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**AN EVALUATION OF THE
COMMERCIAL DISTRIBUTION
OF CONTRACEPTIVES PROGRAM
IN NEPAL**

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**AN EVALUATION OF THE
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PROGRAM IN NEPAL**

I. INTRODUCTION AND BACKGROUND

This report consists of the analysis of two marketing consultants who viewed the Nepal contraceptive retail sales (CRS) project for one week at a point about six months after commencement of national distribution.

The beginning years of the CRS project in Nepal, as in other projects which the consultants have evaluated, have been characterized by an emphasis on administrative and diplomatic tasks. For example, the project had to be positioned in the commercial and governmental environments in Nepal and USAID. The in-country project management team, headed by James Messick, has done an excellent job in steering the project to product launch.

Those early tasks are still very important, but basic marketing questions are becoming increasingly relevant for the project's survival as it moves into actual sales activities. Therefore, this evaluation report is divided into sections reviewing the four classical marketing variables: 1) Product Concerns, 2) Pricing, 3) Distribution, and 4) Promotion. These are followed by discussions falling into the following strategic categories: 1) Planning and Finances, and 2) Transition from Westinghouse to Nepali management.

Also included in this analysis are the review team's impressions of both the project strengths and the areas appearing to need improvement. A list of the persons contacted during the course of the analysis appear in Appendix A.

II. PRODUCT CONCERNS

A. BRAND NAMES

The CRS staff has gone to great lengths to localize the product brand names, prices and packaging, i.e., adapt them to Nepali marketing conditions. The steps they have taken to select suitable names for the two products have included the following:

1. Brand Name Contest. A national contest, which received considerable press coverage, to generate suggestions for product names.
2. Consultation with the Advisory Committee. A group of government and business leaders specially created in order to broaden further the inputs to the name selection process and providing continuing advice and liaison with other organizations close to the family planning industry.
3. Consultation with Experts. Professor Dor Bahadur Bista, the renowned anthropologist at Tribhuvan University in Kathmandu. Professor Dor Bista identified potential communication problems with the connotations of several candidate brand names.

This name selection process resulted in the choice of the name "Dhaal" for the condoms and "Gulaf" for the oral contraceptives. "Dhaal" means shield in Nepali, which from a marketing perspective is noteworthy, for with that name the CRS staff has achieved an important marketing goal. That goal is to incorporate a product benefit in the name of the product and thus facilitate communication. As a shield against impregnation, Dhaal is thus a name that communicates a basic benefit of condoms.

In the case of the oral contraceptive, the task was more difficult because the functioning of the pill is much more complex. Nevertheless, the name selected, "Gulaf," meaning rose, is not without relevance to the consumption of the product. The Nepali people eat rose hips, the ripe fruit of roses; thus, the name is consistent with the oral administration of the product, helping to communicate that product feature.

As a further indication of the lengths to which the CRS staff went to localize the product, the original selection of a yellow color for the background of the red rose on the package was changed to an ivory color because a local brand of tea was sold in a red and yellow package. To avoid potential confusion with this tea, the Gulaf package color was changed.

B. PACKAGING

It appears that some product-related opportunities need discussion. These opportunities revolve around the brand used on the foil wrap for the individual condoms, the possible need for the introduction of the new "low dose" pill, and the addition of "piggy-backed" vitamins to Gulaf.

The condoms presently provided to the CRS project are individually wrapped with the "Tahiti" brand remaining on the inner wrapping of the individual condoms. This poses communication credibility and brand identity problems, potentially diluting the efforts to establish "Dhaal" as a brand name. Furthermore, "Tahiti" is the same brand that is distributed free of charge by the FP/MCH* and FPAN programs. Thus, some of the dealers and retailers are understandably concerned that their customers will be unwilling to pay for the same product that is distributed free of charge elsewhere.

Parallel distribution of the same condom brand presents also the potential problem of leakage from the free to the commercial distribution systems. Retailers could get an initial order of "Dhaal" condoms to secure the display box and then sell condoms singly or at a discount without the box, replacing their sold stock with free condoms from the free distribution system.

The profits from such a practice might spur more retailers to promote condom sales. However, such leakage -- if it becomes extensive -- could seriously erode the support of dealers who are unlikely to see much benefit in promoting the establishment of new retail accounts only to have these retailers get resupplied with condoms acquired free. If unbranded or Dhaal brand condoms were packaged in the Dhaal boxes, however, periodic checks by the dealer salesmen could be used to monitor this potential problem. Eventually, perhaps, salesmen might even confiscate the displays of retailers selling replacement stocks acquired from the public sector.

It should be noted, however, that this distribution leakage problem is only a potential development and is unlikely to be quantitatively important unless sales improve considerably.

*
FP/MCH is the Family Planning/Maternal Child Health division of the Ministry of Health of the Nepali government (HMG). FPAN is the IPPF affiliate, Family Planning Association of Nepal.

RECOMMENDATION: THE CONDOMS PROVIDED TO THE CRS PROJECT SHOULD HAVE PLAIN INDIVIDUAL WRAPPINGS OR DHAAL LABELING AS SOON AS THIS CHANGE IS LOGISTICALLY PRACTICAL, OR WHENEVER SALES JUSTIFY A PRODUCTION RUN.

C. PILLS

A major marketing problem with the pill, in developing countries particularly, is the high discontinuation rates caused by real or perceived side effects. The discontinuation rate appears to be an important factor responsible for the existing extremely low prevalence rate of the pill in Nepal (about 1% of MWRA). Reducing the impact of side effects, both real and perceived, has been a major objective of the Nepal CRS project, and is discussed further in the section on pharmacy detailing education. In addition, the CRS team made a recommendation at the Joint Review Session with HMG in Nepal regarding the joint packaging of pills and vitamins which is discussed below as a part of the section on product.

