cross-border sales and low stock levels due to a shortage of condoms. In May 1992, the rationing was discontinued. In November 1992, a cap was placed on sales in three areas — Karachi, Quetta, and in the entire North West Frontier Province (NWFP). This cap was established in an attempt to stem the flow of the presumed cross-border sales. The total units to be sold in each area were arrived at by a combination of historical sales figures for those areas and the actual population of the areas. The decision on the cap was a joint decision of the project participants. Woodward estimates that the areas covered under this cap provide 20-25 percent of the total sales of Sathi nationwide. At present, the cap is still in effect.

In the 1991 Woodward contract, USAID agreed to reimburse Woodward for 75 percent of the time of 40 new sales officers, who were responsible for visiting retail outlets to check stock supplies and displays, answer shopkeepers' questions, and take orders for resupply. Also, USAID began paying for 50 percent of the time of 25 medical information officers in anticipation of the program introducing an oral contraceptive and a premium condom. In April 1992, after considerable discussion and negotiation with Woodward, USAID modified Woodward's contract to no longer pay for any of the sales officers or the medical information officers. The medical officers were no longer necessary because of the Ministry of Population Welfare's decision not to introduce an oral contraceptive or a premium condom. USAID based its decision to delete the sales officers on findings from numerous field monitoring trips which indicated that the sales officers were utilizing far more than 25 percent of their time to promote Woodward products other than Sathi. USAID was willing to negotiate a reduced level of effort for the sales officers, rather than totally eliminating them. Negotiations on this issue failed, however, and all of the sales officers were removed from the contract.

Discussion

Woodward deserves a substantial amount of credit for the successful distribution of Sathi and its point-of-purchase materials in the early stages of this project. During the initial years of the project, Woodward had distributed Sathi condoms, point-of-purchase materials, and contracted for and implemented advertising and promotional activities with enthusiasm. Due to the current severely strained relationships as outlined in Chapter 2, however, Woodward has lost interest in the project and is publicly on record as stating such.

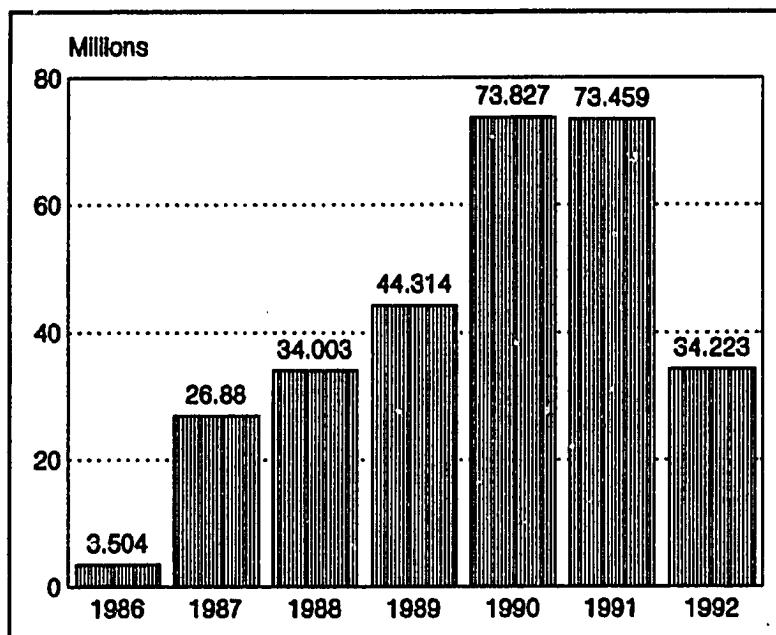
Field monitoring reports and visits to numerous distributors and retailers indicated that shortages exist both with distributors and retailer outlets; in some cases, distributors had no stocks whatsoever. There could be a number of different reasons for this. For example, the new distributor in Lahore stated on the 13th of February that he had no stock. Woodward reported that it sent this distributor 100 cartons (4,800 dispensers) on the 28th of January. The distributor could have been out of stock in less than two weeks because of the amount of time between the former distributor finishing and the new distributor starting to handle the product ("a vacuum in the trade"). Or wholesalers from outlying areas could have come to Lahore and purchased significant quantities; the greater Lahore area has around 10,000 outlets. Cross-border sales could have been a factor, but due to the location of Lahore and the present border situation with India, it would seem unlikely that this was the case. In any event, because of Woodward's statements that it is no longer interested in the project, it can be assumed that the company is no longer doing everything possible to actively distribute and sell Sathi.

A perception exists that a large amount of cross-border sales of Sathi have occurred. This perception is due in part to the significant increase in Sathi sales in 1990 and 1991. A certain amount of cross-border sales does exist; indeed, cross-border sales are virtually inevitable with any commercial product in Pakistan. Increasing Sathi's price from Rs. 1 to Rs. 2⁴ (see Chapter 6) for a four-pack appears to have helped diminish the problem.

The program attempted to determine the extent of the cross-border sales through research and field monitoring within Pakistan. With the information available, however, it is not possible even to guess as to the extent of cross-border sales or as to where they have occurred. No one has been sent to any other country to check the retail marketplace to see if any Sathi condoms are being sold, nor to see what condom products are available in the other markets and, if so, what if any relative price difference exists between Sathi and the condoms in these other markets. Although a certain amount of Sathi is undoubtedly being sent across borders, it is safe to assume that, because they are profit oriented, smugglers would prefer to deal in items that have a much higher value and margin (such as antibiotics). It is, therefore, unlikely that the difference between the sales levels of 1989 and 1992 versus 1990 and 1991 (approximately 35 million more in 1990-1991) was due entirely to cross-border sales.

⁴Rs. 25 equals approximately US \$1.

**Ex-Factory* Sathi Sales by Year
1986-1992**



Source: SMC Project
*Woodward to distributors

There could be several reasons for the drop in sales in 1992, other than Woodward's diminished distribution efforts. Most of the western portion of Pakistan suffered unprecedented flooding during July-September 1992; this caused a drop in sales of all consumer items. The November 1992 sales cap was based on historical sales, without considering that the market could have grown; thus, the cap could have had a recessive impact on sales. Retail stock outages occurred because of the cap and because of shortages of packaging materials (the latter was due to a strike at Woodward's factory at this time). In addition, marketing and promotional activities did not occur in 1992, the 40 Sathi salesman of Woodward were withdrawn, and the price was increased from Rs. 1 to Rs. 2 during 1991. (Although this kind of price increase does not pose a long-term problem, a large [100 percent] increase will always be reflected in a short-term drop-off in sales.) Also, in 1990 and 1991, before the price was increased, it is feasible that Sathi was purchased in large quantities for the purpose of repackaging in sexually provocative "catchcovers" (boxes) which would make it possible to sell them at a higher price.

Woodward is an over-the-counter pharmaceutical manufacturer and not a pharmaceutical distributor; as such, it did not have its own large field sales force when originally hired by USAID in 1985. Therefore, it was necessary for USAID to pay Woodward to hire additional sales officers. As the product became more established and revenue was generated, it would have been reasonable for Woodward to have absorbed an increasing percentage of the salaries of the sales officers, allowing USAID to reduce its expenses and thereby contributing to sustainability. USAID attempted to negotiate this process, but negotiations were not successful. Nevertheless, its elimination of the entire sales force at one time contributed

further to demoralizing and aggravating Woodward; and with no sales officers to "push" (i.e., sales marketing efforts) the product into the trade, the end result was a reliance on consumer "pull" (i.e., consumer demand).

