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FINANCING SCHEMES

Work in Progress

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I INTRODUCTION

This manual will provide Pathfinder grantees with an introduction to several financing options and practical guidelines for selecting and operating the most appropriate mix of financing mechanisms that will assist you in achieving financial self-sufficiency The emphasis is on generating a continuous, regular source of income to cover the recurrent, operational costs of your family planning programs Guidelines for assessing the feasibility of each scheme are outlined and specific implementation issues are introduced and discussed in a particular setting are offered

Due to the nature of its clientele, family planning programs have historically had difficulty in achieving self-sufficiency The traditional beneficiaries of government or PVO-provided services are low-income women and men who do not have the financial resources necessary to pay prices that allow for full cost-recovery This has created a continuing dependence of local family planning providers on international funding sources These organizations, however, in the face of a conservative climate in their own countries, increasingly encounter additional restrictions and a general tightening of their own funding resources In light of this, local family planning providers need to begin looking at ways in which they can decrease their dependence on external funding sources The guidelines and worksheets in this manual have been developed to assist you, the Project Director, in the evaluation of a number of financing schemes with regard to their appropriateness and ability to generate income for your organization

The second chapter will provide guidance in cost cutting and reduction The other nine chapters introduce possible income generation schemes

1 Community Based Distribution
2 Commercial Sales in Pharmacies and Commercial Outlets
3 Commercial Distribution Through Clinics and Physicians
4 Fee for Service
5 Fund-Raising
6 Loans
7 Contracting of Services
8 Sale of Goods
9 Community Financing/Pre Payment Plans

The first section of each chapter discusses the feasibility of the financing scheme given 1) your organization skills and resources, 2) your competition, 3) the market, and 4) legal and logistical considerations The second section then discusses relevant implementation issues such as 1) financial analysis, 2) pricing, 3) recordkeeping, 4) market research, and 5) promotion and advertising

This manual should be used in conjunction with the Business Planning_Manual that discusses market research, pricing decisions, marketing plans, and budgeting This document will refer the reader to the appropriate chapters of that manual

II COST SAVINGS

There are two ways to move an organization toward self-sufficiency by reducing costs or by generating income While this manual addresses primarily the latter, this chapter will discuss reduction of costs The cheaper and easier of the two is costs reduction While income generation depends on external factors and income sources frequently out of your control, cost reduction depends primarily on the skills and planning abilities of your organization In addition, by not budgeting or reimbursing unnecessary expenses, your ultimate income generation target can be decreased

Cost efficiency and cost reduction should start at the beginning of the planning process and continue throughout Before initiating programs that will generate income or result in greater cost recovery, it is important to first design and manage programs in a way that is cost-effective The tighter your budget, the more inexpensive the program and the less funds that you will have to raise to support it Cost saving can occur at two points in program planning in the development of the work plans and the budget and in project implementation This chapter will present techniques in which you can cut costs and trim down total program expenses

Your staff will have the best ideas about cost reduction Bring them into the process and make them active participants Allow them to present their ideas, confidentially if they wish, and make sure that all ideas are analyzed and acted upon If you fail to react to and take into account staff suggestions, they will be less willing to provide feedback in the future In addition to providing suggestions, by including your staff in the achievement of self-sufficiency through cost reduction, they will be more careful about spending scarce organization resources

A Program Planning Workplan and Budget Development

Your workplans outline the activities--the means by which you will attempt to meet your overall program objectives The means by which you lay out your workplans--production, marketing, and management--have specific ramifications throughout the rest of the planning cycle It is best, after the development of your workplans, to seriously and carefully analyze them to determine whether there is a less expensive way to meet your objectives There is no one way to implement a program There are usually several alternatives, each of which implies a particular cost and offers advantages and disadvantages Similarly, when you develop the budget to support these workplans, there is no one way of supporting those activities

In order to complete this exercise, get out the workplans and budget developed for your income generating scheme For each

area of your workplans and budget, you should ask yourself the following questions, attempting to create a tighter and leaner budget that results in lower costs to your organization

A Workplan Review

1 Production

a Is the process that you have outlined the cheapest? If not, what is the justification for using it rather than the least expensive production procedure?

b Are you using your professional resources to the greatest extent possible, given the proposed means of producing and/or presenting the service or product?

c Using an alternative technology, can your product or service be produced or presented more inexpensively?

2 Marketing

a Reevaluate your marketing plan Is this the most effective way of communicating with your potential customers? Do you need as much advertising as planned?

b Is there a cheaper way to distribute your product or provide your service?

3 Management

a Do the activities justify the administrative staff that you have outlined? Do you need a full-time accountant? How much time does that individual need to spend on your project?

b Is there a more streamlined way of managing or supervising staff that will result in lower costs?

B Budget Review

1 Human Resources

a Could volunteers do this function? Does it have to be performed by a staff or consultant?

b Are you using skilled and more expensive individuals when you could be using less skilled and lower paid workers? Could a lower level staff member perform particular activities with additional training? Is the cost of training those individuals justified by the savings in staff salaries?

c Can the staff of the government or other organization perform some of these planned activities, rather than hiring new staff or present human resources?

2 Physical Resources

a When you purchase equipment or rent space, can you rent out those resources when not in use by your organization? On the other hand, would it be cheaper to rent these items from other organizations? Can you use donated facilities or equipment when needed?

b Do you have an exemption from payment of duty from the government for the importation of commodities?

c Rather than developing your own IEC materials, can you use prepared materials or adapt existing materials?

B Program Implementation

After developing and approving a budget for a program there are ways in which you can tighten costs and increase cost effectiveness First and foremost, institute adequate financial controls, procedures, formats, and systems Second, set up and use a budgeting and monitoring system These two areas are discussed in great detail in the Pathfinder Accounting_Manual In addition, there are a number of other techniques that will assist you in cutting costs during program implementation

1 Service Provision

a Simplify routines, using medical auxiliaries rather than nurses and doctors Decrease length of clinic stays

b Record total numbers and types of patient visits and conduct a periodic analysis of patient flow in order to
--insure maximum use of available staff and facilities
--adjust number of workers to match hours of peak demand
--insure that hours of operations coincide with hours of peak demand
--determine whether patients could be attended less expensively on a walk in or appointment basis
--calculate variable costs per visit

c Check to see whether the MOH or other organization will pick up the cost of Pap smears or other required tests

d Ensure that all information being collected is absolutely necessary to minimize the administrative functions of medical personnel

e Rent out any extra clinic, office, or warehouse space when it is not in use

2 Training

a When planning training sessions, schedule the maximum number of trainees possible

b Use the minimum number of instructors necessary to convey the material and support the methodology without sacrificing quality and the interest of the students

c Hold training sessions in donated facilities when possible

3 Information and Education Materials

a Rather than printing your own materials, use already prepared materials or adapt existing materials to your own use

b When printing materials, keep the run to minimum without losing the lower per unit cost obtained from high volume

c Use cheaper paper and materials as long as they don't detract from impact

d Use volunteers and staff from other organizations in the writing and editing of the materials

4 Commodity Distribution

a An analysis of tasks and personnel will assist in more efficient use of staff and staff reduction if possible

b Control and reduce the number of field visits, reducing transportation costs

c Get competitive bids on all purchases over a minimum amount to ensure the lowest price and highest quality

d Get tax exemption for imported contraceptives

e Institute an effective commodity control system to ensure efficient reordering, guaranteeing continuous availability of contraceptives and to avoid loss from theft, waste and spoilage Clearly indicated shelf lives and proper storage will prevent spoilage

5 Equipment

a Periodic equipment maintenance, while representing a cash expense to the organization, prevents larger losses in the future Cars and other vehicles should be maintained on a periodic basis which will prevent longer periods of down time

b Ensure the local availability of spare parts for any equipment and vehicles purchased When comparing bids, take into account the relative costs of spare parts for those alternatives

6 Management

a Form a task force of your key staff who can provide ongoing feedback and suggestions for cost cutting

b Use your budgeting and project monitoring systems to continually monitor costs and activities to provide information on areas of potential improvement

c Seek preferential utility rates

d If possible, get tax exempt status

e Review staffing patterns against program activities to ensure optimal use of personnel and to reduce staff if possible

f Conduct regular management reviews of communication to reduce costs of correspondence, telephone, and telex

g Monitor actual versus budgeted expenses against program activities

h Reduce travel and per diem costs be visiting several sites during one trip and by making site visits only when required

III Community Based Distribution (CBD)

A Introduction

Community based distribution or CBD programs provide contraceptive services and commodities through community outlets or through door to door distribution by community agents or distributors CBD agents may distribute contraceptives and those accompanying services free of charge, or for a price Services and supplies that cannot be provided by the agent, such as IUD insertion, treatment of pill complications, and sterilization, are provided at referral clinics These services are sometimes paid for and sometimes free Under this scheme, your organization charges for these contraceptives to the extent that sales begin to pay for part of the program costs

There is some evidence that CBD programs are relatively expensive and therefore have the least potential of different family planning service delivery programs to recover costs The population served by these programs is usually poor and therefore has limited means with which to pay for services In addition, supervision, education and promotion costs can be relatively high because of the distances to and limited transportation alternatives in rural areas (Review, 1984)

B Feasibility

Four crucial areas have to be examined in order to determine whether the use of a CBD program to sell donated contraceptives is a feasible mechanism for generating revenue You need to look carefully at your organization's skills and resources, organizations providing similar services, the proposed market for the program, and logistical and legal considerations Before beginning, read Chapters II and III of the Pathfinder Business_Planning_Manual The worksheets in those chapters along with the information in this section will provide tools in determining project feasibility

1 Organization Skills and Resources

a Do you have field staff who can be used to distribute and sell contraceptives?

If your organization already has a team of community based village health or family planning workers, with marginal training costs, you can provide them with the additional skills required for a CBD project If youy don't already have a group of field workers, you will have to budget up front recruitment and training costs

b Do you have staff that can plan and supervise a CBD project?

A CBD project requires a high level of administrative and financial expertise Supervision of and support to field staff, planning for adequate supply of contraceptives, and coordination of community and private participation are three management skills required

c Do you have adequate accounting control systems and procedures to guard physical and financial resources?

If your systems and procedures are not adequate, you will need to strengthen them in order to ensure contraceptives against loss, theft, and/or spoilage and to guard generated income against loss and/or theft

d Do you have a warehouse or other physical facility in which to store commodities?

Continual supply of contraceptives to distributors is essential, making an adequate stockpile absolutely necessary In addition to adequate control procedures, you will need a dry, secure facility in which to store these contraceptives If your organization does not presently have such a space, you will either have to rent a facility or request donated space

2 The Competition

a What are current sources of contraceptives in the community?

If a government program provides free or cheap contraceptives, you will need to carefully analyze how you can present your program to your proposed market in a way that is attractive to them--i e they will be willing to pay a higher price for your contraceptives Similarly, if a local pharmacy sells contraceptives cheaper than your proposed price, your sales will suffer if your program doesn't compensate for the higher price This can be done by looking at such non-cost aspects of the competition's services and products such as convenience, travel costs, quality of service, access, etc You should be careful to look at what those organizations are offering and how it is offered before deciding how to present your program In most instances, even if the government or other organizations are providing contraceptives free of charge, if you can provide a service that is more convenient and attractive, your potential customers may be willing to pay more for that convenience Fill out Worksheet XXX in Chapter III of the Business_Planning_Manual Then define your program in terms of what those organizations are offering

3 The Market

a What is the communities' attitude toward fertility control?