It appears that the degree of side-effects may be significantly reduced by the concurrent self-administration of vitamins and birth control pills. The conclusion flows from data discussed with us by Nepal Family Planning Association management. Whether this result is caused by psychology or by some real medical impact on the undernourished Nepali women is not determined. (See Note 1 on page 6)

Unfortunately, the public sector does not now have the logistic or financial capability to provide vitamins with birth control pills except, perhaps, through CRS project format. Through the CRS format, a current private sector supplier could cooperatively supply their own brand and therefore absorb any additional costs and allow piggy-backing of Gulaf on the other product's marketing system as well. It is also possible that the World Health Organization or UNICEF might partially underwrite the costs of adding vitamin pills to the CRS distribution system but, of course, unbranded pills acquired by purchase or grant would be somewhat less effective. (See Note 2 on page 6)

There are many problems associated with such a joint marketing project, but the potential payoff is great also. A higher pill continuation rate would contribute to the diffusion of contraception to new participants by reducing the incidence of dissatisfaction and thus improving the milieu for diffusion by increasing the ratio of favorable word-of-mouth information and influence flows.

RECOMMENDATION: A COMBINED PACKAGE, PIGGY BACK, OF VITAMINS AND PILLS SHOULD BE TEST MARKETED TO DETERMINE WHETHER SUCH A PRODUCT WOULD INCREASE PILL USAGE WITHOUT LEADING TO THE INSATIABLE EXPECTATION THAT THE PUBLIC SECTOR FREE DISTRIBUTION SYSTEM MUST ALSO SUPPLY VITAMINS WITH BIRTH CONTROL PILLS. (SEE NOTE 1).

Another specific product line addition may make sense for Nepal. Because of the smaller stature of Nepalis and other Asians in comparison to Americans, 49 mm condoms are distributed in Nepal rather than the 51 mm size commonly distributed in the USA. In like manner, because of the size difference, and the generally inadequate diet of Nepali women, the CRS project management is devised to watch the progress of the new low-dose pill in other countries to determine whether it does indeed reduce the incidence of side effects and therefore may eventually be suitable for marketing in Nepal.

In order to further the program objective that the CRS program eventually become economically viable; that is, able to continue without outside subsidies, other products may be needed to provide a broader base over which to spread the overhead of operating the distribution system. Also, since governments have already developed the tool of the CRS distribution system, it can now be used, at little extra cost, for other public health needs.

Note 1

Vitamin pills would be an excellent associated product for Gulaf for the following reasons:

1. The FPAN reported a higher continuation rate for pill acceptors who were also taking vitamins, the implication being that malnutrition may be a contributing factor in the incidence and severity of oral contraceptive side effects, or that we are witnessing a placebo effect.
2. The Bennett Study ("Sex and Motherhood Among the Brahmins and Chhetris of East-Central Nepal," INAS Journal) reported that Nepali women in her sample perceived menstrual flow as a drain on health. This suggests a potential for a health benefit tie-in by some type of combined distribution of contraceptives with vitamins.
3. Dr. Pande of HMG reported that the taking of the oral contraceptive pill contributes to a loss of Vitamin B Complex and Vitamin A. This suggests the possibility of more than a coincidental link between taking the pill and the use of vitamin supplements.
4. Discussion with officials of Shanker Enterprises, Kathmandu Dhaal dealer, indicated that vitamins are a good selling item for retail chemists.

Note 2

Before proceeding, though, with such a product line addition, several issues should be studied further, including:

1. If the product package is very successful then CRS may be seen as a threat to other channels. To ignore this complication might imperil the program. Other public sector distribution programs have been very cooperative to date, and such cooperation has been a great assistance to the CRS project.
2. From a marketing perspective, the combining of the oral pill with vitamins may have the deleterious secondary effect of communicating to the target audience that a health danger is associated with the use of oral contraceptives. This danger may be especially great given the previously cited vitamin loss associated with the oral pill use. Thus, some of the dangers of fear appeals may be inadvertently introduced, risking a boom-orang effect. Vitamins would have to be introduced in a very cautious manner with serious effort going towards continuous evaluation.

3. Any private supplier of vitamins would necessarily be foreign in Nepal, probably Indian, which raises a political barrier.
4. Priority Questions - As John Burdick, USAID/N cautioned, a greater health need may exist in Nepal, a satisfaction of which would contribute a greater net benefit to the people for the same cost as the posited possibility of a subsidized vitamin tie-in for the oral pill. Even if the product package is not subsidized, HMG may not want to increase commercial sales of vitamins.

III. PRICING

A deliberate effort was made to provide a retail price that would be affordable and payable in convenient coinage for the target market, yet allow for sufficient margin at the retail and wholesale levels to provide incentive to handle the product. According to information developed by the review team, all of these objectives have been achieved. The retail price levels for the two products are 50 paisa (US 4¢) for a 3-pack of condoms and Rs. 1.50 (US 12¢) for a cycle of the oral pills.

The prices set for retailers and dealers allow for margins of 20% and 16% respectively. These margins are exceptionally high in comparison with a more typical 5% and 2-4%. In effect, the CRS management is attempting to induce distribution with high unit profit since it cannot yet offer high volume. This is a perfectly appropriate decision, however, it is suggested the management gradually introduce a bonus system over the next few years in order to replace the present flat low price. The advantages of a dealer and retailer bonus system are:

1. It allows a quicker and less obvious means of manipulating the price. When volume goes up the margins should come down since those funds should be reallocated from distribution expense to advertising.
2. Bonuses give salesmen something to talk about with retailers, an important factor in maintaining their moral and the interest of the retailer.
3. It allows a price response to improve distribution for purposes of seasonal adjustments or increased localized promotion which is discussed in the section on promotion.