Recommendations⁵

2. The present cap on sales should now be removed. Large sales by wholesalers in Quetta, NWFP, and Karachi should be monitored, however. Any efforts to stem the perceived cross-border sales should not cause shortages in the legitimate national market. Given Pakistan's location and the historical cross-border trade of all consumer items in the country, it will be impossible to stop cross-border sales of Sathi totally. Cross-border sales can, however, be controlled by pricing mechanisms, monitoring of sales in bordertown areas, creating a higher demand in the country, and monitoring bordertowns in neighboring countries to determine if Sathi condoms are available there.

3. USAID should immediately start the process of reviewing and short-listing major, well-established distributors in Pakistan who might be interested in bidding on the new five-year Sathi marketing program. (See discussion in Chapter 10.)

4. Under the new project, USAID should ensure that the new distributor has an existing adequate field force. USAID should not have to pay separately for the salaries and expenses of any of the distributor's staff.

⁵Recommendations are numbered consecutively throughout the report.

4. Marketing: Advertising, Promotion, and Public Relations

Background

In the beginning of the project, a complete advertising campaign was developed including cinema, television, radio, press, point-of-purchase materials, and billboards. Due to political constraints, however, only cinema, television, point-of-purchase, and promotional materials were utilized. The television spot was an abbreviated version of the cinema advertisement, without product identification. Given the political pressure at the time, the television spot ran for only six months. The cinema advertisement ran sporadically for some two years.

Since 1990, there have been no mass media advertising or promotional activities. Cohesive, well thought out strategic marketing efforts have not taken place over the last two years because of the delayed development and approval of the program's marketing plan, dissension among project participants, and Woodward's lack of interest. Especially since the sales force was eliminated from the Woodward contract in April 1992 (see Chapter 3), there has been little product "push"; rather, sales appear to be due to consumer "pull".

The present marketing plan for the period July 1991-September 1993 has an advertising and promotion budget of Rs. 19,840,000 (\$794,000) to cover point-of-purchase materials, a mass media campaign including radio, cinema, television, press, as well as bus panels and billboards. The new point-of-purchase materials and mass media campaign have been pre-tested and produced. The campaign has not yet begun, however, as it is awaiting final approval from the Ministry of Population Welfare.

The marketing plan was completed after 20 drafts and more than one year in the writing and approval process (the plan itself was approved in June 1992; as stated above, the approval for the launching of the campaign has yet to be received). The advertising section of the plan was deleted except for the budget in order to speed up the approval process. The current plan is not a useful strategic planning document. Written with USAID in mind as the intended audience, it contains large amounts of descriptive background material about the participating firms, history of the project, etc., rather than focusing on specific planning information about how to market the product better. Additionally, it was cut and abbreviated by the political approval process, and it is now not being used by program participants.

Discussion

Because the marketing plan was not signed until June 1992, the development of the advertising and promotion component under the present contractual period has been

seriously delayed. Although the present contractual period started on July 1, 1991, the advertising agency could not begin developing the campaign until the marketing plan was approved. Had the marketing plan been an internal working document rather than a contractual deliverable, this situation could have been avoided. Only seven months remain under the current contracts (they expire on September 30, 1993), and the advertising campaign has not yet received government approval. A further delay of several months is now likely due to Ramadan (February 24 to March 24). The advertising agency, Interflow Communications, has stated that it plans to use the entire advertising budget by September 30th. It intends to accomplish this by compressing all media purchases and placements and printing all of the point-of-purchase materials before that date.

It is disconcerting to note that Woodward stated that it does not agree with the creative concepts in the new mass media campaign, even though the budget for advertising falls under its contract. It is further disconcerting that Woodward failed to mention this to USAID. As discussed in Chapter 2, Woodward felt there was an undue amount of interference in the decision-making process concerning the creative campaign. It therefore simply chose to go along with the wishes of the program's technical assistance contractor.

Given the delays in beginning a new mass media campaign and an overall lack of advertising since 1990, Woodward and PSI (in its role as marketing advisor) should have been creative in thinking of other means of promoting Sathi, as was done in the early days of the program. Examples of other promotional means that could have been used in lieu of mass media are reprinting and redistributing point-of-purchase materials; offering to repaint retail outlets in the Sathi orange; utilizing promotional items such as key chains, calendars, and pencils; and promoting sporting events. Even if the name Sathi could not have always been used due to political/ cultural sensitivities, the Sathi orange and the logo (birds) would have been acceptable and identifiable. Additionally, the program could have employed direct consumer promotions such as free sampling and a "buy two packs, get one free" sales approach.

A series of organized public relations activities would have allowed the program to overcome some of its political and cultural obstacles. These activities could have included lobbying efforts with opinion leaders, editorial coverage, letters to editors, and the sponsorship of sporting events.

Given the program's target audience — C/D (middle to lower/working class) socioeconomic level and Rs. 2,000-4,000 monthly household income — the program's previous advertising campaign and choice of media were appropriately targeted. The message of having more quality time to spend with one's smaller-sized family tested well, and the choice of cinema and television reached the maximum intended audience. The point-of-purchase materials developed for the new campaign are an adaptation of the previous materials and appear appropriate. The new cinema and television spots have good production values and incorporate a comparative story line of two families, one with a large number of children, the other with two children.

Recommendations

5. As it is so near to the end of the project contracts, the advertising agency should not be permitted to compress the media placements in order to use up the budget.

6. The process of obtaining GOP approval for the campaign should continue, but USAID needs to consider carefully the amount of time that will be remaining under the present contract once GOP approval is obtained. In the meantime, the program should begin to promote Sathi more actively by utilizing other promotional means, including public relations activities. This is all the more important since there has been no mass media campaign for over two years. At this point in the program, the point-of-purchase materials, bus panels, and billboards should be placed immediately. The next distributor should be allowed to work with its advertising agency to develop a new media plan and place a complete campaign. Although all advertising agencies prefer to create their own creative campaigns, there is no reason why the new agency cannot use the present newly developed materials as long as post-testing indicates they are being understood and are having the intended effect. This is especially relevant since government approval of another new set of materials would be a long, delaying, and difficult process.

7. The marketing plan should not be a contract deliverable whose approval process causes it to become a political document. Rather, a simple workplan of not more than five pages in length should be the deliverable. The marketing plan should be the distributor's internal working document to assist in strategic marketing and in achieving the program's goals.

8. The next distributor should be in control of its own marketing efforts without outside interference. USAID's interests would be sufficiently protected by including deliverables in the contract. These deliverables should be substantiated by an outside accounting firm hired by USAID.

5. Research

Background

Since 1986, the SMC project has conducted 22 separate research studies at a total cost of more than \$220,000. In addition to the monthly Perpetual Audit of Retailers (see below), the research has included, among other studies, a survey of rural retailers to examine contraceptive distribution in villages, a survey of the media habits of working-class men, and testing of Sathi advertising. A complete list of all research undertaken since the beginning of the project is provided in Appendix C.

Until 1991, Woodward had the contractual responsibility for research; since 1991, under the present contract, PSI has had this responsibility and subcontracts for all research activities. This change in responsibilities was based upon recommendations made in the 1988 midterm evaluation of the SMC Project.

In the first two years of the project, the Domestic Research Bureau (DRB), a subsidiary of Lever Brothers, conducted most of the studies. In the past three years, Aftab Associates, located in Lahore, has conducted the majority of the studies, including the Perpetual Audit of Retailers. In addition, PSI has performed at least another nine studies using data gathered from other sources.

The Perpetual Audit of Retailers is the program's largest continuous item of research. The project buys into Aftab Associates' syndicated Perpetual Trade Audit to collect data from 1,200 retail outlets in 21 cities. This is intended to measure changes in retail sales of various brands of condoms, percentages of retailers who stock Sathi and other brands, percentages of retailers who are out of stock, and the market share for each brand (percentages of sales of each brand).