The attitude of the community towards the practice of birth control has a strong impact on how the program is ultimately implemented In some communities, the use of male distributors may be inappropriate for provision of services to women--family planning may be a topic about which women talk only to women and men only to men The use of family planning methods may be a secret A survey of the community should be undertaken to find out the following

1 contraceptive practices and method preferences
2 knowledge of contraceptives and sexuality
3 cultural and social attitudes towards fertility control

Fill out Worksheet XXX in Chapter III of the Business_Planning Manual This information is essential in not only determining whether CBD is an appropriate means of service provision but in program design

4 Legal and Logistic Considerations

a Do the laws of your country allow for this activity under your charter, without threatening your non-profit status?

Before initiating any income-generation project, you should check with a lawyer to determine whether you can raise money without risking your non-profit status If not, you might want to consider creating a separate entity that will be responsible for collecting the funds and donating them to your organization

b Are there laws and regulations that will interfere with a community based distribution programs?

Despite the fact that rural people have limited access to a doctor, many countries require a doctor's prescription for issuance of oral contraceptives If this is true, you will need to explore alternative means of distributing oral contraceptives

1 You can fight to liberalize the laws regulating prescription requirements
2 A staff doctor can delegate the authority to issue prescriptions to approved, qualified, trained, and supervised paramedical personnel
3 The doctor can provide the distributors with checklists and pre-signed prescription forms Women that do not show any negative indications for use of oral contraceptives are issued a prescription Those with one or more contra-indications must see the doctor

Even countries that do not require a prescription for oral contraceptives may limit their sale to pharmacies If so, then your program may not be able to distribute oral contraceptives

In this case, you should fight to liberalize the appropriate laws

c Do you have relations with already established community organizations?

Community based distribution projects depend heavily on community support and participation in order to be successful Indeed, "all of the projects are designed to have the delivery system not only based in the community, but also to become a part of the community " (Population_Reports Number 79, p 347) Research has shown that in order to have maximum impact, CBD projects should work within an established community organization (Keyonzo, 1984, p 22) When no community organization exists one should be created Linkages should be established with the existing community organizations and structures (administrators, leaders, chiefs, mayors, etc) and be coordinated with other health and family planning programs and personnel They should not only be invited to meetings but should also have an active role in the planning and implementation of project activities Establishing and using these linkages will provide your organization with greater access to the communities that you are trying to serve

The community's attitude toward the work of the distributors is also crucial The community can either strengthen or detract from their effectiveness Distributors should be chosen and approved in a process that includes input from the community leaders This community involvement is important because it gives distributors the status required to provide assistance and advice on family planning

d Do you have assurance of continuity of contraceptive supplies?

In order to gain and keep acceptors, you have to be able to guarantee continued supply of products to those individuals If individuals cannot be sure that they will be able to obtain contraceptives in the future when needed, they may go to another program or discontinue contraceptive use

e How large is the area you propose to cover and how convenient is transportation? What are transportation costs per family served given geographic location and transportation facilities?

If the area is large, the terrain difficult, and/or transportation poor, the cost of door to door sales of contraceptives may be greater than income generated

C Implementation

When implementing CBD programs, a number of critical areas must be addressed

1 Financial Analysis

Before implementing a CBD program, you need to complete a financial analysis in order to determine whether it will be profitable to your organization You need to develop income projections and a budget for the program Chapter xx of the Business_Planning_Manual will assist you in the budgeting process Chapters xx and xx will assist in income projections After reading and completing the worksheets in those chapters, complete Worksheet A below You should complete this for a projected period of five years because experience has shown that only in the third (?) year do CBD programs begin to generate a net profit

a Sales

One straightforward means of estimating sales is to start from the individual distributor Estimate the number of acceptors that each distributor can reasonably expect to serve and what methods those acceptors will use This information should be entered in Section 1 of Worksheet B This will be a funtion of several factors

- a population density and household distribution
- b transportation facilities
- c contraceptive prevalence and knowledge

This estimated sales figure should be multiplied by the number of distributors in the program and entered in the appropriate sections of Worksheet A

b Expenses

In order to complete the Break Even Point Analysis, as described in Chapter xx of the Pathfinder_Business_Planning Manual, after completing Worksheet A, you will need to determine which expenses are fixed and which are variable One of the expenses that can be classified as either fixed or variable are distributor salaries You need to determine a monthly salary that will cover both their time and expenses Enter that on line 2 of Worksheet B Dividing the resultant annual salary by the targeted sales will indicate salaries as a percentage of total sales This cost can be treated as either a variable or fixed cost Given a targeted service objective, your organization can either pay them a percentage of the monthly receipts, as calculated in Worksheet B, treating their salaries as variable costs or you can pay them a set monthly salary, treating their salaries as fixed costs When completing the Break Even Point Analysis, this decision should be clearly indicated

WORKSHEET A
FINANCIAL ANALYSIS
Community Based Distribution Program

INCOME

	Item	Quantity Per Unit		Period					
		Sold	Price	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
	Condoms								
	OC's								
	Foam								
1	TOTAL INCOME								
	EXPENSES								
	Salaries								
	Director								
	Accountant								
	Supervisors								
	Distributors								
	Fringe Benefits								
	Equipment and Supplies								
	IEC Materials								
	Annual Depreciation Charge								
	Travel and Per Diem								
	Other Costs								
	Amortized Training Costs								
2	TOTAL EXPENSES								
3	NET INCOME								
4	INFLATION CORRECTED								

WORKSHEET B
SALES ESTIMATION
Community Based Distribution Program

1 Sales Target per Distributor

Type of Contraceptive	No Acceptors	No Units Sold/Year	Price/Unit	Sales Proceeds
TOTAL	________			________

2 Monthly Salary for Distributor ________
Annual Salary ________

3 Salary as a Percentage of Sales ________
(total sales/line 2)

How much you pay your distributors and the percentage of sales that you give them will depend on your own particular situation However, research indicates that organizations generally pay their distributors a percentage of their sales--from 16 to 70 per cent

c Net Income

Net Income will be entered for each year at the bottom of Worksheet A That figure should be adjusted for the inflation rate in your country at the present time For example, if inflation is at 10% a year, in year one, the adjusted net income will be equal to the net income on line xx For year two, the adjusted rate would be calculated by dividing the net income or loss by 1 10 In year three, it would be divided by 1 20, in year four by 1 30, and in year five by 1 40 By adjusting for inflation, you have net income figures for each year that can be compared <<Is this really necessary? Is it understandable?>>

If, after completing the analysis, net income adjusted for inflation is positive or only slightly negative, then this financing scheme could be an effective means of generating income for your organization If it is negative, you may still decide to implement it, weighing the social benefits against its cost

2 Pricing of Contraceptives

Pricing is a critical decision for any income generation activity but especially so far CBD programs Chapter xx of the Business_Planning_Manual discusses the "best price" for products and services--the price that provides the highest net income for an organization, after covering variable costs In CBD programs, the "best price" as defined above, is modified by additional programmatic considerations--i e to provide contraceptives to a target population This implies a maximization of unit sales rather than merely net profit Given these two not entirely exclusive objectives, the pricing decision for this financing scheme is a bit more complicated There are two major factors that influence the "best price" in CBD programs

1 The price that other organizations charge for their contraceptives Given equal access and convenience, individuals will buy their contraceptives from the organization that provides them cheaper
2 The annual income level of the families Statistics indicate that lower income families pay between one to four percent of their income on contraception <<Should we aad discussion on willingness to pay?>>

Up to a certain point (which hasn't been established) demand remains constant with increasing prices Many programs have

actually discovered that demand has increased when they began to charge for their contraceptives Individuals perceived the products and the service to have higher value when they had to pay for them You should not be afraid to experiment with prices after you have set them Ask for and facilitate feedback from your distributors who will have a good idea of how much individuals are willing to pay Generally, it has been found that organizations charge less than they could, instituting moderate price increases do not significantly decrease acceptor and continuation rates If you find that sales do decrease after increasing prices, your distributors will be able to tell you who the drop outs are and what price they would be willing to pay

Worksheet C below will help you to walk through a pricing decision In Section 1, enter the average annual income level of the families in your target area In Section 2, enter the names of the organizations providing services in the community and the prices that they charge for their contraceptives

Section 3 then presents a simple means of calculating initial prices for contraceptives It should be stressed that this analysis alone will result in a price that is in line with the two factors outlined above your competitors prices and the annual income of your target group There may be other factors that are relevant to your program--those considerations should also be taken into account in calculating the figures in Column H In Column A list the contraceptives that you will provide in the CBD program In Column B, calculate and enter one percent of the annual income as indicated in Section A In Column C, calculate and enter four percent of the annual income In Column D, enter the annual usage in units for each contraceptive For example, for oral contraceptives, you would enter 13 cycles Column E represents the price per unit if the annual contraceptive cost is equal to one percent of annual income This is calculated by dividing the figure in Column B by Column D This represents the floor cost--you would generally not sell the contraceptives under this price Similarly, Column F represents the price per unit if the annual contraceptive cost is equal to four per cent of annual income This is calculated by dividing the figure in Column C by Column D This represents the ceiling price--you would generally not sell the contraceptives over this price Enter the price range offered by your competitors in Column G Finally, given the range based on annual income and prevailing prices, determine a price that also fits into any other specific considerations and enter that figure in Column H

After you set an initial price, don't consider it as set in concrete Keep in contact with your distributors so you know how they feel about it and how their acceptors feel about it They will have the most accurate information on how much the target group is willing to pay

WORKSHEET C
Pricing Strategy
Community Based Distribution

Community _____ Region _____

1 Average Annual Income of Community _____

2 Contraceptive Prices in the Community

Source/Organization	Type	Price

3 Pricing Decision

A Contraceptive	B 1% of Annual Income	C 4% of Annual Income	D Year s Supply in Units	E Price at 1% of Income	F Price at 4% of Income	G Competitors Prices	H Selling Price

3 Recordkeeping

Reporting of supplies sold and income received needs to be carefully recorded This is important not only for monitoring income generated and for contraceptive cost calculations but also for assessing coverage and future commodity supply needs

Recordkeeping is the one area of administration that seems to present problems to most CBD projects The Pathfinder CBS Instruction_Manual provides a number of forms that record acceptors and contraceptive use The forms below control income received and contraceptives sold and should be maintained by each distributor

Form A controls income from contraceptives sales The form should be forwarded along with sales proceeds to the supervisor weekly or as appropriate Form A has three major functions

1 it outlines contraceptives sold
2 it controls income
3 it provides a means for the distributor and his/her supervisor to measure job performance

Form B controls receipts and disbursements of contraceptives It should be verified against physical inventory periodically Form B has two major functions

1 it indicates the balance on hand of all contraceptives, indicating restocking requirements
2 controls physical resources of the organization

4 Written Agreements with Distributors

Distributors roles and responsibilities should be clearly outlined in a written contractual agreement developed and signed before they begin work in the field A sample agreement is included below <<Marianne??>>

FORM A
Recordkeeping Forms
Community Based Distribution

Control of Distributor Income

Distributor Name _____

Territory _____

Period _____

Receipts

Date	Name	Quantity Sold Foam	OC	Condoms	Amount Received	Total Submitted
TOTAL						

FORM B
Recordkeeping Forms
Community Based Distribution

Control of Distributor Inventory

Distributor Name _____

Territory _____

Period _____

Commodity	Opening Balance	Receipts	Disbursements	Ending Balance

IV Commercial Retail Sales of Contraceptives (CRS) in Pharmacies and Outlets

A Introduction

Commercial retail sales of contraceptives utilizes the pre-existing commercial infrastructure of communities to sell donated contraceptives Pharmacies are the major distribution network, although not the only one Other outlets such as bazaars, bus terminals, railroad stations, supermarkets, vending machines, gas stations, cinemas, bars, village general stores, tobacco kiosks, lottery kiosks, and restaurants have been used successfully in many countries to reach acceptors In fact, where ever a small businesswo/man is involved in commercial trade, there is the possibility of adding contraceptives