IV. DISTRIBUTION

An overall goal of the CRS project has been to make contraceptives so easily accessible in Nepal that a significant number of consumers would purchase them who would not have gone to the personal cost of getting them from the free government sources, i.e., that the products become a kind of convenience good. In the market areas thus far developed, a widespread level of retail distribution seems to have been established. This is an especially noteworthy accomplishment for the following reasons;

1. The sale of goods that are distributed free elsewhere in the same market appears to contradict "conventional wisdom."
2. Many questioned the willingness of retailers to openly display condoms in a country where, as compared to the United States, the people are much more modest about sexuality. Yet, even in the United States today, condoms are not displayed above the counter in some of the more conservative regions of the country, and ten years ago, above the counter display of condoms was unheard of anywhere in the U.S.
3. The campaign to establish retail outlets began in earnest only about June 1, 1978, and has been impeded by unanticipated delays in the initiation of various facets of advertising and promotional support.

In addition, the review team found ample indications that the CRS staff has not been short-sightedly concerned solely with increasing the extent of distribution, but they are also addressing the issues of safe and use-effective product acceptance. Prospective Gulaf retailers, for example, must attend a training session to become acquainted with the medical contraindications for oral pill use, suggestions for handling side-effect problems, and so forth. This support to the efforts of the pharmacists to improve their professionalism has been well received and is an important part of Gulaf's potential success.

The team was also pleased to hear good reports on the helpfulness and general capability of the CRS salespeople. This was a source of some concern for the team since none of the salesmen had any prior sales experience because of the difficulty of recruiting experienced salespeople in Nepal. Furthermore, the team was pleased to note the efforts of the CRS staff to develop local suppliers, placing contracts with firms outside of Nepal only when efforts of the CRS staff to find local suppliers were unsuccessful. Nevertheless, some aspects of the distribution program need further improvement. These concerns pertain to the retail sales levels, the terms of sale to dealers, contingency planning, inventory and management control.

As of November 30th, the six-month sales figures totaled 253,440 units of Dhaal and 14,400 cycles of Gulaf, representing CRS sales to dealers. As impressive as these figures appear, especially in view of previously mentioned obstacles, the review team is concerned that much of the product is apparently building up in the distribution channels as initial dealer and retail inventories, and these initial retail inventories are not selling very well. Several retailers on the route to Pokhara, for example, had not sold any Dhaal, though it should be noted that some had had Dhaal since June, 1978, the Gulaf dealers' ratio of initial retail purchases to repurchases has been 218/80. Of course, such a disproportionate incidence of initial purchases is not in-and-of-itself a sign of weakness.

During a campaign to increase distribution, sales figures should reflect the initial stocking-up by new outlets. Nevertheless the review team is concerned that the initial stocks of many retailers are not moving off the shelves. Confidence that a product will sell is essential if retailers are ever going to put out more of their own money to purchase the product for resale, when and if they do sell their current inventory. If the retailers lose confidence in the saleability of Dhaal and Gulaf, it could ruin chances to reintroduce any contraceptive through the retail distribution system for years. Imagine a salesman going back to a retailer a year from now and trying to get him to believe that he's finally gotten his marketing program together and that this year he will sell well even though he didn't last year.

The origins of this problem of low retail sales levels are many, not the least of which is that widespread demand for the products has yet to be developed. Given the dangers of retailer disenchantment due to low initial turnover, however, perhaps a shift of CRS priorities is needed. The project goals have been defined and listed in the following order: 1. Availability, 2. Awareness, 3. Motivation, and 4. Use.

As intuitively sound as that order appears, it does have a weakness. In a sense, this can be related to the rhetorical question, "Which came first, the chicken or the egg?" Obviously, the product must be available before use can occur, but that truism does not mean that awareness and motivation can be ignored until availability is accomplished. If sufficient attention is not devoted to developing demand as the first retail outlets are established, the risk of disenchanted retailers increases. Once discouraged, it may be impossible to engender enthusiasm again for a product a retailer has once found to be a slow mover.

RECOMMENDATION: A GREATER ALLOCATION OF PROMOTIONAL EFFORT TO DEVELOP CONSUMER DEMAND SHOULD BE MADE SIMULTANEOUSLY WITH EFFORTS TO ESTABLISH RETAIL OUTLETS IN A PARTICULAR, LIMITED TERRITORY. THE NATURE OF THESE PROMOTIONAL EFFORTS NEED NOT BE RESTRICTED TO RADIO AND NEWSPAPER ADVERTISING BUT SHOULD INCLUDE NON-MASS MEDIA AS WILL BE DISCUSSED FURTHER IN THE SECTION ON PROMOTION.

A second distribution concern pertains to the bonding requirement for dealers. Initially, this was set at Rs. 30,000 in May of 1978. By July of that year, Finance Ministry officials had reduced that bond to Rs. 3,000. Although the HMG concern for the security of project monies is understandable, feedback from dealers indicated that this bonding requirement was an impediment for the program. Aside from the inconvenience and the costs of securing the bond or the cash drain problems of avoiding the bond by paying cash, the bonding requirement appears to imperil the attainment of a fundamental program objective. That objective is to establish contraceptives as legitimate consumer products marketed in the normal commercial distribution system in competition with other consumer products. However, a dealer bonding requirement is not normal business practice in Nepal. Thus, the bonding requirement served to set Dhaal and Gulaf at a disadvantage compared to other goods handled by the dealers. For these reasons, the team was pleased to hear the response to this issue from HMG officials at the Joint Session to review the evaluation team's preliminary report. At that session, these HMG officials agreed to review the bonding requirement to see if a further reduction or elimination is not justified.