Discussion

Except for the pre- and post-testing of advertising materials, it is difficult to ascertain how much of the research has actually been utilized to improve the marketing of the product. Woodward staff reported not using any of the research (other than advertising testing) for marketing decisions, nor even being aware of the total research conducted. Several studies were done in anticipation of introducing an oral contraceptive (which was dropped due to the government wishing to retain control of the brand name). Although monitoring and evaluation are legitimate needs of USAID, the principal use of the research appears to have been to monitor and evaluate the program rather than to market the product more effectively. Rather than being used as a marketing tool, a large portion of the research has been viewed as an end in itself and as a deliverable to USAID.

Although PSI was given responsibility for research, project research would have benefited significantly from more input from the distributor and research companies involved, as required in PSI's contract. This has led to lost opportunities in terms of fully benefiting from the experience and knowledge of the local market provided by these professional organizations.

A disproportionate amount of funds relative to product volume has been spent on Sathi research. This is evidenced by PSI's being the largest single client of Aftab Associates over the cumulative three-year period, 1990-1992. Aftab's clients include some of the largest consumer goods marketing companies in Pakistan, such as Pepsi Cola, Reckitt & Colman, and TetraPak (milk).

At this stage in the program, only a minimal amount of additional research is actually needed, especially in the pre- and post-testing of advertising. With regard to the question of program sustainability, the project should have conducted test marketing of a higher price for Sathi in individual cities. At the present time, however, conducting such pricing studies would not be warranted because, as discussed in Chapter 6, the price of Sathi could now be raised to Rs. 3 without undue negative impact on the program.

Recommendations

9. Any further research should be dictated by the marketing requirements of the product and initiated by the new distributor.

10. The expertise of local research firms should be appropriately utilized to design future research to assist in solving any marketing problems.

6. Pricing

Background

The price of Sathi was Rs. 1 for a four-pack from 1986 to March 1991, when the price was increased to Rs. 1.5; in November 1991, it was again increased to Rs. 2.

In February 1991, PSI began a test market study relative to raising the price of Sathi from Rs. 1.5 to Rs. 2 per four pack. The study was conducted by Aftab Associates in two towns in the Punjab Province. The study took one year to complete; the price of Sathi was raised to Rs. 2 in November 1991 before the results of the study were completed. The study indicated that only 1-2 percent of consumers dropped out when the price was raised.

The profit margins on Sathi are 35 percent for retailers, 7 percent for wholesalers, and 17 percent for stockists. Except for those of retailers, these profit margins are within commercial norms. The normal margin for retailers is 15 percent; however, in view of the low per unit price and the special nature of the product, a higher retailer margin is necessary to maintain their interest.

Currently in Pakistan, only one condom brand is imported on a regular basis and in significant quantities — *Durex Featherlite* and *Durex Together*. They sell for Rs. 10 per three-pack, and approximately 3 million of these condoms are sold per year. Because of the price differential between Sathi and Durex, the Durex condoms are not competing with the SMC target market.

Discussion

Since Sathi is being sold in over 33,000 retail outlets, this would indicate that the past pricing structure has been effective and that the profit margins for wholesalers and stockists are adequate. Although a higher profit margin than the commercial norm is appropriate for retailers, their current 35 percent margin is somewhat higher than it needs to be.

Discussions with retailers, Woodward, and the marketing research firms indicated that there have been no complaints about product quality, nor have consumers indicated that they perceived Sathi to be a cheap or inferior product due to its price.

Raising the cost of Sathi to Rs. 3 would assist in achieving the goal of cost recovery. Discussions with retailers, wholesalers, stockists, and research firms indicated that the price of a Sathi four-pack could be increased to this level. Several reasons were given for this assessment. Household income has gone up with inflation. C/D-level consumers spend far more on non-essential daily items such as cigarettes and soft drinks. Also, this level of

consumer has no other affordable condom choice. All retailers interviewed believed that selling Sathi at Rs. 3 would make no difference in the long run. These retailers have a good reading of consumer demand as there are few self-service drugstores in Pakistan and most customers must ask for everything at the counter, thus ensuring a great deal of retailer-customer interaction.

Recommendations

11. In order to improve cost recovery, the price of Sathi should be increased to Rs. 3 for a four-pack. If the program decides to raise the price above Rs. 3, a brief test market study should be conducted. This study should be completed within four months, and the results should be analyzed prior to raising the price.

12. Due to inflation and current economic conditions, the definition of the target group should be raised from those with an income of Rs. 2,000 to 4,000 per month to Rs. 2,000 to 6,000 per month. This income group would still be within the C/D socioeconomic categories.

13. The current profit margins are adequate and should remain the same, except for the margins for retailers. Under the new project, the profit margin for retailers should be reduced to 30 percent.

7. Management Information System

Background

Under its contract, PSI has the responsibility to develop and maintain the program's management information system (MIS). PSI is required to track the movement of product to the customer and to periodically track the percentage of operating costs being covered by sales revenues. The project now has an elaborate system that generates reports such as Woodward's inventory, Sathi sales from Woodward's warehouse, monthly trends of the percent of pharmacies and general shops stocking Sathi, monthly trends of sales of all condoms, the budget position of both PSI and Woodward, etc. Much of this information is contained in the monthly Perpetual Audit of Retailers discussed in Chapter 5. A complete list of both data input and outputs is provided in Appendix D.

PSI, Woodward, and USAID have all made numerous field monitoring trips during the project. The number of these trips increased significantly in 1992. The trips were useful in assessing special situations in the field. For example, field monitoring trips allowed the project participants to assess quickly the amount of damage (negligible) to Sathi stocks due to the floods in July-September 1992, the impact of the price increase, and whether distributors were experiencing outages.

Discussion

The inventory and Sathi sales data generated from information provided by Woodward and filed in the MIS is useful to managers. The monthly Perpetual Audit of Retailers, which now covers 1,200 retail outlets, could be reduced to 80 outlets and carried out twice a year. This would be adequate for picking up trends in sales.

The reports that are published using the data collected appear to be done largely for the purpose of reporting to USAID or any other interested party. Woodward receives some reports of an informational nature which are generated based upon the system, but Woodward staff stated that they were not aware of the full range of outputs available from the MIS system. Woodward does not believe that the MIS contributes to bettering the marketing efforts behind Sathi. Little analytical work based upon the MIS appears to have been done by PSI or Woodward to improve the marketing, distribution, or sustainability of the program.

Recommendation

14. USAID should consider reviewing the utility of the outputs of the present MIS to determine what activities should continue between now and the end of the contract period.

8. Project Beneficiaries

The beneficiaries under this project have been mainly urban and semi-urban middle/working class men and their wives. According to research done by Aftab Associates which intercepted condom purchasers, about 3 out of 4 of those interviewed had monthly household incomes of Rs. 4,000 or less. Because of problems with the study design, however, the findings were probably biased; it is therefore difficult to state definitively the client profile of the project. In any case, other research studies and discussions over the years with retailers have indicated that Sathi does appeal to a reasonable cross-section of the population, including those with limited discretionary income.

Contraceptive use in Pakistan has increased from 9 percent in 1984/1985 to 14 percent in 1990/1991, with condom use increasing from 2.1 percent to 3.2 percent in the same period. The 1990/1991 PDHS states that the increase in condom use may be attributed at least partially to the active social marketing of condoms. The project provided approximately 2.9 million CYPs. While not all of these can be credited to family planning use in Pakistan, a significant amount certainly can be.

One of the direct benefits of increased contraceptive use is the improved well-being of women and children. Improved child spacing and limiting births decreases infant and child mortality. Also, fewer pregnancies benefit women by decreasing maternal morbidity and mortality.