Generally, start up costs and contraceptives are provided by international donors so that ongoing expenses include only distributor and retailer margins and marketing and promotion costs Income can usually provide for moderate cost recovery as well as support adequate profit margins for retailers, wholesalers, and distributors Research has shown that of the financing schemes used by family planning organizations, CRS is the most successful in terms of income raised and percentage of cost recovery obtained

While the chief products sold in CRS programs are condoms and oral contraceptives, spermicides, injectables, and in some cases IUD's are also included Attempts to add other non-family planning products to the product line have generally failed to generate adequate income Competition for consumer products is too fierce and organizations have not been able to generate sales above the break even point However, when the organizations have been granted exclusivity, they have a greater chance of being successful

The customers of this program have higher incomes than the target group of CBD programs CRS customers are low to middle-income couples with access to retail outlets and the cash resources to cover those expenditures While this group does not have the economic resources to purchase contraceptives in the commercial market, they prefer to buy their contraceptives in a more anonymous setting than that of a clinic This group can be segmented (divided) into more homogenous groups and specific marketing and promotion strategies developed for each one

B Feasibility

Four crucial areas have to be examined in order to determine whether commercial sales of donated contraceptives is a feasible mechanism for generating revenue You need to look carefully at your organization's skills and resources,

organizations providing similar services, the proposed market for the program, and logistical and legal considerations Before beginning, read Chapters II and III of the Pathfinder Business_Planning_Manual The worksheets in those chapters along with the information in this section will provide tools in determining project feasibility

1 Organization Resources and Skills

Fill out Worksheet B of Chapter II of the Pathfinder_Business Planning_Manual In addition to the questions and issues raised in that document, answer the following questions

a Does your organization have the cash resources to cover program expenses for four to six months?

Frequently, wholesalers and retailers are late in payments, with four to six month payment delays common While sales may occur from the beginning of the program, actual receipts will not be received until later In the meanwhile, you will have to cover all salaries and expenses This situation should be clearly reflected in your cash flow projections Checking with competitors, find out the actual practice in your area

b Do you have management and planning skills among your organization staff?

The implementation of a successful CRS program requires a high degree of planning, coordination, and control of program activities If you do not have adequate management and planning skills, you may lose money due to lack of control over receivables or may not be ably to coordinate the shipping of contraceptives when required

c Do you have adequate accounting control systems and procedures to guard physical and financial resources?

If your systems and procedures are not adequate, you will need to strengthen them in order to ensure contraceptives against loss, theft, and/or spoilage and to guard generated income against loss and/or theft

d Do you have a warehouse or other physical facility in which to store commodities?

Continual supply of contraceptives to pharmacies and other outlets is essential, making an adequate inventory absolutely necessary In addition to adequate control procedures, you will need a dry, secure facility in which to store these contraceptives In some cases, your distributor or wholesalers may provide warehouse space If not, and if your organization does not presently have such a space, you will either have to rent a facility or request donated space Whether you provide

the facility or your distributor provides that service, this is a cost of your business

2 The Competition

Fill out Worksheet E of Chapter III of the Pathfinder_Business Planning_Manual In addition to the questions and issues raised in that document, answer the following questions

a What is the current distribution system for contraceptives in the community?

Distribution systems for contraceptives can range in complexity from simple village markets to a chain of organizations that ranges from wholesalers to retailers How you eventually plan and implement your program will depend to a great deal on the present means of distributing consumer products in the rural and urban areas As with CBD programs, any attempt to institute a new distribution system must coordinate with these existing systems to avoid duplication and poor sales

b What are the prices and locations of the contraceptives presently available?

While you will not have to provide a lower price than every other provider of contraceptives in the area, it is important to know what is available, at what price, and with what kind of cost in travel and waiting time If government clinics provide contraceptives at low or no charge at several points in a community, you will need to take that into account when determining possible retail outlets and prices for contraceptives If they can afford to, customers are often willing to pay a little more for contraceptives if access is more convenient In order to avoid waiting time at government clinics, couples may be willing to pay a higher price for their contraceptives

c What kinds of advertising and promotion is undertaken by competitors?

By looking at your competitors, you can get an idea of what kind of promotion and advertising is culturally appropriate for your customers For each group of individuals and each product, there will be promotional strategies that are more appropriate than others Government regulations as well as culture and attitudes will influence the kinds of promotion appropriate For example, in Thailand, pocket calendars, free samples, and newspaper and TV advertising are more appropriate than pamphlets and posters

3 The Market

a What are the characteristics of your potential customers?

A simple survey of your potential customers is necessary in order to obtain the information necessary to plan and present a CRS program in a way that will meet the needs of that group Complete Worksheet C of Chapter III of the Pathfinder_Business Planning_Manual

In addition to the questions and issues raised in that document, you should also look at the following

1 Product preference
2 Levels of product awareness
3 Attitudes toward price and advertising
4 Spending patterns how customers spend their monthly and annual income
5 Labor requirements for their farm or other household economic activities
6 Cultural and psychological attitudes and beliefs
7 Price expectations how much will customers pay for your products, given proposed distribution system
8 Attitude toward the relationship between price and quality of contraceptives
9 Attitude and potential reactions toward price changes

When you plan, implement, and promote a CRS program, you should always think of your potential customers so that the program is appropriate to their needs at a price that they can pay

b What is the socio-economic level of the potential customer groups?

Studies have found that commercial retail sales are sensitive to the social and economic development of the contracepting couples, i e their education and income levels Oral contraceptives are sensitive to the absence of prescription requirements, IEC, and other family planning programs as well as the general economic development level of the individual Condom sales, on the other hand, are more directly related to advertising and price <<However, the Futures Group on p 19 of Determining_Pricing_Policies_in_Contraceptive_Social Marketing states that sales of oral contraceptives are sensitive to prices and condoms to advertising This has to be verified >>

c What is the communities' attitude toward fertility control?

The attitude of the community towards the practice of birth control has a strong impact on how the program is ultimately implemented The use of family planning methods may be a secret Certain methods may be seen as appropriate only for extra-marital relations For some women, due to cultural and personal attitudes toward birth control, commercial purchase of birth control may be preferable because of its greater

anonymity A survey of the community should be undertaken to find out the following

1 contraceptive practices and method preferences
2 knowledge of contraceptives and sexuality
3 cultural and social attitudes towards fertility control

Add this information to Worksheet C in Chapter III of the Pathfinder_Business_Planning_Manual This information is essential not only in determining whether commercial retail sales is an appropriate means of service provision but in program design

d What is the preferred contraceptive method in the community and contraceptive prevalence rate?

Some methods are more amenable to commercial distribution than others Most commercial marketing programs successfully provide condoms, oral pills, and foam tablets which are relatively easy to package, store, transport, and distribute If these methods are unpopular in your locale, a publicity and education or social marketing effort may be necessary before the program begins

e Are consumers aware of contraceptives options and family planning?

CRS programs generally work best with populations that already have a minimum level of awareness of contraceptive practices rather than those groups who have not already made the decision to use contraception If your target group is not aware of family planning options and is not disposed to use them, extensive promotion and advertising is necessary in conjunction with the distribution of products This financing scheme is only feasible when a minimum level of awareness of contraceptive choices exists and customers are already looking for alternatives

f What is the potential market for commercial retail sales?

By looking at census data and contraceptive prevalence surveys if available, estimate the number of married couples of reproductive age who

1 live in the program area
2 are not already using effective contraception
3 want to space births or end childbearing
4 live in households with incomes in a certain range
5 have access to retail outlets

Fill out Worksheet D Of this group, you should target a specific percentage of couples that you wish to reach for example, ten per cent

WORKSHEET D
MARKET POTENTIAL
Commercial Retail Sales

1	Estimated number of women of reproductive age in program area	_____
2	Number of women in households with monthly cash incomes of between _____ and _____	_____
3	Of these what percentage are interested but not currently using an effective contraceptive method _____% x line 2	_____
4	Estimated program target _____% x line 3	_____

4 Legal and Logistical Considerations

Fill out Worksheet F of the Chapter III of the Pathfinder Business_Planning_Manual In addition to the questions and issues raised in that document, answer the following questions

a Do the laws of your country allow for this activity under your charter, without threatening your non-profit status?

Before initiating any income-generation project, you should check with a lawyer to determine whether you can generate income through this scheme without risking your non-profit status If not, you might want to consider creating a separate entity that will be responsible for collecting the funds and donating them to your organization

b Are there laws and regulations that limit the distribution of contraceptives?

Many countries place heavy restrictions on the distribution and sale of contraceptives Distribution may be limited to licensed and authorized organizations that many times are required to meet strict financial, administrative, and bonding requirements Contraceptive sales may be restricted to specific retail establishments such as pharmacies If so, then commercial distribution through pharmacies might provide high impact if you can obtain the cooperation of the pharmacists

Despite the fact that rural people have limited access to a doctor, many countries require a doctor's prescription for issuance of oral contraceptives If this is true, purchase of oral contraceptives may be severely restricted If so, you need to fight for the liberalization of the laws regulating prescription requirements

Most countries require that new drugs and brand names must be registered before distribution and require that those drugs must all be registered in the US, UK, and Canada This requirement implies the need for adequate lead time before program implementation

c Are there other government regulations that impact on CRS of contraceptives?

In many countries, advertising of contraceptives is strictly controlled if not severely limited Radio and television advertising may be prohibited These restrictions will have a definite impact on sales as positive relationships between advertising and commercial sales has been demonstrated

In addition, many countries have price controls that may or may not include contraceptives This can have a severe impact on your bottom line if your country is experiencing high inflation and a lack of flexibility in pricing decisions Governments

may also restrict the allowable margins paid to wholesalers and retailers This may make it more difficult to recruit organizations to participate in your program If margins are the same as commercial contraceptives, their income from CRS sales may not be an adequate incentive You may to investigate the possibility of other means of compensation such as free goods, liberal credit policies, etc

d Do you have assurance of continuity of contraceptive supplies?