A third concern of the review team was that a contingency plan be developed to provide physical distribution for the CRS products should, for any reason, the present accommodation with the Janakpur Cigarette Factory cease to be viable. Janakpur is donating its distribution services free, i.e., it is providing freight forwarding service on mainly common carriers and allowing warehousing at its distribution centers. The team was reassured by Mr. Messick, the Field Project Manager, that the distribution could be assumed by the CRS project itself if necessary. This can be accomplished by absorbing the freight forwarding function and shipping directly to dealers, hopefully supplemented by using the facilities of another potential distributor, such as NEBICO Ltd. (a baking company), especially for storage and order processing. However, since Janakpur has almost five times as many distribution centers as any one else, it is hoped that they will continue to handle the product, either for free or for compensation.

The fourth concern was that more storage space be arranged for the CRS inventories in Kathmandu. More space is needed for required inventories once sales levels increase. The present storage facilities are solidly packed, too solidly in fact for adequate ventilation around the product cases, a problem that may become acute if more space is not secured before the dampness on the monsoon season (in April and July) makes adequate inventory ventilation an absolute must.

SUMMARY OF DISTRIBUTION RECOMMENDATIONS

In accordance with the previous discussion, the following distribution recommendations are presented.

1. THE DEVELOPMENT OF NEW OUTLETS SHOULD BE SLOWED, WITH MORE ATTENTION AND RESOURCES DIVERTED TO THE DEVELOPMENT OF DEMAND FOR CONTRACEPTIVES IN AREAS WHERE RETAIL DISTRIBUTION HAS ALREADY BEEN ESTABLISHED.
2. EFFORTS TO DEVELOP SUBSEQUENT MARKET AREAS SHOULD BE INITIATED ONLY AFTER THOSE DEALERS AND RETAILERS WHO ARE ALREADY ESTABLISHED ARE EXPERIENCING SUFFICIENT VOLUME THROUGH CRS DEVELOPED SALES PROMOTIONS. THESE SUBSEQUENT AREAS WOULD THEN HAVE SALES PROMOTIONS CONDUCTED AS THE DEALERS AND RETAILERS ARE SET UP, RATHER THAN WAITING UNTIL THE DISTRIBUTION NETWORK IS IN PLACE BEFORE INITIATING SALES PROMOTION.
3. THE FEASIBILITY OF THE CRS APPROACH TO FAMILY PLANNING HAS BEEN SUFFICIENTLY DEMONSTRATED TO JUSTIFY A HMG REVIEW OF THE RS. 3,000 BOND REQUIREMENT FOR CRS DEALERS.
4. MORE STORAGE SPACE IS NEEDED FOR CRS INVENTORIES. THIS NEED WILL BECOME MORE ACUTE AS SALES VOLUME INCREASES AND AS THE MONSOON SEASON APPROACHES.

V. PROMOTION

A. ADVERTISING CONTENT

The evaluation team looked at two aspects of advertising; content and media mix, and found serious problems with both.

The current advertising campaign consists principally of radio spots carrying the message in effect, "use Dhaal and Gulaf so that your family will be economically better off," and posters which carry no message at all except the name of the product. The radio ads are not even able to use the product name because of the belief by the management of Radio Nepal, a government body, that the product names are now generic for condoms and pills and are therefore risqué.

The use of "reminder advertising," i.e., not carrying any message except the product name, is inappropriate at this early stage of the product's life when people generally do not know what the products are. Reminder advertising which does not communicate any product benefit is often a waste of money.

The "economic benefit" message of the radio ads is fairly typical of family planning advertising. It may even be an appropriate message. However, the evaluation team was not shown any evidence or research that would establish that the economic benefit argument was perceived as important by any significant market segment in Nepal. In fact, the project's consultant anthropologist believes that most Nepali would attach no cost to children. This "economic" message is probably important to the segment of the market currently using contraception (since they were originally attracted to contraceptive use by this message); but the current users are neither a large segment nor one the CRS project wants to serve.

RECOMMENDATION: THE CONTRACTOR SHOULD PERFORM MARKETING RESEARCH ON CONTRACEPTIVE USER CONSUMER MOTIVATION WITH THE OBJECTIVE OF IDENTIFYING A MESSAGE STRATEGY THAT SPEAKS TO THE NEEDS OF A SIGNIFICANT AND ACCESSIBLE MARKET SEGMENT IN NEPAL.

An important resource for this research task is the noted Nepali anthropologist, Professor Dor Bista, already a CRS project consultant, with whom the evaluation team spoke, and who is interested and well qualified for the project. It will be necessary to supplement the anthropologist with some marketing expertise to ensure that the concepts developed can be actually applied to the marketing system.

The current advertising agency, Ad Nepal Association, was created primarily to service the needs of the CRS project. However, two out of three of the principals in the partnership appear to be no longer active and the production of advertising materials has been seriously delayed. Placement of ads has also reportedly been inhibited by lack of financial capacity. The creative personnel in the agency are unreliable and the management does not understand what an advertising strategy is nor how to develop one. They have lost the confidence of the CRS project management at all levels, and they profess no plans to correct the situation.

RECOMMENDATION: THE CURRENT ADVERTISING AGENCY MUST EITHER BE REPLACED OR, IF POSSIBLE, THEN RESTRUCTURED, RESTAFFED, REFINANCED AND HEAVILY SUPPLEMENTED BY OTHER CONSULTANTS OR ORGANIZATIONS. THE EVALUATION TEAM RECOGNIZES BOTH THE DIFFICULTY OF FINDING AN ADEQUATE ALTERNATIVE IN NEPAL AND THE RELUCTANCE TO BRING IN AN AGENCY FROM INDIA. HOWEVER, IF SOME MECHANISM IS NOT FOUND TO PRODUCE ADVERTISING ADEQUATE IN BOTH QUANTITY AND QUALITY THEN THE ULTIMATE SUCCESS OF THE PROJECT IS DOUBTFUL.