9. Sustainability

Background

This project was not designed to address the issue of sustainability specifically. The price of the Sathi condom remained at Rs. 1 per four-pack from the start of project sales in late 1986 to March 1991 when it was raised to Rs. 1.5 per four-pack. It was then raised again to Rs. 2 in November 1991. Because the price of Sathi has been kept low in order to be affordable to consumers at the C/D income level who have little disposable income, the project has been unable to recover any significant portion of expenses. Although there has been some reduction in project expenses in recent years, the project has only been able to recover approximately five percent of its total expenses from the revenue (assuming the revenue was applied toward expenses). The contractual arrangement with Woodward set an ex-factory price that covers only a fraction of the program's costs.

Total project expenditures through the end of calendar year 1992 were \$23,642,364, including the cost of condoms. The program's total CYP is 2.9 million; therefore, the overall cost per CYP, not including the unutilized return-to-project revenue (that which was earned through sales excluding Woodward's profit per its contract with USAID), is \$8.12. Based on other worldwide contraceptive social marketing programs, this cost per CYP is reasonable. The total return-to-project revenue has been \$1,186,000 for the same period. Of this amount, \$267,274 was spent to cover project expenses; the remainder, \$918,726, is not being utilized to offset the project's operating expenses, but remains in bank accounts. USAID is attempting to negotiate a memorandum of understanding with the GOP to use these funds.

Discussion

Although full sustainability in a social marketing program is always an ideal objective to strive toward, it is not always possible to achieve. Reasons vary from country to country as to why it may be impossible even to design a program to become sustainable.

The largest issue with regard to sustainability is the question of obtaining the unpackaged condom. If condoms are manufactured in the country itself (such as in India and Indonesia), it may be possible for the program to negotiate an arrangement with the manufacturer to use those condoms for the program (such as in the Blue Circle project in Indonesia.) If condoms are already imported in a given country in substantial numbers and the per capita income allows such condoms to be sold at a social marketing price, an arrangement could be made that would return a fair profit to the importer; this is the case in Turkey and the Philippines. A program then need only begin by subsidizing some additional marketing expenses such as advertising and perhaps some additional research. This is done to increase sales and CYP; the cost of the condom itself is already taken care of; it is not an issue.

Once the volume goes up sufficiently because of increased demand generated by marketing activities, the importer/distributor itself can cover the marketing expenses.

On the other hand, a program may be dealing in a country that does not manufacture the product, does not import it in any substantial numbers, and the per capita income of the C/D socioeconomic class does not permit the product to be sold for even the cost of importation (at the price A.I.D. pays for U.S.-manufactured condoms). If so, the project is left with providing an expensive donated condom, as is the case of many of the programs in Africa and, at present, in Pakistan. In this situation, full sustainability is impossible, the best that one can hope for is to have the sales revenue completely cover all marketing and administrative costs, thus requiring no cash outlay from USAID, other than the provision of the donated unpackaged condom.

The current working-class target group, having a monthly income of Rs. 2,000-4,000, has been an appropriate target in the SMC Project. Discussions with research institutions, retailers, wholesalers, and stockists indicated that the price of Rs. 2 for a four-pack of Sathi condoms is certainly affordable by this income group. In addition, since the latest PDHS shows that the majority of the condom users are in the urban areas, targeting the working class in the urban areas is appropriate. The urban areas are composed of approximately 35 percent C-level consumers.

As discussed in Chapter 6, the price of Sathi could be increased to Rs. 3 for a four-pack without affecting sales in the long term. Unless the retail sales price is raised over a period of years, project operating costs lowered, and higher sales levels achieved and maintained, the Sathi program will never be fully sustainable.

One of the major issues in increasing sales levels is increasing consumer awareness and demand. This cannot be done by the social marketing program alone, however, with its limited advertising and promotion budget. A greater national information, education, and communication (IEC) effort on the part of the government is therefore required.

A description of a new, more cost-effective, and streamlined SMC program for Sathi is fully outlined in Chapter 10. Although still using a donated condom, this proposed project works toward greater sustainability over a five-year period, through lowering project operating costs and gradually raising the retail price of Sathi. At the end of the five-year period, with the retail price higher and with lower costs and higher sales volume, the distributor should be able to buy its own condoms.

Recommendation

15. In order to work toward sustainability in the next project, the primary target audience of urban and semi-urban working class men should be expanded to include those having monthly incomes of Rs. 2,000 to 6,000, and the price of Sathi should be raised to Rs. 3 per four-pack.

10. Proposed Design of New SMC Activities

Sathi is currently the only condom in Pakistan available and affordable to the C/D socioeconomic classes. Therefore, the SMC program activities should continue for another five years to allow for the possibility that a private sector firm would be in the position to take over the product completely at the end of that period.

In order to simplify the program's structure, as well as reduce the amount of management time required on the part of USAID, the new project should fully utilize the normal and customary distribution and marketing channels in Pakistan. Therefore, a major, well-established distributor should be contracted by USAID to manage this project for a period of five years. This distributor should have the sole responsibility for the management and marketing of Sathi, and should not require any outside technical assistance. (See Appendix E for the proposed organizational chart.)

A three- to six-month overlap should occur between the new distributor and Woodward. This would allow Woodward time to deplete its stock of packaged Sathi which has the Woodward name on the package. During this overlap period, any new packaging should be printed by the new distributor. If the pipeline were to become empty, no other condom is currently available to fill the gap.

The distributor should be paid a negotiated yearly amount. This amount would allow the distributor to defray its marketing costs (i.e., packaging, advertising, promotion, public relations, and research). As illustrated in the proposed budget provided in Appendix F, this amount would be determined by the total of the distributor's estimated marketing costs, plus a management fee and minus the revenues generated. The management fee would be determined by a calculation of 25 percent of the distributor's sales revenue; this is intended to be the distributor's profit. This is based on a first year's retail price of Rs. 3 per four-pack of Sathi and first year's sales of 45 million condoms. Sales may drop for a short period after the price is raised.

The first year's sales target of 45,000,000 was arrived at by calculating the 1992 population of 118.5 million, times 47.5 percent females, times married women of reproductive age (MWRA) of 38.84 percent, times 85 percent non-pregnant women, times the present condom usage of 3.2 percent (non-pregnant married women of reproductive age), times the number of condoms consumed (100/couple per year, as used in the project contracts). The result is 59.5 million condoms consumed per year. Estimates of the combined GOP and non-Sathi private sector sales are 25 percent of the total yearly national usage. Therefore, 75 percent of 59.5 million, is 44.6 million condoms per year; thus the first year's sales projection of 45 million. Sales are estimated to increase 15 percent from year 1 to year 2 and 10 percent a year thereafter, with sales reaching 68 million in year 5.

In the present SMC Project, there is approximately US\$ 333,533 in the sales revenue fund maintained by PSI. Additionally, there is another sales revenue fund held by the GOP which contains approximately US\$ 585,193. The budget provided in Appendix F illustrates that these funds would more than pay for the entire estimated amount of the negotiated yearly payments to the distributor, as well as all payments to the accounting firm, for all five years of the new program. This does not include the cost of the A.I.D.-donated condom.

The choice of marketing activities conducted, as well as their costs, would be the sole responsibility of the distributor. The contract would require that a minimum sales level be reached during the first year. If the distributor does not meet the first year's minimum sales (within 5 percent), it should be given 90 days termination notice.

The following year's negotiated yearly payment would be determined by financial calculations based upon the sales revenue versus the estimated program costs (as illustrated in the budget in Appendix F). Therefore, it would be in both the distributor's and USAID's interest for the sales to increase. The distributor would make more money, and USAID would no longer have to pay a negotiated yearly payment because sales would cover all the distributor's costs. It would also provide for more CYPs. When there is no longer a negotiated yearly payment, USAID's only costs would be for the donated condom and the fee for a local accounting firm (see below).

Contractual accountability could be simply achieved by USAID hiring a local accounting firm to conduct semi-annual sales and distribution audits and to confirm the pricing structure. The negotiated yearly payment would not require an audit. As described above, this payment need not be audited as it is based on sales. What is accountable are results, measured by sales. To ensure the social marketing objective, the distributor could not raise the price of Sathi without the agreement of USAID; this would be written into the contract.