In order to gain and keep distributors, wholesalers, and retailers as clients, you must be able to guarantee continued supply of products to those organizations Method loyalty and maintenance continuation rates are dependent on a continual and consistent supply of those products If these organizations are not sure that they will be able to obtain additional contraceptives in the future when needed, they will probably be unwilling to participate in a CRS program

C Implementation

The following guidelines are useful when setting up a CRS program

1 Financial Analysis

When analyzing a project for profitability, it is recommended that an analysis be done for five years The first year will involve heavy investment in training, equipment, etc which will only start to be recouped in later years

Income projections Get out Worksheet D from page 22 that estimated your potential market Enter the sales projections in Column B In Column C, enter the prices as determined in the following section By multiplying the sales projections by the price, sales figure are determined for the first year and entered in Column D The same procedure should be followed for years two through five Increasing sales projections should be multiplied by estimated increased prices and entered in Columns E, F, G, and I

Expenses should be should listed in section 2 after completing Worksheets M and N from Chapter V of the Business_Planning Manual

Worksheet E below should be completed for a five year period For assistance in budget preparation, see Chapter V of the Business_Planning_Manual

2 Pricing of Contraceptives

Pricing of contraceptives in a CRS program is a critical decision The determination of the "best" price is essential

Commercial Sales Through Pharmacies and Other Outlets

INCOME

	Item	Quantity Per Unit		Period					
		Sold	Price	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
	Condoms								
	OC s								
	Foam								
1	TOTAL INCOME								
	EXPENSES								
	Salaries								
	Project Director								
	Accountant								
	Administrative Assistant								
	Warehouse Manager								
	Warehouse Assistant								
	Field Agents/Salesmen								
	Fringe Benefits								
	Travel and Per Diem Expenses								
	Supplies and Equipment								
	Calculator								
	Office Supplies								
	Annual Depreciation Charge								
	Promotion and Advertising Expenses								
	Radio								
	Television								
	Billboards								
	Newspapers and Magazines								
	Point of Purchase Materials								
	Warehousing Expenses								
	Rent								
	Transportation								
	Other Expenses								
	Market Research								
	Telephone								
	Sales Supplies								
	Printing of IEC Materials								
	Amortized Training Costs								
2	TOTAL EXPENSES								
3	NET INCOME								
4	INFLATION CORRECTED								

for project success In order to establish your "best" price, you first need to clearly define your program objective Your objective could be stated in terms of either cost recovery (net income generated) or the number of couples reached The objective of your program will then significantly determine the "best" price

For the most part, CRS programs in the context of financing schemes view income generation as the primary program objective Indeed, studies have shown that of the financing schemes discussed in this manual, CRS programs have the greatest possibility of generating income for family planning organizations In this case, the price should be set at the point that maximizes net income (after covering the variable costs of distribution, sales, advertising, and storage) The "best" price for this program objective may result in gross sales that does not maximize coverage as measured by couples served Rather, the "best" price maximizes net income

Even when maximization of coverage rather than net income is your objective, the establishment of a "best" price is important While, in this instance, the price maximizes units sold rather than net income, the price should cover variable costs as well as a specific percentage of fixed program costs The net income after covering these costs will be available to cover fixed costs and supplement other program expenses In this case, the price should be set lower in the beginning Intensive promotion will stimulate demand and in the future the price may be raised to take advantage of that You should keep in mind that this "best" price may or may not maximize net profit

When setting your "best" price--the price based on demand to maximize net income--you need to keep in mind the following parameters

1 The impact of price on sales It is important to note that the experience of other organizations has shown that low prices are more of a problem than high prices Moderately priced contraceptives frequently not only outsell higher priced contraceptives but free or cheaper contraceptives as well While prices should be in line with the income levels of potential customers, these same individuals are mistrustful of prices that are too low People place greater value on those things they must pay at least a small amount for, often regarding free goods and services as inferior Frequently, women who experience problems with their oral contraceptives will trade up to a higher priced brand Within a range, moderate increases in prices have little or no impact on sales In some cases, price may have limited impact on decision to purchase an item For example, research in eleven CRS programs indicated that while condom sales are highly sensitive to price and advertising, oral

contraceptives are more sensitive to prescription requirements and general levels of socio-economic development <<verify>>

2 Annual income level of customers Studies have shown that the poor are willing and prefer to pay for family planning services and contraceptives and do pay from 1-4% (PR 787 1%, JK 1-2%) of their salary on health and family planning expenses The annual cost of contraceptive methods should be within that range If incomes vary, prices can vary, targeting different segments of the population

3 Prices of similar goods Research has shown that contraceptives should be priced in line with other frequently purchased consumer goods like soap, matches, razor blades The monthly cost of contraceptives should be consistent with the monthly cash flow of the customers

4 Prices should be about half of other commercially available contraceptives and slightly lower than those of other subsidized outlets in the community

When pricing contraceptives sold through retail establishments, there are three decisions that have to be made

1 retail price
2 margin provided to retailers
3 margin provided to wholesalers and distributors

Worksheet F will walk you through these pricing decisions In order to complete that worksheet, you need the following information

1 The annual operating budget, divided among fixed and variable costs The retail price established must be higher than the per unit variable costs, the difference (or margin) covering fixed costs and then beginning to earn a profit for the organization
2 Annual income of target population
3 Worksheets C, E, and F on competition, customers, and the environment

In Section 1, enter the average annual income level of your target customers In Section 2, enter the names of the outlets for contraceptives in the area and the prices that they charge for those products

Retail Price

Section 3 presents a simple means of calculating initial retail prices for contraceptives It should be stressed that using this analysis alone will result in a price that is in line with the two factors in Sections 1 and 2 your competitors' prices

WORKSHEET F
Pricing
Commercial Sales Through Pharmacies and Other Outlets

1 Average Annual Income of Community _____

2 Retail Prices in the Community

Source/Organization	Type	Price

3 Retail Pricing Decision

A Contraceptive	B 1% of Annual Income	C 4% of Annual Income	D Year s Supply in Units	E Price at 1% of Income	F Price at 4% of Income	G Competitors Prices	H Selling Price

4 Margins Provided to Retailers (and Wholesalers)

Distributor _____ Credit Terms _____

Wholesaler	Contraceptive Product	Retail Price	Wholesale Price	Retail Margin	Distributor Price	Wholesale Margin

5 Price to Retailer

Product	Retail Price	Wholesale Price	Margin

6 Price to Wholesaler

Product	Wholsale Price	Distributor Price	Margin

and the annual income of your target group However, there may be other factors that are relevant to your program for example, government price controls Those considerations should also be taken into account in calculating the figures in Column H

In Column A list the contraceptives that you will sell In Column B, calculate and enter one percent of the annual income as indicated on line 1 In Column C, calculate and enter four percent of the annual income In Column D, enter the annual usage in units for each contraceptive For example, for oral contraceptives, you would enter 13 cycles Column E represents the price per unit if the annual contraceptive cost is equal to one percent of annual income This is calculated by dividing the figure in Column B by Column D This represents the floor cost--you would generally not sell the contraceptives under this price Similarly, Column F represents the price per unit if the annual contraceptive cost is equal to four per cent of annual income This is calculated by dividing the figure in Column C by Column D This represents the ceiling price--you would generally not sell the contraceptives over this price Enter the price range offered by your competitors in Column G Finally, given the range based on annual income and prevailing prices, determine a price that also fits into any other specific considerations and enter that figure in Column H

Retail Margin

After speaking with retail outlets and wholesalers, determine the margin they receive for contraceptives and other similar goods and enter that information in Section 4 Enter the name of the wholesaler in Column A, the name of the product in Column B, the retail price in Column C, and their wholesale price in Column D The retail margin, dividing the difference between the wholesale and retail prices (Column D - Column C) by the retail price (Column C), is then entered in Column E This is what the retail outlet receives to cover his/her costs of selling the product You should either meet or beat that margin Retail margins differ by product and country The following are examples from the literature Jamaica 22 1%, India 25%, Colombia (Profamilia) 30%, Thailand 14 2%

In Section 5, based on the above information and any other relevant parameters, list your products in Column A, the retail price (from Section 3) in Column B, and the wholesale price in Column C The retail margin, calculated by dividing the difference in the wholesale and retail prices by the retail price, is then entered in Column D

Wholesale Margin

From talking to distributors and wholesalers, determine what margin they are receiving as well as the credit terms offered by other pharmaceutical companies and enter that information in

Section 4 The price paid by the wholesaler should be entered in Column F Dividing the difference between that price and the wholesale price (Column F - Column D) by the wholesale price (Column F) is the wholesale margin That should be entered in Column G That is what the wholesaler receives for selling and distributing your products to the retail outlets You should either meet or beat their offerings The following are examples from the literature India) 25%, Colombia (Profamilia) 5%, Thailand 4%

In Section 6, based on the above information and any other relevant parameters, list your products in Column A, the wholesale price in Column B, and the distributor price in Column C The wholesale margin, calculated by dividing the difference in the distributor and wholesale prices by the wholesale price, is then entered in Column D

The margins must be sufficient to the retailer, distributor and wholesaler to provide incentives to handle the product At the beginning in order to compensate for low sales volume, these margins may be set higher and supplemented with other incentives to induce distributors to participate in the operation These incentives can include

1 in-kind bonuses
2 cash bonuses
3 special credit terms for high volume clients
4 prizes and training

With careful monitoring of sales, when sales volumes reach higher levels, these margins and other incentives can be decreased These higher margins should be budgeted as start-up costs and amortized over the life of the program They should not enter into retail price calculations

After you have established initial prices, testing customer and retailer reaction to those prices is recommended You may find that you can raise prices even higher You should experiment with the impact of price on sales If your country has a high inflation rate, you should raise your prices periodically to meet that rate If not, your distribution network will be unable to earn enough money to cover their costs and you may also find that your expenses are increasing, with income remaining the same, constantly decreasing your net income Prices should be raised frequently by small amounts rather than in large jumps Keep in touch with your retailers and wholesalers--they will have the most accurate and up to date information on your customers and their attitudes Talk to them and respond to their comments and concerns

3 Recordkeeping

Careful recordkeeping is necessary in order to ensure control over inventory, cash receipts, and accounts receivable The Pathfinder Accounting_Manual provides powerful but simple

WORKSHEET G

CONTROL OF ACCOUNTS RECEIVABLE

Commercial Sales Through Pharmacies and Other Outlets

Commercial Outlet _____

Address _____

_____

Salesman _____

Credit Terms _____

Date	Invoice No	Invoice Amount	Amount Paid Returns	Balance Outstanding	Amount Due

systems and forms that will control cash receipts and physical inventory The following form controls accounts receivable

Form G should be maintained for each organization that purchases contraceptives Enter the appropriate information in the first section along with the specific credit terms that you offered the organization

In the second section, each time that you ship contraceptives and bill an organization, you should enter the following information

- -date of the shipment and invoice
- -invoice number
- -the total amount of the invoice, including any shipping costs

Adding the amount of the invoice to the previous Balance Outstanding will indicate the total amount of accounts receivable

When the organization sends you a check or returns merchandise for any reason, you should enter the following information

- -- date of receipt of funds or merchandise
- -- if a return of goods, the number of voucher verifying receipt of merchandise
- -- if a receipt of cash, the bank voucher number verifying receipt of cash

Subtracting the amount of the receipt or return from the previous Balance Outstanding will indicate the total amount of accounts receivable

The last column indicates the amounts that are due at any given time For example, if you ship goods on March 1, with thirty days credit, on April 1, you would add that invoice amount to the previous balance in Column F When a check is received, that balance would be decreased accordingly

4 Market Analysis

Market analysis is an important activity that should occur not only before initiating a CRS program but also throughout program implementation The section on Project Feasibility discussed areas of interest that need to be surveyed in order to determine whether this scheme is possible or not However, you should continue to keep in touch with your customers, the market, your competition, and the environment Circumstances change and you will have to change your program to meet those changing circumstances You should periodically review the worksheets filled out in that section and keep that information up to date Only by collecting and using accurate, up to date information will you be able to plan and implement a successful CRS program that raises significant amounts of income for your organization

5 Financial Impact of Advertising and Promotion

Advertising and marketing of your contraceptives will have a significant impact on demand and sales Advertising should include information on where the product is sold as well as the advantages of using it rather than another one Successful advertising campaigns use a variety of media from posters, matchbooks, television, radio, newspapers to key chains, chopsticks, and t-shirts Local habits and culture should be explored to assist in devising innovative advertising strategies Your budget should include adeqaute funds to support a promotion and advertising campaign