In summary, the following four steps are involved in any advertising campaign:

1. Identification of a usable message strategy, preferably through market research. In the case of Nepal, message strategy creation should be implemented by Professor Dor Bista, the project's consulting anthropologist, and either an outside marketing consultant or heavy personal involvement by James Messick, CRS project manager.
2. Identification of the proper media mix taking into consideration the market segment to be reached, the culture, and the media available. In the case of Nepal, media mix determination can be accomplished by CRS management with the consultation of a more adequate advertising agency, if one is found. Evaluation team recommendations regarding media mix are contained in the next section of this report.
3. Translation of a message strategy into copy and art. In the case of Nepal, copywriting must be performed by a Nepali. The current advertising agency's creative staff might be able to accomplish this task, though probably not quickly enough unless supplemented. The supplement could be an Indian consultant, but the copy would have to be verified by a native speaker who understood the nature of the project, e.g., Professor Dor Bista.

4. Production and placement of ads and other promotional materials. In the case of Nepal, production is a technical and administrative task which may have to be contracted out to an Indian advertising agency, or to a proven Nepali agency. Failing that, an additional staff person at the CRS project and a good outside printer might be able to accomplish the task.

B. MEDIA MIX

The major promotional media available in Nepal are the following:

Radio: Advertising is allowed only at limited hours of the day during some lengthy seasons when farmers would be either in the fields or in bed. The household distribution test, mentioned elsewhere, established that about a third of the population listened to the radio, but the team would question the meaningfulness of that figure. Without electrification, radios would depend on expensive, heavy batteries. Only one radio was heard by the evaluation team at several commercial area stops made between Kathmandu and Pokhara. Furthermore, the HMG monopoly, Radio Nepal, will not allow the explicit use of the tradenames, Dhaal and Gulaf. Nevertheless, it is possible to saturate the radio with advertising at relatively low cost.

Display Ads: Covering posters, billboards, rickshaw decorations, and point-of-purchase advertising. This sector of promotion is currently costing more than three times the cost of radio and newspapers combined, and it is unlikely to be deserving such a large portion of the resources, particularly since at present outdoor ads carry no real message. It would appear that the money could be better allocated, even in a media deprived environment like Nepal's.

Medical Profession Detailing: Relevant particularly for Gulaf. Training of pharmacists seems to be proceeding well. The objective is to get the pharmacists to promote the product and especially to protect the product's reputation by controlling for inappropriate use or side effects. The Nepali CRS project seems to have unusually good relations with the other public sector family planning delivery systems. There seems to be relatively little sense of territoriality or competition among the more medically based alternative suppliers -- a strength which may be utilized further.

Direct Consumer Sales: This means sales pitches made to individuals or groups perhaps with the assistance of visual aids and mass sampling. In Nepal, one may even have to provide some programming in which to insert one's message, such as a drama show, puppet show, movie, etc. The Wild West Medicine Man Show is the Western equivalent.

Opinion Leader Sales: This requires getting the support of local leaders outside the medical profession. This promotion media is well used by other family planning delivery organizations in Nepal, especially in conjunction with sterilization camps, but it has not yet been used extensively by the CRS project.

Cinema: Cinema is unusual in Nepal, and therefore it has disproportionately greater impact when used. There are 32 movie theaters in Kathmandu Valley which would show to an audience of about 79,000 per week at a cost of about \$4,000 per year at maximum saturation. It is reported that one of the things people from the hills would typically do when they come into town is to see a movie. Movies carried to the hills, generator and all, would also be a means of attracting a crowd from some direct consumer sales to take place. A movie would be expensive to make, but if carefully produced could be designed to service two functions:

1. In a long version (20-30 min) it could be shown in rural areas to attract groups.
2. Several shorter versions could provide a series of cinema ads.

Education/Printed Matter: Including items considered as "education" in the CRS contract, such as leaflets describing all forms of contraception. Educationally oriented materials can be justified on two grounds:

1. They can be more acceptably distributed by the existing family planning infrastructure.
2. It is reasonable to suppose that advertising distribution is more effective since people presented with the whole range of contraceptives are probably just as or more likely to accept Dhaal or Gulaf than if only those products are explained.

This media also includes the package inserts included under packaging costs. Of course, printed matter for the consumer in Nepal must consist chiefly of pictures. The technique of using pictures seems very well thought through.

CRS products have an advertising advantage over other consumer products in that they are controversial and therefore advertising for them is more memorable. Nevertheless, the exposure of the current campaign cannot be great since radio's effectiveness is greatly reduced; and the display ads are limited to Dhaal, have no message, and can be expected to be seen only in cities and on commercial roads which do not reach most of the population. Nepal is effectively deprived of typical mass media, and therefore, localized forms of promotion become relatively more important.

RECOMMENDATION: ADVERTISING/PROMOTIONAL EFFORTS SHOULD BE REDISTRIBUTED WITH RELATIVELY MORE EFFORT GOING TOWARDS LOCALIZED PROMOTION USING MANPOWER NOW BEING USED TO EXPAND DISTRIBUTION. THE COMPONENTS OF SUCH PROMOTION WOULD INCLUDE:

1. THE STOCKING UP AND TRAINING OF LOCAL RETAILERS.
2. THE TESTIMONIAL SUPPORT OF LOCAL OPINION LEADERS.
3. MASS SAMPLING (NOT HOUSEHOLD DISTRIBUTION).
4. THE STAGING OF A LOCAL EVENT TO ATTRACT A CROWD.