The ownership of the Sathi logo should be retrieved from the GOP and held by USAID during the five years of the contract with the new distributor. Written into the contract would be the provision that if the distributor meets the set sales objectives each year, the ownership of the logo reverts to the distributor at the end of the contract. This would provide the distributor with a strong additional incentive to perform well and market Sathi effectively. USAID should be able to be completely out of this program after five years; at that point the distributor should be able to buy its own condoms. At the estimated year 5 sales level of 68 million condoms, the distributor could buy condoms from Malaysia (priced now at approximately US \$.025 per condom), sell them for at least Rs. 6.5 for a three-pack, and make a profit. Although this is considerably higher than the present price of Sathi, this price would be far less than any other condom in the market. In addition, as a five-year period would have passed, all prices in the marketplace (as well as salaries) would have risen.

It cannot be emphasized strongly enough that in order to simplify this entire program, the contract with the distributor must be kept simple. The distributor's deliverables would be 1) all marketing functions necessary to sell the product (Sathi), 2) distribution of Sathi to at

least the largest 300 urban and semi-urban areas in the country, and 3) sale of a minimum of 45 million condoms (within 5 percent) of Sathi in the first year, at the agreed retail sales price (the quantity of condoms would be raised by a percentage each year in subsequent years). The only other items that need to be in the contract are 1) a provision that the distributor cannot change the price of Sathi without the permission of USAID, 2) a provision that the distributor cannot change the margins to the trade without the agreement of USAID, and 3) a provision that the ownership of the Sathi logo reverts to the distributor at the end of the contract provided the distributor meets the set sales objectives each year.

The above plan represents a simple, cost-effective, and largely management-free design allowing USAID to no longer subsidize Sathi after five years, while serving the social marketing objectives of the program.

Appendices

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Appendix A

Description of the Evaluation

The purpose of this final evaluation of the Social Marketing of Contraceptives (SMC) project was to 1) assess project accomplishments to date against objectives stated in the original Project Paper as well as the Project Paper amendment, keeping in mind the useful units imposed under the Pressler Amendment²; 2) assess the performance of the technical assistance and distribution contractors involved; 3) assess various options for improving the financial sustainability of Sathi condoms; and 4) consider how best and at what point to incorporate social marketing activities funded under the SMC project into the new PRIFAM project, due to begin on April 1, 1993.

The evaluation team included Douglas Wear, a marketing consultant and social marketing specialist, who served as team leader; Charlotte Cromer, a population specialist and social marketing expert; and Mahmood Ali, a Pakistani management and marketing expert.

The team members spent the first two days of the evaluation in Islamabad, meeting with staff of USAID, the secretary of the Ministry of Population Welfare, and officials of the Overseas Development Administration and studying supporting documents and finalizing and planning appointments. Following these activities, the team traveled to Karachi for discussions with W. Woodward Pakistan (Pvt.) Ltd., Population Services International (PSI), Interflow Communications, and the Domestic Research Bureau (DRB). During the four days in Karachi, Miguel Machuga from the PRIFAM Project Paper design team participated with the evaluation team. Altaf Ahmad, from the USAID mission participated in Karachi as an observer. Field visits were made to retailers, distributors, and wholesalers in Karachi, Lahore, Faisalabad, Peshawar, Nowshera, and Rawalpindi. In Lahore, the team met with Aftab Associates, one of PSI's sub-contractors for market research.

²The October 1990 Pressler Amendment to Section E(e) of the Foreign Assistance Act cut off all United States bilateral economic and military assistance to countries because of non-certification of a lack of nuclear capability.

Attachment 1

Scope of Work

I. ACTIVITY TO BE EVALUATED

- Project Title: Social Marketing of Contraceptives (SMC)
- Project Number: 391-0484
- LOP Funding: U.S. \$28 million
- Project Authorization: March 28, 1984

II. PURPOSE AND TIMING OF THE EVALUATION

This is the final evaluation of the SMC Project as the project is scheduled for completion on March 31, 1994. This evaluation will:

- assess project accomplishments to date against objectives stated in the original Project Paper (PP) as well as the PP amendment, keeping in mind the useful units imposed under Pressler;
- assess performance of the technical assistance (TA) and distribution contractors involved;
- assess various options for improving the financial sustainability of Sathi condoms;
- consider how best and at what point to incorporate social marketing activities funded under the SMC Project into the new Private Sector Family Planning (PRIFAM) Project, due to begin o/a April 1, 1993.

The final evaluation of the SMC Project is to begin o/a January 24, 1993 and is to be completed o/a February 18 1993.

IV. STATEMENT OF WORK:

The evaluation team shall assess all aspects of the SMC Project. Specifically, the team shall consider and assess the following concerns:

A. Achievements against Project objectives:

1. To what extent has the project achieved its purpose in terms of expanding the availability of contraceptives in Pakistan through the private sector's existing

marketing/distribution network?

2. Estimate the extent to which the project has actually achieved its CYP and distribution objectives given the likelihood of fairly extensive cross border sales during 1990 and 1991?

B. Organization and Management:

1. Assess the extent to which the concerned agencies have met their respective contractual obligations. Identify the constraints and opportunities that either impede or enhance implementation.
2. Assess the effectiveness of the agencies' interaction and the degree of coordination among the various implementation agencies. Indicate whether or not modifications are needed that would improve their relationships.
3. What organizational modifications could be incorporated into the current project or the PRIFAM Project to improve organizational relationships?
4. How can USAID streamline its management of social marketing activities under the PRIFAM Project?

C. Marketing Research:

1. To what extent does the current research in the SMC Project meet the information needs of project managers? Is the quality and quantity of research appropriate, timely and useful?
2. How could marketing research increase its focus on improving sustainability?

D. Marketing/distribution:

1. Assess the role, effectiveness and impact on Sathi condom sales of:
 - the distribution system (delivery and resupply),
 - advertising, and
 - the pricing structure
2. Is the current "working class" target group (Rs. 2,000 - 4,000 monthly income) appropriate given the project purpose of increasing access to contraceptives and the Agency's increasing concern for sustainability?

3. Were promotion/advertising activities effective and appropriately aimed at the target audience?
4. How appropriate is the current Sathi price in terms of expanding access to contraceptives and improving cost-recovery?
5. How adequate is the Sathi pricing structures (present and past) in terms of profit margins from the perspective of distributors, wholesalers and retailers? What are shopkeepers impressions on product affordability to consumers? Does product pricing positively relate to consumers' perception of product quality?
6. How effective have the price increases, field monitoring and distribution caps been on decreasing cross border sales? What additional efforts, if any, are appropriate or needed?

E. Management Information System (MIS):

1. How useful are project monitoring and information systems in providing project managers with progress/problem feedback? Does the MIS meet or fail to meet the information needs of management, in terms of kinds of data and timeliness of reports?
2. How effective and useful is the field monitoring in providing project managers with timely feedback on unusual situations in the field?

F. Beneficiaries:

1. How well were the intended beneficiaries reached under the SMC Project?
2. What were the intended as well as unintended benefits of the SMC Project?

G. Women in Development:

1. How were the interests and role of women (compared to men) taken into account in the design and implementation stages of the SMC Project?
2. In what ways did women (compared to men) participate in these processes?
3. What, if any, were the effects, positive or negative, of the SMC Project concerning women's (compared to men's) access to income, education and training, and with respect to workloads, role in household and community, and health conditions?
4. How were the interests and role of women (compared to men) taken into account in the evaluation stage?

