PROFIT

Promoting Financial Investments and Transfers to Involve the Commercial Sector in Family Planning

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INTERNATIONAL FAMILY HEALTH'S COMMUNITY–BASED SOCIAL MARKETING PROGRAM

INDIA

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by

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Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu International
in association with:
Boston University Center for International Health Multinational Strategies, Inc. Development Associates, Inc. Family Health International

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The PROFIT (Promoting Financial Investments and Transfers) Project seeks to mobilize the resources of the commercial sector to expand and improve the delivery of family planning services in selected developing countries. The PROFIT Project is a consortium of five firms, led by the international management consulting firm of Deloitte Touche Tohmatsu and including the Boston University Center for International Health, Multinational Strategies, Inc., Development Associates, Inc., and Family Health International.

This report is part of a series of PROFIT Evaluation Reports, which grow out of PROFIT subprojects within the following three strategic areas: innovative investments, private health care providers, and employer-provided services.

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ACRONYMS

AIDS	acquired immunodeficiency syndrome
CBD	community-based distribution
CBSM	community-based social marketing
GOI	Government of India
HIV	human immunodeficiency virus
IFH	International Family Health
IICH	Indian Institute of Community Health
IUD	intrauterine device
LRC	London Rubber Corporation
MIS	management information systems
NFHS	National Family Health Survey
NGO	nongovernmental organization
ODA	Overseas Development Administration
PROFIT	Promoting Financial Investments and Transfers Project
Rs.	rupees
RSH	reproductive and sexual health
USAID	U.S. Agency for International Development
USAID/G/PHN/POP	U.S. Agency for International Development's Office of Population
YRG CARE	Y.R. Gaitonde Center for AIDS Research and Education

EXECUTIVE SUMMARY

The PROFIT (Promoting Financial Investments and Transfers) Project, funded by the U.S. Agency for International Development's Office of Population (USAID/G/PHN/POP), provided a grant to support the implementation of the Community-Based Social Marketing (CBSM) program in Madras, India. This PROFIT subproject was implemented by International Family Health (IFH) and Y.R. Gaitonde Center for AIDS Research and Education (YRG CARE), organizations that are active in family planning and AIDS prevention using innovative marketing and outreach programs. This report describes the status of the program approximately 16 months after it received USAID approval.

The CBSM program distributes exclusive brands of condoms and sanitary napkins through private entrepreneurs, using a multilevel marketing approach. Multilevel marketing provides independent entrepreneurs an opportunity to earn profits based on their direct sales of products and their ability to develop a sales network, which includes the entrepreneurs he or she recruits, the recruits of those entrepreneurs, and so on. The entrepreneurs make a profit on each direct sale and also receive a "network development" profit based on their sales plus the sales of their networks. Multilevel marketing provides an economic incentive for entrepreneurs to market products aggressively, to recruit others to sell the product, and to adapt the marketing message to the specific concerns of potential buyers.

The CBSM program became operational in July 1997, with recruitment of the first entrepreneurs. PROFIT's role was limited to support of the program development activities, including developing and registering brand names, developing logistical and management information systems, renovating office/warehouse space, etc.

After a very busy first half of 1997, the program was launched in late June with much publicity and a very positive response. However, the momentum was derailed by a robbery attempt, which resulted in the death of a security agent. In addition, the London Rubber Company (LRC) delayed its delivery of 350,000 condoms by nearly one month. Both these events had a negative impact on staff morale and project credibility.

Nonetheless, the CBSM program has made significant progress in the last six months. In its first two months of operations, 245 entrepreneurs were trained in family planning communications. Seventy-

eight entrepreneurs joined the club, and data from these entrepreneurs shows that some have recruited up to five new entrepreneurs. There is overall reason for optimism based on the positive public response.

PROFIT achieved its most important immediate objective, which was to enable the implementation of an innovative contraceptive distribution program. IFH had a commitment from another donor for funding of the CBSM operations, contingent on IFH securing funding for the development phase. PROFIT's funding ensured that this program was implemented.

PROFIT has learned two lessons during the development phase:

- Applying heavy pressure on implementing organizations does not necessarily hasten the speed of implementation. Instead, it may lead the implementing organization to be less candid about problems and potential problems and less likely to request additional resources or input to develop appropriate solutions.
- Relying on one key manager may be unwise because his or her departure will cause implementation delays.

INTRODUCTION

I.