The suggestion to retrain and redirect the salesmen to perform local promotion is prompted by the fact that sales off the retailer's shelves appear to be unsatisfactory. (See the section on distribution.) If sales continue unsatisfactorily from the retailer's point of view for too long, then the image of the products may be irreparably damaged. It is tempting for the CRS project contractor to want to expand distribution, since that makes sales from the warehouse and from dealers look good, but unless movement takes place off the retailer's shelves such a practice is dangerous. Also, since additional promotion is needed, the existing field force is a logical place to look for it.

Normally, it is necessary to expand distribution quickly or otherwise some national advertising goes to waste. However, in Nepal there is very little national advertising impact anyway. For those reasons it would seem to make sense to roll promotion and distribution out simultaneously regardless of the reduction that strategy would create in sales ex-CRS project (but not ex-shopkeeper).

RECOMMENDATION: BECAUSE OF ITS RELATIVELY LOW COST, RADIO SHOULD CONTINUE TO BE USED AT SATURATION LEVEL, BUT EFFORT TO PERSUADE RADIO NEPAL TO PERMIT THE BROADCASTING OF THE BRAND NAMES, DHAAL AND GULAF, SHOULD ALSO CONTINUE.

RECOMMENDATION: THE POSSIBILITY OF SAMPLING CRS BRANDED CONTRA-CEPTIVES, PARTICULARLY GULAF, THROUGH THE PUBLIC HEALTH DELIVERY SYSTEM SHOULD BE EXPLORED. LIMITED FREE DISTRIBUTION OF SAMPLES TO CONSUMERS TO STIMULATE SUBSEQUENT CONSUMER PURCHASE IS A CLASSICAL PROMOTION TOOL FOR OTC DRUGS, AND IN OTHER COUNTRIES DOES NOT MEET SIGNIFICANT RESISTANCE EITHER FROM THE MEDICAL COMMUNITY NOR FROM THE DEALERS AND RETAILERS.

C. HOUSEHOLD DISTRIBUTION STUDY

A major effort was made by the CRS project in order to compete a household distribution study conducted in four sample areas during late 1977. Briefly, the experiment consisted of teams of individuals going from one household to another offering a brief explanation (20 minutes) of contraception, a package of informational and promotional material, and some samples. The acceptors were then followed up later to determine use.

One objective of this effort, to gather marketing research data, was apparently achieved; although the influence of the data collected on marketing decisions which have been made does not appear to have been significant. Unfortunately, the household distribution effort did not test a viable approach to mass sampling in Nepal. The sampling program as practiced resulted in about one new user for each person-day and a half of effort. The amount of time each caller spent trudging across country from house to house, and the time spent explaining contraception over and over again to different people, made such a promotional tool very cost ineffective in comparison with other methods of reaching the public.

Nevertheless, mass sampling, i.e., sampling people who are gathered together in a group for market day performances, plays, puppet shows, outdoor movie shows, etc., could be an important tactic in the localized promotion strategy discussed earlier.

RECOMMENDATION: ANY FUTURE FUNDS AVAILABLE FOR COMMUNITY BASED DISTRIBUTION SHOULD BE USED IN A MANNER THAT WILL ENABLE THE TESTING OF A COMMERCIALY VIABLE MASS SAMPLING STRATEGY.

VI. SUMMARY OF MARKETING RECOMMENDATIONS

It may be useful to refer to Table 1 when summarizing the Marketing recommendations. The distribution of expenses expressed in Table 1 was based on data supplied by Westinghouse headquarters in Columbia, Maryland, and reflects most of the major recommendations of the evaluation team. (ALSO SEE APPENDIX B)

SHIFT EFFORT FROM THE EXPANSION OF DISTRIBUTION TO INCREASING LOCAL PROMOTION. THE DISTRIBUTION EXPENSE TO BE SHIFTED WOULD BE PRINCIPALLY SALES FORCE EXPENSES, ALTHOUGH SOME MONEY COULD BE TAKEN FROM THE "OUTDOOR ADVERTISING" BUDGET.

USE THE CONSULTING AND RESEARCH BUDGET FOR MORE AND BETTER DIRECTED MARKET RESEARCH AND ADVERTISING. THE RESEARCH SEEMS TO BE REFLECTED IN TABLE 1, BUT NOT THE CONSULTANT FEES.

INCREASE SAMPLING OF BOTH PRODUCTS THROUGH A MASS SAMPLING OF DHAAL TO PEOPLE IN GROUPS, AND IN MEDICAL PROFESSION SAMPLING OF GULAF. THIS WOULD RESULT IN INCREASED PACKAGING COSTS ON TABLE 1. INCREASED MEDICAL DETAILING WOULD MEAN MORE EDUCATION MATERIALS COST WHICH SHOULD BE ABSORBABLE WITHIN THE TABLE 1 BUDGET.

PRODUCE A MOVIE FOR CINEMA ADS AND ROAD SHOWS -- AS REFLECTED IN TABLE 1.

PREPARE FOR A REDUCTION IN DEALER AND RETAILER MARGINS.

Table 1.

NEPAL CRS PROJECT
DIRECT MARKETING EXPENSES

Projected first 9 months, 1979
In U.S. Dollars (Percent of
total in parenthesis)

<u>ACTIVITY</u>	<u>TOTAL</u>
DISTRIBUTION.....	\$18,296 (32%)
Salesforce & Expenses	\$9,978 (17%)
Dealer & Retailer Margins	8,318 (15%)
Dhaal	\$6,705 (12%)
Gulaf	1,613 (3%)
ADVERTIZING & PROMOTION.....	26,282 (46%)
Mass Media	14,317 (25%)
Radio	992 (2%)
Press	1,137 (2%)
Cinema*	5,280 (9%)
Outdoor Advertising	6,908 (12%)
Education	6,935 (12%)
Retailer Detailing	600 (1%)
Point of Sale	4,430 (8%)
PACKAGING**.....	10,686 (19%)
MARKET RESEARCH.....	2,000 (3%)
TOTAL EXPENSES	\$57,264
	<u>SALES</u>
Dhaal (23,840 men @ 72/year)	\$24,042
Gulaf (3,692 women @ 13/year)	<u>6,053</u>
TOTAL	\$30,095

* Cinema costs assume an amortization of an initial production cost of U.S. \$15,000 over a 3 year period.