H. Sustainability:

1. Given that the project was not designed to specifically address sustainability issues, how well has it done in recovering costs?
2. Given AFD's mandate to incorporate sustainability into project design, how should the social marketing activities under the PRIFAM Project be redesigned/redirected?
3. What are the trade-offs in making Sathi commercially viable in a 3-5 year time period? How would Sathi need to be repositioned in the market to make it commercially viable?

Attachment 2

Persons Contacted

United States Agency for International Development

Mr. John S. Blackton, Mission Director
Ms. Nancy M. Tumavick, Deputy Director
Ms. Anne Aarnes, Chief, Health, Population, and Nutrition Office
Ms. Barbara Spaid, Deputy Chief, Health, Population, and Nutrition Office
Ms. Lois Bradshaw, Health Officer, Health, Population, and Nutrition Office
Mr. Altaf Ahmad, Project Management Specialist, Health, Population, and Nutrition Office
Dr. John Crowley, Office of Population, A.I.D./Washington

Ministry of Population Welfare

Mr. Mahbub Ahmad, Secretary and Staff

Overseas Development Administration

Ms. Jacqueline Isard, Senior Health and Population Advisor
Ms. Jane Pepperall, Programme Manager
Ms. Anne Coles, Social Development Advisor

British High Commission

Mr. Jonathan Lingham, First Secretary (Development)

Population Services International

Dr. John Davies, Chief of Party
Mr. Shahid Husain, Manager Marketing Research
Mr. Tahir Mahmood, Monitoring Specialist

W. Woodward Pakistan (Pvt.) Ltd., Karachi

Mr. Brian Janjua, Managing Director
Mr. Saifullah Khan, Marketing Manager
Mr. Nadym Chandna, Project Manager

Interflow Communication (Pvt.) Ltd., Karachi

Mr. Tahir A. Khan, Managing Director & Staff

Domestic Research Bureau, Karachi

Ms. Naheed Siddiqui, General Manager

Aftab Associates (Pvt.) Ltd., Lahore

**Mr. H. Aftab Ahmad, Chief Executive
Mr. Afzal Hassan, Executive Director
Mr. Zahid Jehangir, Executive
Mr. Aamir A. Shaikh, Manager**

Sathi Distributors

**Noor Mohammad & Co. (Karachi)
Noor Distributors (Pvt.) Ltd. (Rawalpindi)
Fair Supplies Corporation (Faisalabad)
Amjad Enterprises (Peshawar)
Popular Medical Store (Nowshara)
J.M. Marketing (Lahore)**

Attachment 3

Documents Consulted

Pakistan - Social Marketing of Contraceptives Project Paper 391-0484, March 1984.

Pakistan - Social Marketing of Contraceptives Project Paper Amendment, 391-0484, September 1989.

Worldwide Evaluation of the Social Marketing of Contraceptives Project, Section II, Pakistan, October 1987.

Evaluation of the Pakistan Social Marketing of Contraceptives Project (391-0484), October 16-November 11, 1988.

Contract between USAID and Population Services International No. 391-0484-C-00-1784-00 dated January 1, 1991, and all amendments.

Contract between USAID and W. Woodward (Pvt.) Limited No. 391-0484-C-00-1802-00, dated June 1, 1991, and all amendments.

Pakistan Demographic and Health Survey, 1990-1991.

PSI Quarterly Reports, (Report 21, January-March, 1991, through Report 26, July-September 1992.)

Various SMC field monitoring reports, (USAID, PSI and Woodward).

Various briefing materials, field reports and documentation provided by PSI.

Sathi sales and distribution reports provided by W. Woodward.

SMC Project Marketing Plan, July 1991-September 1993.

Condom Distribution in Pakistan: Assessing the Impact of Price Increases, by J. Davies and D. Lissance, February 1993.

Miscellaneous correspondence among USAID, PSI and Woodward.

Various minutes of the Sathi Operating Group meetings.

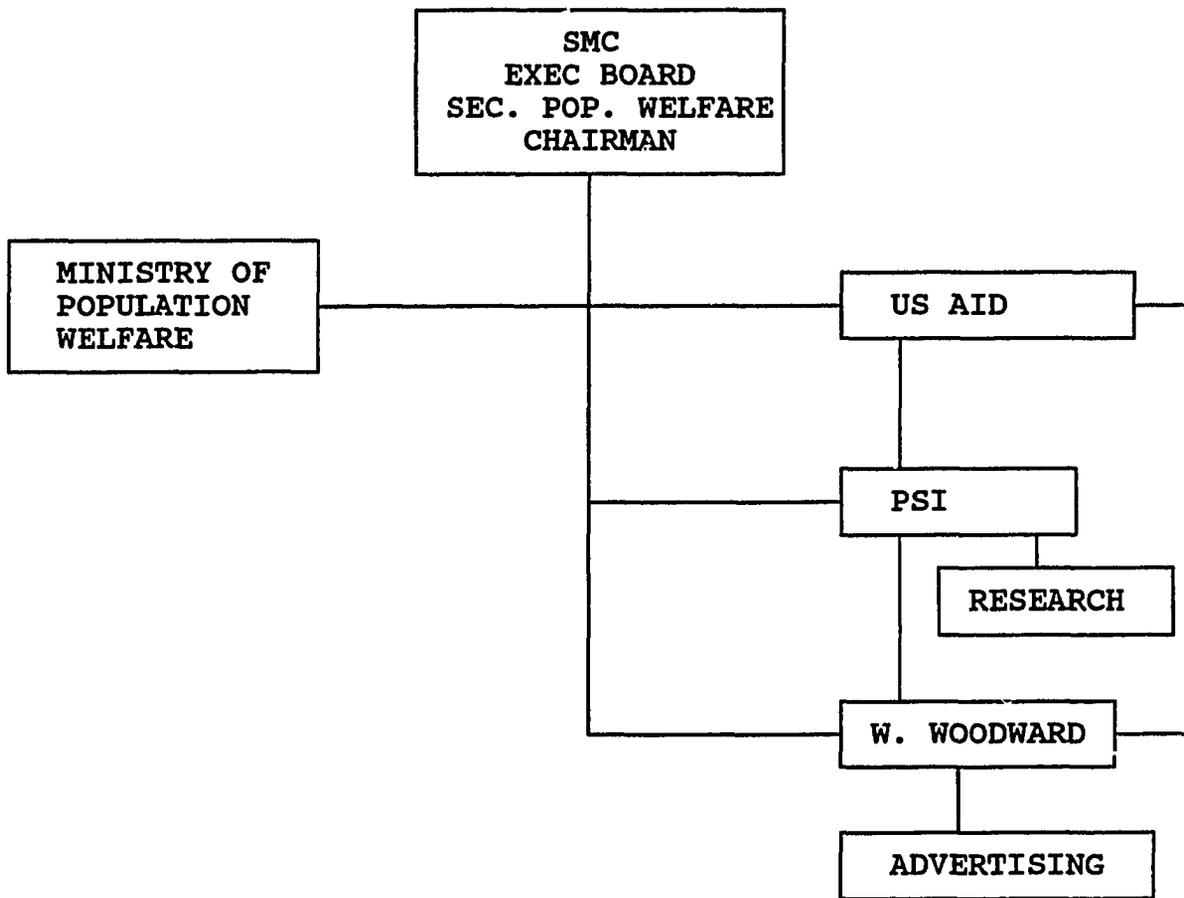
Various minutes of the meetings of the SMC Executive Committee.

Various budgetary and expenditure reports provided by USAID, PSI, and W. Woodward.

Draft Private Sector Family Planning (PRIFAM) Project Paper, February 1993.

Appendix B

Pakistan SMC Project Organizational Structure



Appendix C

Studies Used by the SMC Project, 1986-1992

The table describes the two types of studies used by the SMC Project: (1) Primary Studies, namely those undertaken by the Project, and Secondary Studies, namely those undertaken by other investigators but used by the Project. The description of each study includes the year, topic, author, utility and reference file name.