The PROFIT (Promoting Financial Investments and Transfers) Project was funded by the U.S. Agency for International Development's Office of Population (USAID/G/PHN/POP). PROFIT sought to mobilize the resources of the for-profit commercial sector to pursue family planning objectives. In India, PROFIT supported the implementation of the Community-Based Social Marketing (CBSM) program. This report describes the status of this subproject approximately 16 months after it received USAID approval.

A. Brief Description of the Community-Based Social Marketing Program

The Community-Based Social Marketing (CBSM) Program is a pilot program to distribute exclusive brands of condoms and sanitary napkins through private entrepreneurs in Madras, Tamil Nadu, using a multilevel marketing approach. Tamil Nadu is an appropriate site for this pilot program because it has a well-developed infrastructure and a local need for condoms. PROFIT's two immediate objectives for this project were to:

- enable the implementation of an innovative contraceptive distribution program, thereby leveraging PROFIT funds
- train entrepreneurs on communicating the rationale for using family planning.

The longer-term objective was to test the effectiveness of the CBSM approach, in terms of the family planning impact and its acceptance by entrepreneurs and consumers as a means of distributing reproductive health products and conducting family planning education.

The CBSM Program is being implemented through International Family Health (IFH) and the Y.R. Gaitonde Center for AIDS Research and Education (YRG CARE). IFH has more than 25 years' experience in designing family planning and AIDS prevention projects and research. YRG CARE, an Indian nongovernmental organization (NGO), established in 1985, has been active in AIDS education, counseling, and treatment. Both organizations emphasize the use of innovative marketing and outreach programs. IFH is responsible for the overall implementation of the project, and YRG CARE assists with outreach and training activities.

The CBSM approach combines attributes of community-based distribution (CBD) and contraceptive social marketing. According to IFH, CBSM addresses one of the common weaknesses of social marketing programs by allowing entrepreneurs to adapt the marketing message to the specific concerns of the potential buyers. Unlike traditional CBD programs, CBSM also includes incentives for participants to maximize their financial performance and sustainability.

CBSM is based on a concept of establishing a "club" of entrepreneurs recruited within the local community. The club was established by IFH and operated by staff members dedicated to the program. CBSM provides an economic incentive to individuals to market the products aggressively. The program emphasizes condom usage and reproductive health messages. Income generated from the sale of sanitary napkins is used to sustain the program's operations.

Multilevel marketing provides independent entrepreneurs an opportunity to earn profits based on their direct sales of products and on their ability to recruit or develop a sales network. An entrepreneur's sales network includes the entrepreneurs he or she recruited, plus the recruits of his or her recruits, and so on. The entrepreneurs make a profit on their direct sales and also receive a "network development" profit, which is based on his sales and the sales of their networks. Thus, the entrepreneur has an incentive to sell products and to recruit other salespeople. IFH estimates that the potential income for a determined entrepreneur could be over Rs. 6,000 per month after four months, assuming that the entrepreneur recruits six entrepreneurs in the second month and all entrepreneurs sell 72 condoms and 120 sanitary napkins per month.

B. PROFIT's Role and Participation

The cost of this program was approximately $1,059,000. The Overseas Development Administration (ODA)—the official British foreign aid agency—committed approximately $466,000, contingent on IFH securing additional funding of $150,000. PROFIT provided a grant of approximately $189,000 for development activities. The project's revenues are expected to provide funding of approximately $107,000. IFH will cover up to $296,000 of other costs internally if external funding is not available.

PROFIT's role was limited to the development phase and was designed to end once the project was operational. PROFIT supported project development activities, including development of condom and sanitary napkin brands, development of training curriculum and materials, and procurement of computer and office equipment to support the logistical operations. ***Table I-1*** provides a summary of the use of PROFIT funds.

Table I-1
IFH Use of PROFIT Funds

Expense	Amount
Brand Development and Business Setup	$59,250
Training Development	50,700
Equipment and Logistics	79,027
Total	$188,977

C. Summary of Baseline Information

India has a population of 930.6 million people and is expected to become the world's most populous nation by 2025. The 1992–93 National Family Health Survey (NFHS) for India indicates a heavy reliance on sterilization for family planning. While 96 percent of currently married women know of at least one contraceptive method, almost one-quarter of them do not know about any modern temporary methods (pills, IUDs, injectables, or condoms). Knowledge about where to obtain these methods is even more limited. Modern temporary contraceptive methods are used by less than 6 percent of married women. In Tamil Nadu, 14 percent of women had no knowledge of any modern temporary method, and 81 percent used no other contraceptive method prior to sterilization. Within urban Tamil Nadu, 63 percent of those who use modern contraceptive methods rely on public sources of supply.