In order to ensure that these funds are used in the most effective means, it is important to measure the impact of your various promotion and advertising mechanisms on sales While there are no hard and fast ways of doing this, there are several things that can aid you in planning and monitoring your marketing strategy

Accurate sales data, by retailer and location, forms the basis of several analyses Ask retailers to measure sales by providing them with simple formats to filled out on a weekly or monthly basis or filled out when reordering A separate sheet should be prepared for each outlet--including outlets other than pharmacies This form should be simple enough that it research little time on the part of the retailer

Periodically, you can develop simple and short questionnaires that can be distributed by your retail outlets to be filled out by customers These questionnaires should be short and involve little time on the part of the customer You will need to offer to an incentive to both the customers and the retailers for their completion Some programs have structured the questionnaires as lotteries Each form completed gives the customer AND retailer the chance to win a prize It is important that these questions be asked randomly of the customers of the retail outlet, not just those individuals purchasing contracepitves Some questions that can be asked include

1 How did you find out about this contraceptive?
2 How did you find out that it was sold at this location?
3 What kind of information did this advertise provide you?
4 Did it provide adequate information? If not, what other information would have been useful?
5 Did you hear about these contraceptives through (list all the means by which the products have been promoted)

6 Selection of Wholesalers/Distributors

CRS programs can either use existing commercial distribution channels or rely on your own staff The selection of the appropriate distribution channels will first depend on whether an appropriate channel already exists If no commercial distribution organization exists, a special sales force may need to be established within your organization Whether carried out by your organization or by another institution, a reliable system must be established that can move contraceptives from a central warehouse to wholesalers to retail outlets Some factors to consider when selecting a distributor and wholesalers are

1 Previous sales experience in the community
2 Availability of transportation resources trucks,etc
3 Their financial and commodity control systems, to ensure close control of income and contraceptives
4 Availability of warehouse facilities
5 Geographic coverage of their sales force--especially extent of rural coverage
6 Reliability
7 Willingness to participate in a social marketing effort

V Commercial Distribution Through Clinics and Physicians

A Introduction

Similar in many respects to commercial retail sales programs, donated contraceptive supplies and equipment can be sold to private physicians and health and family planning clinics An advantage to this method of distribution is the psychological legitimacy that physician endorsement gives to the types of contraceptives provided there Pills, condoms, and foam are the most commonly sold methods but materials, supplies, and training in IUD insertion and sterilizations may also be provided Revenue generated from sales will generally cover distribution costs which are probably lower than those of CBD or CRS programs

B Feasibility

Four crucial areas have to be examined in order to determine whether sales of contraceptives and equipment to clinics and physicians is a feasible mechanism for generating revenue You need to look carefully at your organization's skills and resources, the proposed market, other organizations selling the same products, and logistical and legal considerations Before beginning, read Chapters II and III of the Business_Planning Manual The worksheets in those chapters along with questions in this section will provide tools in determining project feasibility

1 Organization Skills and Resources

Fill out Worksheet B of Chapter II of the Business_Planning Manual In addition to the questions and issues raised in that document, answer the following questions

a Does your organization have the cash resources to cover program expenses for four to six months?

Frequently, clinics and physicians are late with payments, with four to six month payment delays common While sales may occur from the beginning of the program, actual receipts will not be received until later In the meanwhile, you will have to cover all salaries and other expenses This situation should be clearly reflected in your cash flow projections Checking with other organizations, find out the actual practice in your area

b Do you have adequate management and planning skills among your organization staff?

The successful implementation of this program requires a high degree of planning, coordination, and control of program activities If you do not have adequate management and planning skills, you may lose money due to lack of control over receivables or may not be able to coordinate the shipping of contraceptives when required

c Do you have adequate accounting control systems and procedures to guard physical and financial resources?

If your systems and procedures are not adequate, you will need to strengthen them in order to ensure contraceptives against loss, theft, and/or spoilage and to guard generated income against loss and/or theft

d Do you have a warehouse or other physical facility in which to store commodities?

Continual supply of contraceptives to physicians and clinics is essential, making an adequate inventory absolutely necessary In addition to adequate control procedures, you will need a dry, secure facility in which to store these contraceptives If your organization does not presently have such a space, you will either have to rent a facility or request donated space

2 The Competition

Fill out Worksheet E of Chapter III of the Pathfinder_Business Planning_Manual In addition to the questions and issues raised in that document, answer the following questions

a Who is selling contraceptive supplies and equipment to physicians and clinics, at what price, and on what credit terms?

In order to generate sales, you will need to provide contraceptive supplies and equipment for a lower price than other distributors in the area You need to look at their credit and delivery policies as well as their prices

b What kinds of advertising and promotion is undertaken by other distributors?

By looking at your competitors, you can get an idea of what kind of promotion and advertising reaches your target market For condoms and for oral contraceptives in particular most promotion occurs through the face to face contact with salesmen or "detailmen" and through advertisement in medical journals Salesmen must be knowledgeable about the medical and technical aspects of his/her products and be able to answer most if not all technical questions However, if salesmen are not necessary and contraceptives can be mailed directly, you can save on distribution costs Doctors generally have training in family planning so additional training and supervision may be unnecessary

3 The Market

Complete worksheet C of Chapter III of the Business_Planning Manual In addition to the questions and issues raised in the document, answer the following questions

a Who are the clientele of the doctors and clinics?

The clients of private physicians are generally higher income individuals so low income contraceptive users may be excluded Unmarried couples may prefer a more anonymous supply outlet than a doctor's office or clinic Women making postnatal visits may be easy targets for sales <<Do we need this in here?>>

b How many clinics and private physicians might be potential clients? What is the potential market?

Using Worksheet H, estimate monthly units sales of contraceptive supplies and the potential equipment sales List the number of physicians and clinics in your area in Column A In Column B, list the estimated number of patients for each of those providers In Columns C, D, and E, list the estimated monthly usage of those patients In Columns F and G, estimate the equipment that organizations might need Add up the numbers and indicate the total for each column on line 2 Of that total market, you should target a specific percentage that you wish to reach for example, ten per cent enter that amount on line 3 Line 4 is calculated by multiplying that percentage by the totals in line 2

4 Legal and Logistical Considerations

WORKSHEET H
MARKET POTENTIAL
Commerical Distribution through Physicians and Clinics

	A	B	C	D	E	F	G
1	Clinic/ Physician	No Patients	Units Required for Each Method O/Cs	Condoms	Foam	Equipment Required IUD s	Sterilization

2 TOTAL

3 Target Market _____%

4 SALES TARGET

Fill out Worksheet F of Chapter III of the Pathfinder_Business Planning_Manual In addition to the questions and issues raised in that document, answer the following questions

a Do the laws of your country allow for this activity under your charter, without threatening your non-profit status?

Before initiating any income-generation project, you should check with a lawyer to determine whether you can generate income through this scheme without risking your non-profit status If not, you might want to consider creating a separate entity that will be responsible for collecting the funds and donating them to your organization

b Are there laws and regulations that limit the distribution of contraceptives?

Many countries place heavy restrictions on the distribution and sale of contraceptives Distribution may be limited to licensed and authorized organizations that many times are required to meet strict financial, administrative, and bonding requirements Contraceptive sales may be restricted to specific establishments such as pharmacies, doctors, and clinics If so, distribution through physicians and clinics might be very effective

Many countries require a doctor's prescription for issuance of oral contraceptives If so, this financing scheme may be the optimal setting for contraceptive sales

Most countries require that new drugs and brand names be registered before distribution and require that those drugs must also be registered in the US, UK, and/or Canada This requirement implies the need for adequate lead time before program implementation

c Are there other government regulations that impact on the sale of contraceptives?

Many countries have price controls that may or may not include contraceptive supplies and equipment This can have a severe impact on your bottom line if your country is experiencing high inflation and create inflexibility in pricing decisions

d Do you have assurance of continuity of contraceptive supplies?

In order to gain and keep physicians and clinics as clients, you must be able to guarantee continued supply of products to those organizations Method loyalty and maintenance continuation rates are dependent on a continual and consistent supply of those products If these organizations are not sure that they will be able to obtain additional contraceptives in

the future when needed, they will probably be unwilling to purchase contraceptives from you

C Implementation

1 Financial Analysis

Worksheet I outlines a means of evaluating financial viability The analysis should be carried out over a period of five years Generally, depending on the amount of training and up front investment required, a program such as this will become profitable after two or three years

Income Projections Worksheet H will provide the information required to project income Enter the sales projections from that worksheet in Column B In Column C, enter the prices as determining in the following section By multiplying the sale projections by the price, sales figures are determined for the first year and entered in column D The same procedures should be followed for years two through five Increasing sales projections should be multiplies by estimated increased prices and entered in Columns E, F, G, and I

Expenses should be listed in section 2 after completing Worksheets M and N from Chapter V of the Business_Planning Manual

Net Income will be entered for each year one line 3 That figure should be adjusted for the inflation rate in your country at the present time For example, if inflation is at 10% a year, in year one, the adjusted net income will be equal to the net income on line 3 For year two, the adjusted rate would be calculated by dividing the net income or loss by 1 10 In year three, it would be divided by 1 20, in year four by 1 30, and in year five by 1 40 By adjusting for inflation, you have net income figures for each year that can be compared <<Is this really necessary? Is it understandable?>>

2 Pricing of Contraceptives

<<expand>>
What is the mark up required for clinics and physicians?

3 Recordkeeping

Careful recordkeeping is necessary in order to ensure control over inventory, cash receipts, and accounts receivable The Pathfinder Accounting_Manual provides powerful but simple systems and forms that will control cash receipts and physical inventory The following form controls accounts receivable

Form J should be maintained for each organization that purchases contraceptives Enter the appropriate information in

WORKSHEET I
Financial Analysis
Commercial Sales Through Physicians and Clinics

INCOME

	Item	Quantity Sold	Per Unit Price	Period Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
	Condoms								
	OC s								
	Foam								
1	TOTAL INCOME								
	EXPENSES								
	Salaries								
	Project Director								
	Accountant								
	Administrative Assistant								
	Warehouse Manager								
	Warehouse Assistant								
	Detailmen/Salesmen								
	Fringe Benefits								
	Travel and Per Diem Expenses								
	Supplies and Equipment								
	Calculator								
	Office Supplies								
	Annual Depreciation Charge								
	Promotion and Advertising Expenses								
	Newspapers and Magazines								
	Point of Purchase Materials								
	Warehousing Expenses								
	Rent								
	Transportation								
	Other Expenses								
	Telephone								
	Sales Supplies								
	Printing of IEC Materials								
	Amortized Training Costs								
2	TOTAL EXPENSES								
3	NET INCOME								
4	INFLATION CORRECTED								

WORKSHEET J

CONTROL OF ACCOUNTS RECEIVABLE

Commercial Sales Through Physicians and Clinics

Organiation _____

Address _____

_____

Salesman _____

Credit Terms _____

Date	Invoice No	Invoice Amount	Amount Paid Returns	Balance Outstanding	Amount Due

the first section along with the specific credit terms that you offered the organization

In the second section, each time that you ship contraceptives and bill an organization, you should enter the following information

- -date of the shipment and invoice
- -invoice number
- -the total amount of the invoice, including any shipping costs

Adding the amount of the invoice to the previous Balance Outstanding will indicate the total amount of accounts receivable

When the organization sends you a check or returns merchandise for any reason, you should enter the following information

- -- date of receipt of funds or merchandise
- -- if a return of goods, the number of voucher verifying receipt of merchandise
- -- if a receipt of cash, the bank voucher number verifying receipt of cash