Year & Topic	Author	Utility	Ref
Primary Studies			
1986			
1. SMC - Brand name & Logo	DRB	Brand name "Sathi" and "two birds" logo were selected as best name and logo.	J1717
2. Pretest of Sathi advertising messages	DRB	Best understood and accepted ads used in media campaign.	
3. Pretest of Sathi Television ad	DRB	Most acceptable, modified ad used.	
4. Consumer KAP survey (KAP-1) a. Consumer Survey on family planning use (analysis by PSI) b. SMC Consumer KAP-1 Urban by Woodward c. SMC Consumer KAP-1 Rural by Woodward	DRB	Established Sathi's planned image and position.	1210 1385 1744
5. Social Marketing of Contraceptives - Trade	DRB	Established in-store strategy	1348
1989			
1. SM Advertising Campaign Effective Study	DRB	Film modified to include pack & brand name	1711
2. Pilot Retail Audit a. Executive Summary b. Sathi Retail Store Audit	Insight	Led to improved design of retail audit	1375 1353
3. Pakistan user Condom Survey	DRB	Profile of current users led to downscaling strategy.	1262
1990			
1. Oral Contraceptive Pills Pilot	DRB	Retail price of Rs 7.50 appeared best for maximizing prevalence.	1515
2. Why Sathi Sales Go Up and Down	PSI	Showed that supply factors explained most changes in Woodward's sales.	6-1-3
3. Pakistan's Condom Users: Who Are They?	PSI	Provided socio-economic profile of condom users. Led to emphasis on downscaling.	6-1-3
4. Perpetual Audit of Retailers (PTA)	Aftab PSI	PSI analysis shows trends for sales, shares and coverage	6-4-3-1

5. The Contribution of SMC Studies to USAID's Population Activities	PSI	Used by USAID to describe Project impact.	6-1-3
6. Short Audit of Retailers for 12-pack	Aftab	Showed sales volumes in test towns.	1676
7. Introduction of Sathi 12-pack	PSI	Provided implications for national roll-out	
8. Study of Oral Contraceptive Pills a. Main findings-Consumers (Vol. I) b. Sampling/Methodology-Consumers (Vol. II) c. Tables: Males/females (Vol. III) d. Paramedics (Vol. IV) e. Medical Practitioners (Vol. V) f. Chemists (Vol. VI)	DRB	Assists design of communication materials, and marketing strategy. Also serves as baseline for later evaluation.	1702 1703 1704 1705 1706 1707
9. Survey of Oral Contraceptive Manufacturers	PSI	Provided basis for OC marketing strategy	
10. Findings of the Exploratory Trade Survey on Contraceptive Prices	Aftab	Assisted development of marketing strategies.	1677
11. Opportunity Analysis and Pricing Strategy for Social Marketing of Condoms	PSI	Provided basis for introducing premium-priced brand.	6-1-3
1991			
1. Who Pays for What? Cost Analysis of the SMC Project	PSI	Provides a framework for analyzing annual costs of the Project. Has implications for projecting cost recovery.	6-1-3
2. Trade Census	Aftab	Provides listings of all retail shops in Pakistan (12 volumes)	1765-1774
3. Continuation of Perpetual Trade Audit (PTA)	Aftab-PSI	PSI analysis shows trends for sales, shares and coverage	
4. Sathi Pricing Study	Aftab	Shows impact of price increases on consumption.	1679 1736 1747
5. Report on Graphic Test of Condoms Pack	Aftab	Most understandable and acceptable graphics adopted for pack design.	1674
6. Marketing Index Study: a. Report on Market Index on Condoms (July - September 1990) b. Marketing Index: Round 2			1673 1672
7. Report on Pretesting of Lo-Rondal Blisterpack on Doctors, LHV and consumers	Aftab	Improved comprehension of pack design.	1740
8. Vol. II Report on Pretesting of Lo-Rondal Blister pack	Aftab	Helped determine most understandable and acceptable pack	1794
9. Vol. I Report on Pretesting of Instruction	Aftab	Helped determine most understandable instructions	1776

1992			
1. Relationships Between Sathi Supply, Demand & Sales	PSI	This brief analysis of Sathi's 1992 sales decline led to the larger report covering all brands of condoms.	6-1-3
2. Condom Distribution in Pakistan: Assessing the Impact of Price Increases	PSI	Provides estimates of trends in condom use for family planning and smuggling.	
3. Male Attitudes towards fertility regulation in Rural Punjab, Pakistan	Sohail Agha	Identifies attitudinal obstacles to contraceptive use. Helped develop questionnaire for retail survey (see next item)	1778
4. Survey of rural retailers	Aftab	Explains contraceptive distribution in villages	
5. Testing of Sathi ads for radio, cinema, press & TV	Aftab	Helped selection of most understandable and acceptable messages	6.4.13.1
6. Survey of Media Habits of Working-class men	DRB	Will help design media plan aimed at most effective use of radio, TV, cinema, newspapers.	6.4.14
7. New Perpetual Trade Audit	Aftab-PSI	New methodology will provide representative sample of retail shops	
Secondary Studies			
1985			
1. Contraceptive Prevalence Survey	NIPS	Provided baseline of married women.	
1988			
1. Contraceptive Social Marketing Assessment, Vol 2, 6 Country Reports	ISTI	Assisted strategic planning	1449
2. Evaluation of Pakistan SMC Project	USAID	Assisted strategic planning	1036
1991			
1. Demographic and Health Survey	NIPS-IRD	Provides indication of impact of SMC Project, i.e. prevalence, knowledge and practices among men and women	1751

Appendix D
Management Information System

I. Data Input

- A. Woodward Inventory
 - 1. Packagaging materials on-hand at Woodward warehouse.
 - 2. Packaged Sathi (finished goods) on-hand at Woodward warehouse.

- B. Sathi Orders Received by Woodward
 - 1. Orders for Sathi received from distributors each week

- C. Woodward Sales
 - 1. Woodward's monthly reports of sales of Sathi to distributors.

- D. Coverage of retail shops (Perpetual Retail Audit)
 - 1. Numbers of shops stocking Sathi
 - 2. Numbers of shops with Sathi on-hand

- E. Retail Sales (Perpetual Retail Audit)
 - 1. Retail Sales of various condom brands from panel of 1200 shops
 - 2. Market share of different condom brands
 - 3. Percentage of shops stocking each brand
 - 4. Percentage of shops with stock-on-hand of each brand

- F. Revenue
 - 1. Sathi sales revenue reported by Woodward.

- G. Woodward Funds
 - 1. Total budget
 - 2. Monthly reimbursement claims

- H. PSI Funds
 - 1. Total budget
 - 2. Monthly reimbursement claims

- I. Other data
 - 1. Results of primary research studies (designed by PSI)
 - 2. Results of secondary research studies (designed & produced by other agencies)

II. Outputs

- A. Woodward Inventory
 - 1. Estimates of adequacy of packaging materials on hand (number of days).
 - 2. Estimates of adequacy of packaged Sathi on hand (number of days).