HIV infection is rapidly spreading throughout India to the general population through heterosexual contact. According to the NFHS, there is a great potential for further acceleration in HIV prevalence in India unless serious prevention interventions are undertaken. The NFHS also reveals that knowledge of AIDS is extremely limited and subject to misconceptions. In Tamil Nadu, 23 percent of married women know about AIDS. While 71 percent of those knowledgeable about AIDS responded that AIDS can be avoided by practicing "safe sex," only 14 percent cited using condoms during intercourse to prevent AIDS. Further, 33 percent of women in Tamil Nadu believe AIDS is curable, and 22 percent believe there is an AIDS vaccine.

Condom sales data show that 47 percent of condoms distributed in Madras were commercial brands. In 1993, the primary outlets for commercial and subsidized condoms throughout India were chemists/pharmacists (42 percent), general stores (19 percent), grocers (8 percent). Other outlets were

responsible for 31 percent. Government and social marketing condom brands range in price from 0.17 to 1.00. rupees (Rs.). Commercial brands range in price from Rs. 1.00 to 2.67 (approximately US$0.03–0.07) per piece. The price for condoms sold through the CBSM project is Rs. 1.00 per piece. ***Table I-2*** shows the segmentation by price of the condom market.

Table I-2
Market Segmentation of Condoms by Price

Price per Unit	Market Share (percent)
Low-priced: Less than Rs. 1.00	51
Mid-priced: Between Rs. 1.00 and 1.33	29
High-priced: Above Rs. 1.33	20
Total	100

D. Evolution of the Subproject

The CBSM program was operational by late June 1997, six months later than expected. Two significant events caused delays during the first year of implementation. First, the architect of the program, who was to manage its development, left the project for personal reasons. His successor left after about six months, also for personal reasons. Fortunately, the first manager was able to recommit himself to the project, and development proceeded under his supervision. The second event resulted in a change of the local partner, to YRG CARE. IFH did not have a good experience with the previous local partner, finding them to be poorly managed and inaccessible. These two problems caused delays of approximately six months.

Development activities included registration of an Indian society under the name of Indian Institute of Community Health (IICH), which serves as the organization with long-term responsibility for managing the CBSM program. The IICH trustees include the Director of YRG CARE, IFH's Executive Director, a practicing consultant and therapist in sexual medicine, an advertising executive, a business and civil lawyer, and a chartered accountant.

PROFIT supported most of the program development activities, including the development and registration of brand names. Quantum Research gathered information used to develop the brand name, product packaging, and training and communications materials. Based on the market research, Ogilvy and Mather Advertising developed a unique brand name and logo. The brand name allows the CBSM club to maintain a unique image, which is associated with the products as well as the multilevel marketing concept. The unique brand name also prevents entrepreneurs from selling products purchased from outside sources – without a unique brand that can only be purchase through the CBSM headquarters, there would be no control over the training of entrepreneurs or accurate calculation of the entrepreneurs' network profits. The brand name selected, "aXess," received very positive feedback in focus group research.

PROFIT also supported development of the CBMS logistical and management information systems. Software was developed specifically for the CBSM to manage information on the entrepreneurs and their profits. Installation of software was completed in April 1997, coinciding with the procurement of computer equipment.

Many other final activities took place during the second quarter of 1997, before the program was launched. Selection of office/warehouse space was finalized in March 1997, with the renovations taking an additional few months. All required equipment and furnishings were delivered during the second quarter. The most important local management position, the project director, was filled in December 1996, and other staff members were recruited in 1997.

After a very busy first half of 1997, the project was launched in late June with much publicity and a very positive response. The first two weeks of July were very exciting and promising. Unfortunately, the momentum of the project was derailed by a horrible event. A security agent was killed during a robbery attempt on the CBSM facilities. An insignificant amount of cash was stolen, but no equipment or furnishings were taken or damaged. This incident and the pursuant criminal investigation had a very negative effect on staff morale and discouraged new entrepreneurs from joining.

The CBSM faced a further setback in August with the failure of the London Rubber Company (LRC) to deliver an order of 350,000 condoms, as promised. The CBSM had no stock through the month, until August 29, when LRC made the delivery. This delay had a serious impact on the project's credibility and affected the ability to recruit new entrepreneurs.

Despite these setbacks, there is still reason for optimism, based on public response. CBSM staff members continue their outreach work at major rallies, targeting nongovernmental organizations (NGOs), corporations, educational institutions, social organizations, etc. The concept is well-received by most people. In the coming months, the project will make the necessary adjustments to its strategies and

materials to increase its capacity to motivate people to sell reproductive health products and to promote the CBSM concept to others.