** Margins and packaging costs are a direct function of sales which for this table are annualized at the 9 month 1979 sales rate.

January 1979

VII. PLANNING AND FINANCES

The evaluation team was disappointed to find that sales and expense projections were not available to it in Nepal. Information was subsequently provided by the Westinghouse headquarters in Columbia, Maryland, but receipt at that late point robbed the team of the opportunity to discuss the projections and their underlying assumptions with personnel in Nepal. Such quantitative analysis is essential for adequate evaluation.

Furthermore, the absence of projections of sales and expense in Nepal implies that marketing planning is happening at Westinghouse headquarters in the United States rather than in Nepal. There may be good reasons to justify the removal such an important management function as planning from the Field Project Manager, but it struck the evaluation team as probably inappropriate.

To the extent possible, top management attention should be directed to the consideration of the implications of alternative futures and the impact of such alternative developments on the CRS Project. By planning ahead for such changes, the CRS Project or the company or agency that assumes its functions in the post-contract period, will be better able to respond to such developments

Concomitant with a delegation of planning responsibility to the Field Project Manager it is necessary to contemplate that the Field Project Manager should make a deliberate effort to divorce himself more from the day-to-day operations of the program. It is quite understandable that most of the Field Project Manager's time and attention has been devoted to operations, in view of the initial problems encountered in securing necessary services and materials. However, by allowing his capable Manager of Sales/Marketing and the able Distribution Center Supervisor to assume more responsibility for administrative and operational tasks, the Field Project Manager could have more time to plan for the transition - the continuation of the program after the end of the Westinghouse Health Systems contract.

To facilitate such a top management separation from operational concerns, it may be necessary to eventually add a purchasing manager with responsibilities for securing and monitoring the procurement of packaging materials, contraceptive supplies, and other supplies. At some future date, it will probably be necessary also to hire an advertising and promotion manager to work with the advertising agency and to plan advertising and sales promotion campaigns.

VIII. TRANSITION

A. FORTHCOMING EVALUATION (End of Phase I)

One of the responsibilities of the contractor, of course, is to develop a project that can be assimilated as soon as possible into local institutions. This transition was divided into three phases as follows:

- Phase I Start up (current phase) ending 1 January 1979
- Phase II Evaluation, 1 January - 31 March 1979
- Phase III Turnover process from Westinghouse to local organization, 1 April - 31 October 1979

Accordingly, there is an understanding that HMG will evaluate the CRS project in March which was to have been nine months after commencement of distribution. This evaluation is to determine the success or failure of the project and decide whether or not HMG wishes to continue it. Since the current evaluation team must also look into the same problems, we wish to give our suggestions for the timing and criteria of the next HMG evaluation.

Unfortunately, the start-up of distribution was delayed until June, 1978 due to factors apparently outside the control of the contractor. Also, nationwide radio advertising using the brand name was still not possible at the time of our evaluation.

RECOMMENDATION: PHASE I SHOULD BE EXTENDED BY AT LEAST FOUR MONTHS, IF NOT FIVE OR SIX MONTHS, TO GIVE THE MANAGEMENT A REASONABLE TIME TO SHOW RESULTS IN VIEW OF THE DELAYING FACTORS OUTSIDE ITS CONTROL.

There is a discussion in some early documents that the criteria for continuation of the project ought to be self-sufficiency, i.e., that the project's revenues ought to cover packaging, distribution, management, and advertising expenses, though not commodity costs. In some CRS projects that might be possible after about a year's start-up, but only if: 1. The consumer price level is high enough, 2. The total market size is adequate, and 3. The project is free to take on other social marketing products.

In Nepal the consumer market size and price level are probably not large enough and high enough, respectively, to support the project without an advertising subsidy. Projections given by the Westinghouse management in Columbia, Maryland, which seem reasonable to the evaluation team, indicate a shortfall of US \$27,169. (Calculations - Table 1).

Nor is this concept of "self-sufficiency" appropriate for a CRS project. Using the same projections as above, the direct cost per year of contraception protection is projected to be US \$.99, excluding commodities and overheads. We did not investigate the costs of alternative clinic and community based contraceptive distribution systems in Nepal, but this cost is quite comparable to, if not lower than, costs of other typical contraceptive distribution systems worldwide.

Advertising by any of the contraceptive distribution organizations benefits every other one since contraception is in a "developmental marketing" stage in Nepal, i.e., there is a large market of non-users to be converted. Therefore, this synergism is another reason to subsidize the advertising budget.

B. ORGANIZATION

A CRS project is unusual in that it must survive by straddling the government and commercial sectors. Many choices are precluded from the CRS project particularly in the areas of product choice and promotion policy because of its government affiliation. On the other hand, many activities would not be possible without government involvement, especially since a subsidy must be involved. The organizational characteristics which the evaluation team recognizes needed to effectively operate in this environment:

1. Policy-making should not be isolated from advertising strategy development, media mix choice, and most other marketing decisions that must be made by people with an intimate knowledge of the marketplace. For example, the decisions regarding the extension of better terms to dealers would probably not be well made if only "marketing" and "policy" were considered separately.
2. A flexibility and speed unusual to government agencies is necessary since the CRS project is competing in a volatile and not well understood market environment.
3. A close working relationship with the government must be established so that all parties can be assured that the government's priorities and interests are adopted by CRS project management.
4. Management of the project will never be easy, and can never be delegated to a lower level position which does not have the authority to make fundamental decisions regarding all of the marketing variables.
5. Whatever body makes policy, it must be capable and inclined to investigate and diagnose problems without having to have someone else present the problem to them.