Subtracting the amount of the receipt or return from the previous Balance Outstanding will indicate the total amount of accounts receivable

The last column indicates the amounts that are due at any given time For example, if you ship goods on March 1, with thirty days credit, on April 1, you would add that invoice amount to the previous balance in Column F When a check is received, that balance would be decreased accordingly

4 Financial Impact of Advertising and Promotion

Promotion of your goods to physicians and clinics will be for the most part be through visits by your detailmen or through advertising in medical journals In order to evaluate the effectiveness of these two means, you will need to determine the sales you have generated from the two promotion strategies This can be determined by asking new customers how they found about your products You can also send out questionnaires to physicians and clinics who are not clients to find out if they know about your products and how they found out

It is difficult to determine an exact financial benefit from your promotion strategy You can, however, by talking to your potential customers determine, the most effective means of communicating with them

VI Fee for Service

A Introduction

Charging fees for family planning and other health services represents another way of generating income for family planning programs The viability of this financing scheme depends primarily on people's ability and willingness to pay for these services Clinics serving primarily low-income families will probably be able to charge prices that will allow for only nominal cost recovery The most successful situation is a clinic that offers services to a wide spectrum of patients, including higher income families, in a multi-service setting that offers family planning services in conjunction with other high demand health and laboratory services There are several reasons for this One, studies have shown that most individuals prefer to have their health and family planning services offered by one multi-purpose worker Two, offering services in a larger health care setting will usually be more cost-effective than offering them in a family planning service setting since administration and operational costs can be shared Three, higher patient volume helps maintain steady utilization and therefore, more constant revenue flows The larger the patient base, the more balanced the demand for services Four, in this setting, specific high demand family planning and health services subsidize routine family planning services People are willing to pay more money for curative services and these higher demand services, such as lab tests, pap smears, and general curative care can be priced higher to reflect patients' willingness to pay, subsidizing other family planning services You should ensure that the ratio between family planning services and curative, primary health services is high enough so that the health care service fees subsidize family planning services

Equity issues must be carefully considered before deciding to charge fees In areas of great income disparity, charging fees may lead to unintentional exclusion of those individuals most in need of services In general, sliding fee scales, in-kind payments, and credit arrangements rather than fixed rates address this problem In general, however, research has shown that charging nominal fees for services increases demand because individuals place more value on services that they must purchase If free government-provided services exist, this will constrict your fee-setting strategy and will challenge your organization to counteract that competition with higher quality services with improved access (i e more convenient clinic hours, less waiting time, etc)

B Feasibility

Four crucial areas need to be examined in order to determine whether charging fees for services is a feasible mechanism for generating revenue You need to look carefully at your

organization's skills and resources, the proposed market, other organizations selling the same products, and logistical and legal considerations Before beginning, read Chapters II and III of the Business_Planning_Manual The worksheets in those chapters along with questions in this section will provide tools in determining project feasibility

1 Organization Skills and Resources

Fill out Worksheet B of Chapter II of the Business_Planning Manual In addition to the questions and issues raised in that document, answer the following questions

a Do you have adequate accounting control systems and procedures to guard physical and financial resources?

If your systems and procedures are not adequate, you will need to strengthen them in order to ensure contraceptives against loss, theft, and/or spoilage and to guard generated income against loss and/or theft If your patients will not be paying in cash for each visit, you will need to establish an appropriate billing system

b Do you have a warehouse or other physical facility in which to store commodities?

When implementing a fee for service program, a continual supply of contraceptives and drugs is essential, making an adequate inventory absolutely necessary In addition to adequate control procedures, you will need a dry, secure facility in which to store these drugs and contraceptives

2 The Competition

Fill out Worksheet E of Chapter III of the Business_Planning Manual In addition to the questions and issues raised in that document, answer the following questions

a Where and by whom are family planning services delivered?

If free or subsidized services are currently available, you will have to price and present your service carefully, offering your potential patients a higher quality service at a reasonable price You should carefully examine the quality of those services and the ease of access You may still be able to attract individuals who are willing and able to pay for a higher quality care for a higher price

In addition to free government clinics and other subsidized programs, local physicians and village health workers may also provide family planning services to your potential patients Look at every service provider, traditional and nontraditional When filling out Worksheet E, indicate the prices that they

charge This information will be useful later when establishing prices and sliding fee schedules

3 The Market

A survey of your potential patients is necessary in order to obtain the information necessary to plan and present a fee for service program in a way that will meet the needs of that group and generate income for your organization Complete Worksheet C of Chapter III of the Business_Planning_Manual In addition to the questions and issues raised in that document, a survey of the community should be undertaken to gather information on the following areas

1 Contraceptive practices and method preference
2 Major health problems
3 Attitudes toward price and advertising of family planning and health services
4 Cultural and psychological attitudes and beliefs toward family planning and contraception
5 The need for privacy on the part of women with regard to fertility control
6 Socio-economic level of your potential patients
7 Knowledge of contraceptives and sexuality

The attitude of the community towards the practice of birth control has a strong impact on how a program is ultimately implemented If the use of contraceptives is a private matter the multi-purpose clinic will be appropriate only if neighbors will not see the individual there and know the reason for her visit For some women, due to cultural and personal attitudes toward birth control, commercial purchase of birth control may be preferable because of its higher degree of anonymity

Add this information to Worksheet C of Chapter III of the Business_Planning_Manual This information is essential not only in determining whether a fee for service program is feasible but also how to design an appropriate program

b What is the income level of your potential patients??

Fee for services schemes generate more income when demand for services is high and people are able and willing to pay for them If income is low, only minor cost recovery will be possible Income levels are key in setting reasonable fees, including the establishment of in-kind payment policies Research has found that annual incomes should generally be above $US xxxx

c Who is responsible for contraception?

Women spend more money on family welfare and health, while men spend more on consumer goods The success of this scheme depends on the level of disposable income available to women

Access to their own income sources provides women with the means to purchase birth control services in the face of male resistance to fertility control In cases where husbands forbid their wives to spend money on family planning, in kind payments may be an effective way to circumvent that interference

d Where do your potential patients live?

Your clinic needs to be located so that it is accessible to these individuals Studies have shown that people will usually travel about five to ten kilometers to obtain health and/or family planning services As distance increases over that point, utilization drops rapidly When you determine your potential market below, you need to be careful to ensure that these families are within your cachement area

e What is the potential market for a fee for service clinic?

<<expand how is this done--just family planning or health as well>> By looking at census data and contraceptive prevalence surveys, if available, estimate the number of married couples of reproductive age who

1 live in the program cachement area
2 are not already using effective contraception
3 want to space births or end childbearing
4 live in households with annual incomes over $ 1000

Fill out Worksheet xxx Of this group, you should target a specific percentage of families that you wish to reach for example, ten per cent

4 Logistic and Legal Considerations

a Do you have an assured drug supply?

In order to implement a successful clinic-based family planning and health program, you need to be assured of continued drug and contraceptive supplies Clients will either go to other clinics or discontinue contraceptive use if they cannot obtain contraceptives when needed

b Are there restrictions in the distribution of contraceptives?

If oral contraceptives cannot be distributed outside of a pharmacy without a physician's prescription, then a fee for service scheme will be an appropriate means of generating income for your organization

C Implementation

The following guidelines are useful when setting up a fee for service program

1 Financial Analysis

When analyzing a project for profitability, it is recommended that an analysis be done for five years The first year will involve heavy investment in training, equipment, construction, etc which will only start to be recouped in later years

Income projections Get out Worksheet xxx from page xxx that estimated your potential market Enter the sales projections for each service that you will offer in Column B In Column C, enter the prices as determined in the following section By multiplying the sales projections by the price, sales figures are determined for the first year and entered in Column D The same procedure should be followed for years two through five Increasing sales projections should be multiplied by estimated increased prices and entered in Columns E, F, G, and I

Expenses should be should listed in section 2 after completing Worksheets M and N from Chapter V of the Business_Planning Manual For assistance in budget preparation, see Chapter V of the Business_Planning_Manual

For each type of service, complete Worksheet M and compare that with the estimated price to be charged At the very least, you should aim for covering variable costs In some cases, you may charge less for lower demand family planning services, subsidizing them with higher priced high demand services In order to make these decisions from a cost recovery point of view, however, you will need information on the cost of providing each service and therefore your net profit or loss As can be seen in Worksheet J, volume is important in this financing scheme Only by generating a sufficient volume can you begin to cover an increasing percentage of your fixed costs <<Remember, however, that your patients must be able to pay for these services move to where>>

2 Pricing of Services

Pricing of clinic services is a critical decision that must be made within a broad context The "best" price will take into account the following factors

1 the value that your patients place on those services and their resultant willingness to pay
2 your patients' income level and their resultant ability to pay, research has found that low-income families are willing to spend from xx to xx percent of their annual income on contraception an health care
3 the variable cost of providing those services
4 the prices for comparable services in your program area

WORKSHEET J
Financial Analysis
Fee for Service

INCOME

	Service	No of Procedures	Price	Period Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
1	TOTAL INCOME								
	EXPENSES								
	Salaries								
	Project Director								
	Bynecologist								
	Anesthetist								
	Pediatrician								
	Physicians								
	Social Workers								
	Nurses								
	Clerks								
	Maintenance								
	Accountant								
	Administrative Assistant								
	Fringe Benefits								
	Supplies and Equipment								
	Calculator								
	Office Supplies								
	Clinic Supplies								
	Office Equipment Depreciation								
	Clinic Equipment Depreciation								
	Other Expenses								
	Telephone								
	Rent								
	Printing of IEC Materials								
	Advertising								
2	TOTAL EXPENSES								
3	NET INCOME								
4	INFLATION CORRECTED								

It is important to note that service fees need not reflect the true costs of delivering services They can be designed to maximize income generated from high demand services that is used to subsidize lower demand ones They should be set somewhere between the fees of free clinics and private fees You should, however, as much as possible set prices that at the very least allow for recovery of variable costs If prices are set below variable costs, it should be done for specific social objectives

Worksheet K walks you through a pricing exercise In Column A, list the services that you will provide in your clinic, along with a category called "clinic registration " In Column B from your market research place the perceived value of those services as indicated by your potential patients In Column C list the prices charged by private clinics in your program area In Column D list the prices charged by CBD workers (if appropriate) for those services In Column E list the prices charged by other PVO (i e , subsidized) clinics in your program area In Column F list the prices charged by your closest competitor--that is, the clinic that offers services in a manner that is closest to your level of quality, accessibility, etc In Column G list the variable cost (from Worksheet M) of providing that service Taking these factors into account, list your initial price in Column H This represents the top price that you will charge for your services You should not, however, view it as inflexible but rather as something that can be modified, given additional information Based on feedback from your clinic staff and patients, you may consider raising or lowering prices to take into account actual demand for those services

Sliding Fees

For those lower income families that cannot afford even that fee schedule, sliding scales as well as the acceptance of in-kind payment arrangements can ensure access to services by that group Many clinics adjust fees to reflect the income level and resources of the family, including salary, landholdings, income of children, savings and investments Sliding fee schedules should be determined beforehand with the input of community leaders in order to gain community acceptance Criteria for fee determination should be prominently displaced in the clinic and discussed with patients before delivery of services The criteria should be applied equally to all families and in no case should an individual's fee be determined arbitrarily by a clinic worker Adherence to set guidelines will help insure a sense of fairness among clinic patients