- B. Sathi Sales from Woodward Warehouse
 - 1. Monthly Sathi sales to each of top 40 distributors
 - 2. Quarterly trends of sales of Sathi
 - 3. Annual trends of Sathi sales

- C. Coverage of Retail Panel
 - 1. Monthly trends of percents of pharmacies & general shops who stock Sathi
 - 2. Monthly trends of percents of pharmacies & general shops who have Sathi on-hand

- D. Sales from Shops in Retail Panel
 - 1. Monthly trends of sales of all condoms
 - 2. Monthly trends of shares of condom sales by brand
 - 3. Monthly trends of average Sathi sales per shop
 - 4. Monthly trends of average Sathi sales per shop, by city size

- E. Sales Revenue contribution
 - 1. Annual percentage contribution of sales revenue to total expenses

- F. Woodward Budget Position
 - 1. Monthly and cumulative expenses
 - 2. Balance available for each budget line

- G. PSI Budget Position
 - 1. Monthly and cumulative expenses
 - 2. Balance available for each budget line

- H. Annual Net Cost to Donor
 - 1. Annual Woodward expenses plus PSI expenses less sales revenue

- I. Annual Estimates of Use
 - 1. estimate of condom prevalence
 - 2. estimate of Sathi prevalence
 - 3. estimate of numbers of couples protected (CYP)

- J. Annual Donor Cost of Protecting Each Couple
 - 1. Cost per CYP to donor (Net donor cost/CYPs)

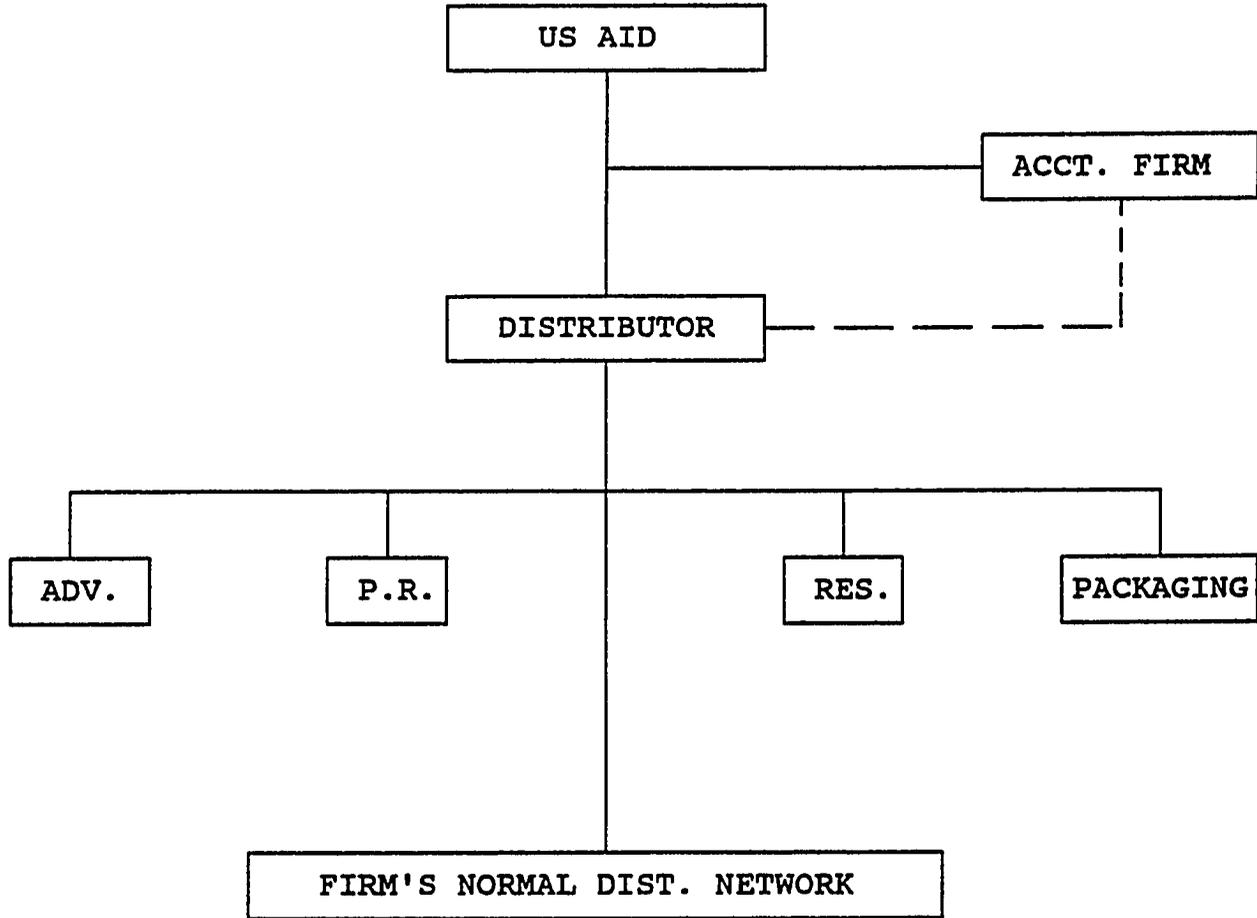
- K. Contraceptive Knowledge of Target Audiences
 - 1. Estimates of percentages of Pharmacists aware of Sathi
 - 2. Estimates of percentages of target consumers aware of Sathi

III. Reports

- A. Progress Report (To the public: quarterly)**
- B. Quarterly Report (to USAID)**
- C. SMC Fact Book (To the public: updated as needed)**
- D. USAID Project Implementation Review (To USAID: semiannual)**
- E. Field Monitoring Reports (To GOP, USAID, WWP: Several each month)**
- F. Special Reports (To USAID: See "Studies" for list)**
- G. Outline of Studies Produced and Used by the Project (Updated as needed)**

Appendix E

Proposed Organizational Chart, New SMC Program



Appendix F

Proposed Budget, New SMC Program

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
I. Distribution expenses -1)						
Advertising	150,000	165,000	181,500	199,650	219,615	915,765
Research	10,000	11,000	12,100	13,310	14,641	61,051
Packaging -2)	216,000	273,240	330,165	400,752	484,910	1,705,067
Salaries and overhead	200,000	220,000	242,000	266,200	292,820	1,221,020
Management-3) Fee	182,250	209,588	268,971	295,868	371,948	1,328,625
TOTAL	758,250	878,828	1,034,736	1,175,780	1,383,934	5,231,528
II. Revenue - 4)	729,000	838,350	1,075,882	1,183,471	1,487,792	5,314,495
Payment to distributor (expenses minus revenue)	(29,250)	(40,478)	-1,146	7,691	103,858	82,967
III. Accounting Firm	25,000	25,000	25,000	25,000	25,000	125,000
IV. Condoms	2,310,000	2,620,000	3,359,000	3,757,000	4,339,000	16,385,000

- 1) a 10% inflation rate is built into all expense line items
- 2) Packaging costs are based upon .12 Rs per condom for year 1, .132 Rs. for year 3, .160 Rs. for year 4, and .176 Rs. for year 5.
- 3) Management fee is 25% of revenue.
- 4) Revenue is based upon 3 Rs. for a package of 4 condoms in years 1 and 2, 3.5 Rs. in years 3 and 4, and 4 Rs. in year 5.

Projected condom sales are: year 1 - 45,000,000
year 2 - 51,750,000
year 3 - 56,925,000
year 4 - 62,617,500
year 5 - 68,879,250

Sales are estimated to increase 15% from year 1 to year 2 and 10% a year thereafter.

- 5) Cost per Condom:

year 1	US\$.0513
year 2	US\$.05163
year 3	US\$.059
year 4	US\$.06
year 5	US\$.063

**SATHI PRICING STRUCTURE
SMC PROGRAM**

Sold By	4 - Pack for 3 Rs.			4 Pack for 3.50 Rs.			4 Pack for 4.00 Rs.		
	Price	Revenue	Margin	Price	Revenue	Margin	Price	Revenue	Margin
Retailer	3.00	0.7	23%	3.50	0.7	20%	4.00	0.80	20%
Wholesaler	2.30	0.10	3.5%	2.80	0.1225	3.5%	3.20	0.14	3.5%
Sub-distributor	2.20	0.30	10%	2.67	0.35	10%	2.06	0.40	10%
Distributor	2.00	0.20	10%	2.32	0.23	10%	2.66	0.266	10%
Return	1.80	1.80	-	2.09	2.09	-	2.39	2.39	-
Total		3.00			3.50			4.00	