ACHIEVEMENT OF THE SUBPROJECT'S GOALS

II.

A. Summary of Goals and Data Collection Methods

The major input goals to this subproject were to:

- secure ODA and IFH funding, thereby leveraging PROFIT funds
- provide training to entrepreneurs on communicating the rationale for using family planning.

The short-term goals of this subproject were to determine whether:

- IFH can turn the reproductive and sexual health (RSH) product and information delivery process into an attractive business opportunity for independent entrepreneurs
- entrepreneurs can effectively explain the health rationale for using RSH products
- entrepreneurs can effectively recruit other people to become entrepreneurs in the CBSM club
- there is an advantage to broadening the product range to include other over-the-counter products.

The longer-term goals of this subproject were to determine whether:

- CBSM can increase condom usage
- CBSM will shift condom users from public to private sources
- entrepreneurs can effectively educate people in their social network about the health rationale for using RSH products
- there is a financial advantage to broadening the product range to include other over-the-counter products
- entrepreneurs can effectively sell RSH products to their peers.

The main data collection methods of the subproject were as follows:

1. Baseline Data

- Condom market sales data from IFH measured current sourcing of condoms from the private sector.
- The CBSM Consumer Survey will provide the previous source of condoms used by CBSM customers.

2. Financial Monitoring Data

- Quarterly project expenditures were prepared by IFH, allowing PROFIT to measure total ODA funds contributed to this project.
- Annual financial reports will be provided by IFH and will include a breakdown of the financial contribution from sales of sanitary napkins.

3. Follow-Up Data

- The Quarterly Database Report, to be provided by IFH, will provide information on the number of entrepreneurs trained.
- The Membership Diffusion Database Report, to be provided quarterly by IFH, will include information on the number of entrepreneurs, average number of recruits per entrepreneur, and their geographical distribution.
- The Test Results Database Report, to be provided quarterly by IFH, will provide information on the percentage of candidate entrepreneurs who pass a basic competency exam.
- The Sales Report, to be provided quarterly by IFH, will provide the total sales volume of the CBSM.
- A Preliminary Study of Market Attitudes, coordinated by IFH during the second quarter of implementation, was sent to PROFIT.
- The Consumer Survey, to be coordinated by IFH during the second quarter of Years 2 and 3, will include information on the number of new acceptors, clients' previous source of condoms, and overall attitudes toward the CBSM sales approach.

The Entrepreneur Survey, to be coordinated by IFH during the second quarter of Years 2 and 3, will include information on the attitudes of entrepreneurs toward recruiting other people and selling the CBSM products.

B. Inputs

Table II-1 shows the input goals, indicators, data sources, and results of the subproject.

Table II-1
Input Goals, Indicators, Data Sources, and Results

Goal/Objective	Measurable Indicator	Source of Information	Status
To secure ODA and IFH funding, thereby leveraging PROFIT funds	Total funds invested by ODA and IFH	Actual quarterly project expenditures	ODA and IFH committed funding. To date, ODA has disbursed funding of approximately $206,000, as scheduled.
To develop a brand name representing the CBSM image	Brand name selected and registered	CBSM Activity Report	Completed February 1997
To develop CBSM management information systems (MIS)	MIS systems installed and operational	CBSM Activity Report	MIS installation completed in May 1997.
To provide training to entrepreneurs on communicating the rationale for using family planning	Number of entrepreneurs trained	CBSM Activity Report	245 entrepreneurs were trained through August 1997.

This subproject achieved all of its input goals. IFH has been able to access ODA funding as a result of securing PROFIT funding for the program's development phase. Development of management information systems (MIS) was completed and the systems are installed and functional. From July through August 1997, 245 entrepreneurs received training in family planning communications.

C. Short-Term Outcomes

Table II-2 shows the goals, indicators, data sources, and results related to short-term outcomes. The results for most of these goals are not yet available. It was originally anticipated that more data would be available, as the CBSM program would have been operational for six months.

While there have been some positive short-term outcomes, data are not yet available to draw any conclusions. In the first two months, 78 entrepreneurs joined the club. Approximately 50 entrepreneurs joined in the first two weeks, but a robbery attempt, which resulted in the death of a security agent, seriously affected morale and membership. The CBSM is only just recovering from this incident. While there are not enough members to provide data on the recruitment of new entrepreneurs, preliminary data show that some members have recruited up to five entrepreneurs in the first weeks.