<<expand--how do different groups do it? Experience of other PVO's?>>

3 Recordkeeping

WORKSHEET K
Pricing
Fee for Service

Service	Perceived Value	Private Clinics	CBD	Other PVO s	Closest Competitor	Variable Cost	Price

Careful, systematic reporting is absolutely essential First, strict control of income in general and types of income in particular is critical in order to anlayze profitability Second, systematic and periodic records of service delivery are required in order to measure patient flow and use of professional time to determine whether staff time is being used as efficiently as possible This information will be useful when applying the hints for cost cutting in chapter two of this manual Third, if patients do not pay for services at the time of service delivery, a billing system is essential in order to control accounts receivable against loss These forms are listed below

4 Market Analysis

Both pre-project and continuing market research is important Before program implementation, market research is important in order to design a program that will better meet the needs and circumstances of your potential patients During program implementation, market research will give you information to see how well you are meeting the needs of those individuals and make necessary changes in program design Market research gives you information for three major programmatic areas service mix, pricing, and clinic operations

a Service Mix

In order to provide a service that will attract paying customers, you need to select a range of services for that group that will meet their needs A wide range of services should be offered, utilizing available trained personnel and equipment, in order to attract a large group of patients Services should include family planning services (which may be lower demand and therefore lower priced) as well as higher demand services Services offered can include the following family planning and general medical services

1 immunization and pediatric services
2 male circumcision
3 infertility services
4 female and nutritional counseling
5 cardiology services
6 periodic gynecological exams and pap smears
7 pregnancy tests
8 prenatal and postnatal checkups
9 contraceptive services sterilizations, IUD insertion, diaphragm fitting, monthly injectibles, orals,
10 tubal insufflations
11 urine analysis
12 D & C's
15 vaginal smears
16 lab work, biopsies

FORM C
Fee for Service
Bill

Payee Name _____ Registration No _____

Patient Name _____ Phone _____

Billing Address _____

Date	Description of Services	Charges	Payments	Balance

Amount Current _____

30 days overdue _____

60 days overdue _____

90 days overdue _____

120 days or more _____

FORM D
Fee for Service
Control of Income

Period _____

Service or Procedure (a)	No of Procedures (b)	Variable Cost (c)	Total Cost (d)	Average Price (e)	Total Revenues (f)	Net Income (g)	Net Income per Procedure (h)	% Margin (i)
TOTAL								

FORM E
Fee for Service
Monthly Patient Flows

Month _____

CLINIC VISITS BY TYPE OF SERVICE PROVIDED

Date	1 visits	with doctor	2 visits	with doctor	3 visits	with doctor	4 visits	with doctor
TOTAL								

FORM F
Fee for Service
Periodic Patient Flow Checks

Date _____

Hour	Check in w/ receptionist	Fill out paperwork	Take blood pressure	Visit w/ nurse	Visit w/ doctor	Visit w/ nurse	Pay bill
Average time spent							
Staff Responsible							
Hourly wage/ benefits cost							
Cost/per activity							

The service mix for your clinic will depend on the outcome of market research on your potential patients (see section xx above) The service mix should be based on local health conditions, patients' attitudes toward contraceptive control, demand by your target group, and availability of personnel and supplies, In areas with higher infant mortality, family planning services may best be offered with maternal and child health services

b Pricing

For each of these services, ask your potential patients about their perceived value of those services and how much they are willing to pay The following worksheet provides sample questions that you can adapt to your program This information will be used in setting prices as discussed earlier

c Program Design

The design and presentation of clinic-based services is essential and critical to program success In order to convince individuals to pay for your services rather than going to a fee clinic (whether government or PVO run), you need to provide high-quality services in a way that is more attractive than other alternatives Clinic hours, clinic regulations and procedures, outreach and education are as important as the pricing and choice of those services It's not enough to provide a needed service for an acceptable price if your clinic hours and location make it inaccessible to women--for example, open during hours when they must be at home Talking to your potential patients and completing the questionnaires in Chapter III of the Business_Planning_Manual will provide the required information In addition, the Pathfinder_User_Perspective Manual also provides information and guidelines on making your clinic more responsible to the needs of your patients

5 Advertising and Promotion

Promotion and advertising of your clinic is essential Excellent services at acceptable prices provided in an appropriate, accessible setting are meeting the needs of your target gropu only if they know about them You need to communicate to your target group--your potential customers--about the services that you provide The way in which you can do this are varied Some examples of clinic promotion are as follows

1 Provide oral contraceptive users without medical advice with coupons for a free medical exam to screen for contra-indications and side-effects, in the expectation that they will become regular clinic patients
2 Word of mouth communication by satisfied patients
3 Radio and newspaper announcements

4 Traditional outreach such as talks to and literature left with factories, social and religious clubs, women's organizations, and schools
5 Bonuses, prizes, honoraria, and parties for field and clinic workers for their efforts in brining in new patients
6 Flyers, brochures, and cards distributed at gynecologist and pediatrician offices, talking about the clinic's family planning activities
7 Distribution of coupons at community meetings that can be exchanged for a free medical examine, in the expectation that they will become regular clinic patients

VII Fund-Raising

A Introduction

While the emphasis of this manual is on generating regular sources of income through sale of goods and services, these sources of income can be supplemented by income generated from individual contributions, corporate and foundation grants, and special events Cash contributions are the most desirable, as they can be used when and where needed However, contributions can also be made "in kind"--such as labor, supplies, volunteer time, buildings, equipment--eliminating cash expenses that would otherwise be met through income generated from regular income sources Identifying and developing local sources of contributions is important both for promoting community interest and support for family planning and for reducing reliance on international donors

Fund-raising campaigns can solicit funds from four sources, each implying specific activities and organizational input

1 Grants from local foundations Local non-profit foundations may be interested in funding specific programs of your organization, if they fall under their funding interests These grants can be relatively large and ongoing

2 Donations from corporations Proposals can be submitted to local businesses and international corporations for both in-kind and cash contributions For example, a large manufacturer might donate office space or equipment or provide financial support for a program or central administration If there is no tradition of philanthropic giving, these donations may be primarily in-kind

3 Contributions from individuals You can also, through direct mail, the media, and personal contacts, encourage private individuals to contribute to your organization These amounts may vary from a large number of small contributions to a smaller number of large ("special") contributions by a few select individuals

4 Special Events Additional fund-raising activities such as raffles, bake sales, fairs, parties generate cash that can supplement the above funds You should ensure that these events don't interfere with or substitute for other fund-raising activities

B Feasibility

1 Organization Resources and Skills

a How important will fund-raising be in relation to other income sources?

If the projected contributions are to cover a large portion of operating costs, a full-time fund-raiser may be appropriate and necessary If fund raising is only expected to be a small activity, you can probably add that responsibility to the job description of one of your staff You should, however, ensure that these activities do not interfere with their other program objectives and activities

b Do you have the professional staff resources necessary to plan, manage and control a fund-raising campaign?

You will need adequate systems and staff to control volunteers, donations and donor information Checks and cash need to be deposited immediately upon receipt A record of each contribution needs to be established These records need to provide adequate information to measure success of direct mail solicitation Planning skills are required in order to coordinate the diverse activities involved in a fund-raising campaign

c Do you have the active support and commitment of your board of directors?

Fund-raising begins and ends with strong board support and should involve the active participation of board members as well as other volunteers They need to understand that their commitment to the financial health of your organization is essential The board plays a significant role in personal solicitation of individual and institutional donors, using their political and social connections to gain access to potential donors in your community In order to carry out a successful campaign involving the required participation of the board, they need to be committed to the campaign and believe that the funds are required

2 The Competition

a Are there are other family planning organizations that are soliciting funds from your potential donors?

If so, you may have a hard time soliciting another contribution for a related cause You should attempt to distinguish your organization from that of others by your unique and excellent services and staff Complete Worksheets B and E from the Business_Planning_Manual and look carefully at your competitive advantage Don't be afraid to flaunt it

3 The Market

a Can local individuals, organizations, and corporations be approached for contributions?

If income levels are low, individual contributions may not be high enough to cover the costs of a fund-raising campaign

However, those individuals may be able to make significant and effective donations of their time and/or local products (for example, agricultural production or arts and crafts) Cooperatives, banks, religious groups, and civic organizations may be good sources for donations Local businesses or branches of large corporations can be approached From your records or from the experience of other local private voluntary organizations (PVO's), find out how much those organizations and individuals have given in the past

b What are local attitudes toward family planning?

In order to successfully solicit for contributions, adequate support for family planning must exist in the area If attitudes toward family planning are negative, it will be extremely difficult to solicit funds to support those kinds of activities Educating local leaders on the importance of family planning and winning their support for your program will be the first step before you begin to solicit funds

4 Legal and Logistical Considerations

a What are the local tax laws with regard to donations to tax-exempt organizations?

If donations to PVO's are not tax deductible, it will be more difficult to solicit them Individuals and organizations will be more willing to donate cash and in-kind items if they can reduce their taxes If your local tax laws do not allow for this deduction, you should pressure for their reform

C Implementation

1 Financial Analysis

Before embarking on a fund-raising campaign, it is important to complete a financial analysis to determine whether the projected income will offset expenses Complete Worksheet M below You should begin with a realistic income target that is based on logical calculations, this is discussed in the following After developing a workplan for your fund-raising campaign (see Chapter V of the Business_Planning_Manual), develop a budget that will support those activities

Salary and fringe benefits of fund-raising staff should be included in the budget Even if that individual is already an employee, their salary and benefit costs should be included, in proportion to the percentage of their time spent on this activity In some cases, a board member or other volunteer might be able to manage the campaign, if the objectives and workplan are modest and don't require a significant amount of time

WORKSHEET M
FINANCIAL ANALYSIS
Fund-Raising

INCOME	Year 1	Year 2	Year 3	Year 4	Year 5
Corporations					
Direct Mail					
Special Gifts					
Foundations					
Special Events (List)					
Total Income					
EXPENSES					
Salaries					
Professional staff					
Clerical					
Consultants					
Graphics designers					
Writers					
Fringe Benefits					
Travel and Per Diem					
Lunches dinners with prospective donors					
Travel					
Presentations at meetings					
Promotion and Publicity					
Printing					
Art work					
Direct-mail					
Radio and televion ads					
Newspaper ads					
Video and film of events					
Board expenses					
Administrative					
Telephone					
Postage					
Office supplies					
Bank charges					
Accounting services					
Xeroxing					
Total Expenses					
Net Income					

You should keep in mind that you are interested in net proceeds not gross receipts Depending on the type of campaign, expenses can run between 15% for corporate and annual fund drives to 50% for special events

2 Development of Fund-Raising Campaign

The development of a fund-raising scheme requires careful planning Before starting a campaign, you should develop a complete workplan that presents all activities Keep in mind that coordination of volunteers and board members is more difficult than of your staff because volunteers and board members have other responsibilities in addition to the campaign This should be taken into account when planning their activities, activities will have to be organized around their schedules and availability Don't ask them to do anything that one of your staff could do just as easily This section discusses several implementation issues

1 Before starting your fund-raising campaign, you need to set a fund-raising goal for a specific period of time--usually twelve months This goal should take into account the following

a The amount to be raised should be based on a real need--the difference between the annual budget and projected income from other sources clinic fees, sales of contraceptives or literature, contracting of services, and current grants It is easier for your board members and fund-raising volunteers to go out and ask for money if they know that it is absolutely essential that it be raised

b Your goal should be based on a realistic assessment of how much you can raise, by evaluating your fund-raising performance in the past Look at the amount of funds that you have raised in the past, calculate the growth rate, and project that into the future Assuming that other variables remain the same, you should be able to increase your fund-raising at the same rate in the future

c These two calculations need to be modified by environmental considerations For example, projections should be modified to reflect any significant changes in the inflation rate Similarly, if your area is suffering from economic depression or unemployment, income projections will also be affected