The following are the basic ways that it would appear the CRS might be structured in the future:

1. CRS Management could be taken over by whomever the permanent distributor is at that time, but policy decisions should remain in HMG. Unfortunately, the interests of the distributor will not necessarily be identical to that of the public contraceptive delivery sector. They could easily be distracted by a more profitable venture and neglect CRS. Also, "policy" and operation would be very widely separated.
2. The CRS Management could be left independent with an independent advisory council, again with HMG making policy decisions. However, the current advisory board is not set up to give operating advice except on matters deliberately presented to it. It generally does not investigate and diagnose problems on its own.
3. CRS Management could be moved to an existing family planning distribution institution such as HMG Ministry of Health or the Nepal Family Planning Association (NFPA). However, bringing it directly into the Ministry of Health may result in a lack of ability to move quickly, and may mean a greater separation between "policy" and operations simply because the organization is so large.

RECOMMENDATION: CURRENTLY, THERE APPEARS TO BE THREE ORGANIZATIONS WHICH MAY BE CAPABLE OF ABSORBING THE CRS PROJECT WHEN THE CONTRACTOR PULLS OUT: I.E., THE NEPAL FAMILY PLANNING ASSOCIATION, NEBICO (BISCUIT MANUFACTURERS AND DISTRIBUTORS), AND JANAKPUR (CIGARETTE COMPANY). EACH OF THESE SHOULD BE INVESTIGATED IN MORE DEPTH, USING THE CRITERIA DISCUSSED EARLIER, AS THE TIME OF TRANSITION APPROACHES. IF A CONFLICT APPEARS BETWEEN ORGANIZATIONAL FLEXIBILITY AND CAPABILITY ON ONE HAND, AND IDENTITY OF INTERESTS WITH THE CRS PROJECTS GOALS ON THE OTHER, THEN A SPLITTING OF POLICY AND OPERATIONAL RESPONSIBILITIES MAY BE NECESSARY. THE POLICY CONTROL COULD REMAIN IN A GOVERNMENT OR SEMI-GOVERNMENT AGENCY, SUCH AS FPAN, AND OPERATIONAL CONTROL VESTED IN A COMMERCIAL ORGANIZATION.

RECOMMENDATION: IT APPEARS ADVISABLE THAT MORE OF THE TIME OF THE HMG COUNTERPART, CURRENTLY MR. SUBARNA JUNG THAPA, BE ALLOCATED FOR THE CRS PROJECT.

RECOMMENDATION: CRS PROJECT MANAGEMENT SHOULD BE MOVED INTACT TO THE NEW INSTITUTION, WHATEVER IT IS, SO THAT THE VALUABLE EXPERIENCE GAINED BY THE EXISTING STAFF IS NOT LOST FOR THE FUTURE. MEANWHILE THE MARKETING EXPERTISE OF THE EXISTING STAFF SHOULD CONTINUE TO BE UPGRADED, INCLUDING THE USE OF OVERSEAS TRAINING WHERE APPROPRIATE.

PERSONS CONTACTED

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REFINEMENT OF ESTIMATE OF TOTAL MARKET

There is some potential for underestimation of the total market since the market potential figures are calculated on the basis of the number of married couples. These market potential figures ignore the potential effects on contraceptive demand of premarital and extramarital intercourse, and the effects of polyandry and polygamy are also not recognized. The issue may be significant for control purposes, because where extensive, the incidence of non-marital and non-monogamous sexual activity will affect the sales of contraceptives, possibly the condoms more so than oral pills, leading to inflated market penetration figures.

The seriousness of this potential problem is difficult to determine, given the lack of availability of data on non-marital intercourse. Furthermore, among some market segments, the problem appears to be potentially more serious than among other segments. For example, among the Sherpas, both premarital and extra-marital intercourse are quite common. As Fürer-Haimendorf has reported, the Sherpas attitude is that sexual relations between those bound neither by marriage ties nor monastic vows are morally neutral and neither a sense of sin nor a sense of shame attaches to premarital relations. Also polygynous and polyandrous relationships occur in this tribe. Since many members of both sexes defer even a first betrothal until they are in their middle 20's (with neither surprise nor disapproval of kin) such premarital sex is at risk of pregnancy. Such risk of premarital pregnancy is thus greater for the Sherpas than for other tribes where the mean age at first marriage is below the mean age of menarche.

Since the Sherpas represent only about 0.9% of the population,** their behavior is hardly reflective of the norms prevailing in the majority population with the more sexually restrictive Hindu faith. At the very least, however, this phenomenon suggests that a more refined market potential base may be appropriate for the rest of the country as well. The team was not able to find any information on the extent of non-marital intercourse other than for the Sherpas as previously reported, but the existence of venereal disease problems in the Kathmandu valley (where Sherpas are not concentrated) suggests that sexual intercourse is not exclusively within marital unions even among Nepalese of the Hindu faith.

Furthermore, it is likely that traditional, religious restrictions on non-marital intercourse will weaken even further as more outside influences affect the mores of the people. Thus, a more refined method of calculating market potential will become increasingly necessary.

*Information on the Sherpa tribe is based on The Sherpas of Nepal by Christoph von Fürer-Haimendorf, London: Lewis Reprints Ltd., 1964.

**Based on est. of 117, 381 Sherpa population from the CRS Marketing Plan and population est. for Nepal of 12,900,000 from the Population Reference Bureau Data Sheet for 1976.