Table II-2
Short-Term Goals, Indicators, Data Sources, and Results

Goal/Objective	Measurable Indicator	Source of Information	Status
To determine if IFH can turn the reproductive and sexual health (RSH) product and information delivery process into an attractive business opportunity for independent entrepreneurs	Number of people within the local community who become a member in the CBSM club	Membership Report	In the first two months, 78 entrepre-neurs joined the CBSM club.
To determine if entrepreneurs can effectively explain the health rationale for using RSH products	Percent of candidate entre-preneurs who pass the club's "Health Basics Test"	Quarterly Test Results Report	A formal test was not administered, but everyone trained was deemed by the trainers to be competent.
To determine if entrepreneurs can effectively recruit other people to become entrepreneurs in the CBSM club	• Average number of direct recruits per entrepreneur • Perceptions of entre-preneurs of difficulty in recruiting other people • Geographical distribution of entrepreneurs	• Membership Diffusion Database Report • Entrepreneur Survey • Membership Diffusion Data Report	• Not yet available • Not yet available • Not yet available
To determine the perceived advantage of broadening the product range to include other over-the-counter products	Entrepreneurs' perceptions of the synergy between selling condoms and sanitary napkins	Entrepreneur Survey	Not yet available

D. Long-Term Outcomes

Table II-3 shows the long-term goals, indicators, data sources, and results. The results of these goals are not yet available. IFH intends to provide these results once data are available.

Table II-3
Long-Term Goals, Indicators, Data Sources, and Results

Goal/Objective	Measurable Indicator	Source of Information	Status
To determine whether CBSM can increase condom usage	Number of new acceptors	Consumer Survey	Not yet available
To determine whether CBSM will shift condom users from public to private sources	Percent of CBSM customers who previously obtained condoms from public sources	Consumer Survey	Not yet available
To determine if entrepreneurs can effectively educate people in their social network about the health rationale for using RSH products	• Percent of customers who bought products for the first time or increased their frequency of purchase as a result of entrepreneurs' education • Percent of customers who are satisfied by their entrepreneurs' educational performance	• Consumer Survey • Consumer Survey	• Not yet available • Not yet available
To determine the financial advantage of broadening the product range to include other over-the-counter products	Revenues to the club from sales of sanitary napkins	Annual Financial Report	Not yet available
To determine the advantage of broadening the product range to include other over the products	Average monthly earnings per entrepreneur	Final Database Report	Not yet available
To determine if entrepreneurs can effectively sell RSH products to their peers	• Total sales and volume for condoms and sanitary napkins sold • Entrepreneurs' perceptions of the difficulty of selling products at retail to other people • Percentage of new users who feel their resistance to product use was directly and properly addressed by the entrepreneur	• Sales Report • Entrepreneur Survey • Consumer Survey	• Not yet available • Not yet available • Not yet available

CONCLUSIONS AND LESSONS LEARNED

III.

A. Conclusions

Implementation Process

PROFIT undertook this subproject with the understanding that the timetable for development activities was extremely aggressive. Aside from some events beyond the control of PROFIT or IFH that have caused delays, development has proceeded at a fairly quick pace. PROFIT was in a special situation, given that it ended in September 1997, and so there was additional pressure for quick implementation from USAID and less tolerance for implementation delays. The delays experienced in this project would not have been viewed as seriously had PROFIT not been in its final year of operations.

The implementation delays caused by personnel changes in this project made clear that the success of small-scale projects is more dependent on individuals than organizations. Because this project is reliant on one manager, no level of organizational capability could have replaced him when he left unexpectedly. The project would have been less dependent on one individual if a local manager was hired at the early stages of development, and disruption caused by the manager's departure might have been minimized.

Project Partners

PROFIT fully supported IFH's first choice of a local partner—PROFIT respected IFH's freedom to work with a partner of its choice. Although PROFIT had feedback from outside organizations that IFH's first local partner was organizationally weak, forcing IFH to work with a partner it did not choose would not have been successful. Once IFH began to realize that there were problems with the working relationship, however, pressure from PROFIT and USAID led them to delay fully exposing the extent of the problems. IFH only communicated the full situation to PROFIT when it became clear that implementation could only continue if a new partner was found.

B. Lessons Learned

- Applying heavy pressure on implementing organizations does not necessarily hasten the speed of a project's implementation. Instead, it may lead the implementing organization to be less candid about problems and less likely to request additional resources or input to develop adequate solutions.
- Relying on one key manager may be unwise because his or her departure will cause implementation delays.