2 Based on an overall fund-raising target, with senior staff, board members, and other active volunteers, you will need to determine how much money you will target from each of the three major donor groups
individuals

corporations
foundations

After determining income targets for each group, a workplan and budget nneds to be developed to reach each group of potential donors The campaign strategy may include one or more of the following corporate campaign, foundation proposals, direct mail, personal solicitations, and special events These are discussed in greater detail later in this section For assistance in budgeting and the development of workplans, see Chapter V of the Business_Planning_Manual

3 Assign or hire a staff person who will have daily responsibility for all fund-raising activities and provide him/her with responsibility over the budget This person might already be on staff and have the time to handle it along with his/her other responsibilities On the other hand, if fund-raising represents a significant activity, accounting for a substantial percentage of your income, a separate fund-raising department might be established Finally, in some cases, if the work is minimal, a volunteer can be recruited If so, you should ensure that s/he has the time and energy required to coordinate such an activity In addition to designated staff, a board member should be appointed as the Fund-Raising Campaign Chair who will oversee all fund-raising activities Board members should also be assigned to coordinate the specific components of the campaign

4 Obtain public endorsement and support of community leaders, sports heroes, actors, writers, local charismatic leaders, etc These individuals can be used throughout the campaign in media events and personal solicitations

5 Through suggestions from board members and staff, make a list of potential donors individuals, corporations, and foundations A card should be prepared for each donor, no matter how small the expected gift Each donor should be treated as an individual--not a statistic An explanation of these cards and the kinds of information required is discussed in the section on Recordkeeping (page 56)

6 Volunteers are an essential resource for all campaigns These individuals, however, usually have other significant responsibilities in addition to the campaign The use of their time should be carefully planned so that their input is maximized When planning the use of volunteers, you need to be sensitive to seasonal changes in their availability For example, during peak agriculture times, such as during harvest, volunteers may be able to devote little if any time outside of their households

7 Prepare fund-raising materials including an attractive brochure or other supporting literature You should

include a description of your organization, its history, services offered and its fund-raising goals as well as a detailed description as to the use of the donated funds and resources Include copies of articles written about your organization, its activities, or board members Clear photographs can be a powerful means of demonstrating the need and your solution Letters of commendation or recognition by well-known individuals or organizations will add prestige and respectability to your cause

8 Direct Mail

When it is possible, one means of contacting individual donors is through "direct mail" letters sent to individuals that you think might be interested in donating to your organization This approach is possible when

-- there is a tradition of giving
-- the per capita income is above $ xxx
-- the postal service is efficient and trustworthy
-- your target donors are literate

Different letters are generally sent to two distinct groups of individuals

-- new donors who might donate to your organization
-- previous donors who have already demonstrated their willingness to donate funds

Frequently, the income from direct mail solicitation of new donors may be equal to or even less than expenses However, once an individual makes an initial donation, no matter the size, you can then attempt to encourage him/her to increase his/her donations in the future

A direct mail letter should include the following

-- state the need clearly
-- use examples to illustrate that this need exists
-- state the solution
-- demonstrate why your organization is qualified to provide this solution
-- ask directly for a gift
-- state the fund drive target
-- state the size of the gift that you expect
-- thank the donor

When writing solicitation letters, keep in mind the following

-- Keep the words, sentences, and paragraphs short
-- Stress the urgency of the situation with words like urgent, deadline, immediate, emergency
-- Be as personal as possible Type out the letter rather than sending a xerox copy Make sure that each letter is personally signed
-- You may want to include a response card that the donor can send in with his/her donation This card restates the need and solution and indicates suggested donations See below for a sample card

PLANNED PARENTHOOD OF CENTRAL AND NORTHERN ARIZONA

Your tax-deductible gift will enable us to provide (please indicate your strongest area of interest)

_____ Public affairs and lobbying for reproductive rights

_____ Low cost, reproductive health care services

_____ Sexuality education

_____ Counseling for individuals and family

_____ All of the above

Please help us by sending your contribution today

☐ **Yes, I wish to support the work of Planned Parenthood of Central and Northern Arizona with my tax-deductible gift of**

☐ $25 ☐ $35 ☐ $50 ☐ $100 ☐ $250 ☐ $500 ☐ Other _____

Name _____ Phone _____

Address _____

_____

☐ I want to learn more about volunteer opportunities in counseling clinics Alert Network or _____

My name address and telephone number are above

Thank you!

-- Include an addressed envelope for the convenience of the donor
-- Use coded envelopes or response cards so that you can analyze the success of different kinds of letters

9 Special Gifts

Specific individuals may be willing to contribute an amount that warrants a personal visit from a board member or volunteer These large donations from individuals are called special gifts A well organized special gift campaign has frequently been found to produce the greatest amount of income at the lowest cost The key to this campaign is the participation of your board members and other influential community members who are willing to commit time and energy A personal visit by a board member or other individual has several advantages
-- personal solicitation produces larger gifts
-- the donor becomes more involved in your organization's activities
-- the relationship between the donor and your organization is solidified and personalized, thereby making continued support of your activities more likely
-- you can gain a greater understanding of your donors and, therefore, communicate more effectively with them about your activities
-- these individuals will be able to suggest other potential donors who may also be willing to support your organization

The volunteer (or solicitor) phones the potential donor to set up a convenient meeting pace and time Each solicitation should be personally and individually structured to reflect the interests and concerns of the potential donor During the conversation, the solicitor should
-- introduce him/herself
-- talk about the organization, its activities and the need
-- request a specific gift amount
-- thank them for their support

10 Foundation Grants

Foundations are generally established as PVO's, funded by individuals or corporations for the purpose of supporting charitable activities Each foundation will have its own particular focus and funding interests The following steps are involved in looking for foundation grants

a) Investigate the different foundations in order to identify the most appropriate ones who would be interested in funding your programs

b) After identification of possible foundations, research the specific requirements of those organizations
   - -- funding interests
   - -- funding cycles and deadlines
   - -- types of projects funded in the past
   - -- approval time
   - -- expenses covered and not covered
   - -- reporting requirements

c) Contact the foundation by phone or letter to get further information and express your interest in sending in an application When writing an initial letter, keep in mind the following rules
   - -- keep the letter short and to the point
   - -- mention any names of individuals associated with the foundation who are acquainted with your organization and its programs
   - -- be positive
   - -- the letter should be personal, addressing the interests and concerns of the foundation, do not send a form letter

d) If possible, a half hour meeting should be set up where you can explain your organization and its activities as they relate to the foundations funding interests You will probably want to mention approximately how much money to you will be requesting It is not necessary to leave a formal proposal at this time Leave literature and a brochure

e) Taking into the account the organization's interests and guidelines, a professional, well-written proposal needs to be prepared to followup on the initial meeting Some foundations have specific formats that they use Others request that you follow a specific outline The proposal should be tailored to the specific needs of each foundation A typical proposal generally contains the following sections
   - -- basic information name, address, phone number, and proposed Project Director
   - -- proposal summary summarize the project and its cost, time period
   - -- introduction describe your organization, history, goals, accomplishments
   - -- state and document the problem(s) to be addressed
   - -- state the project objectives
   - -- present workplan for project activities
   - -- describe evaluation methodology and measurement indicators
   - -- present specific budget
   - -- state means by which project will be funded after funding ends

   The proposal should always be submitted to the individual responsible for the decision

f) Follow up on the proposal to ensure that the foundation has all necessary documentation and materials
g) In subsequent years, be sure to send in your refunding proposals on time
h) Even if not formally requested, send annual reports to inform the organization on program progress

11 Corporate Campaign

Corporate donations may come from small local businesses, local branch offices of large companies, major corporations, and corporate foundations This can be an effective means of obtaining funds for specific programs The first step is to recruit one or more corporate executives for your board of directors who can offer access to this source of funds If you don't have these people on your board, you should recruit them

Investigate the philanthropic interests of local corporations Each corporation, because of their own board or owners, community image, and other concerns, will have their own causes and interests that they are willing to support Identify corporations who would be interested in funding your organization's activities

The steps involved in a corporate campaign are similar to that of foundations See the previous section for instructions on proposal writing

12 After receiving any contribution, no matter how small, send out a thank you letter, expressing gratitude Acknowledge all contributions, expressing your hope for their continuing support in the future While an organization or individual may make only a small initial contribution to your organization, after getting to know you and your programs better, they may increase their participation later

13 Special Events

Special events can be an effective means of supplementing income from the other fund-raising sources They should not, however, be relied on exclusively While many organizations and volunteers enjoy working on them, they involve relatively large amounts of staff and volunteer time, don't have a significant impact on significant donations, and expenses can run at close to 50% of income Plan activities carefully (see Chapter V of the Business Planning_Manual for assistance in developing workplans) Be careful that your staff are not distracted from ongoing program activities and remember that volunteers are not as reliable and dependable as staff

While special events do require more work and organization than other components of the fund-raising campaign, the benefits may outweigh the time and funds required

- -- they are a source of new volunteers for your organization
- -- they help develop team work among your board members
- -- they generate public exposure and interest for your organization and your activities
- -- they are a source of funds that would not otherwise be available

13 Recordkeeping

Careful and accurate recordkeeping of donors is essential and critical in fund-raising You will need to maintain a list of all contributors in order to follow up with previous donors for additional donations in following years Research has found that the individuals and institutions most likely to donate money or in-kind items are those that have donated in the past

Donor cards should be established for both individuals and institutions

A donor card for individuals should include the following information

- --name
- --occupation
- --previous years' gifts to your organization
- --solitors' names for each year
- --position(s) held on the board
- --relationship to organization staff and board members
- --interests

A donor card for foundations and corporations should include the following information

- --name
- --funding interests
- --size of annual donations
- --previous years' gifts
- --funding cycle including deadlines and awards
- --decision maker/contact person
- --relationship to board member or other friends' of your organization

The value of both cash and in-kind contributions needs to be carefully recorded in the financial records and included on the Income Statement as Income The Financial_Accounting_Manual provides adequate and simple accounting controls over income

To build morale among your solicitors, it is important to give them feedback on how much they have raised for the organization For this reason, in addition to controlling contributions by donor, it is important to also control them by solicitor Give feedback to your solicitors on a regular basis

throughout the year A sample card for controlling donations by solicitor is presented below

4 Sample Fund Raising Letter <<and Campaign Strategies??>>

<<expand>>

5 Examples of Special Events

The special vents that your organization can organize are endless A .ew examples are listed below Before you decide on one or two events, you should evaluate them against the worksheets listed in Chapters II and III of the Business Planning_Manual to ensure that they are appropriate and have potential for success based on your organizational strengths, your market, customers, competitors, and environment Be careful in the timing of these events You don't want them to conflict with other activities and the other components of your fund-raising campaign

Some events that you can undertake include

1 bake sales
2 fairs
3 dinners
4 auctions
5 dances
6 raffles
7 puppet shows
8 sponsored walks, swims

FORM O
SOLICITOR FUND-RAISING RECORDS
Fund-raising

1 General Information

Name _____ First Year of Involvement _____
How became involved? _____

Relationship to board member(s) _____

2 Solicitation Results

Fiscal Year	Individual/ Corporation	Date Initiated	Date of Commitment	Amount	Total Raised to Date

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