GROWTH STRATEGIES BEYOND CONTRACEPTIVES FOR CONTRACEPTIVE SOCIAL MARKETING PROJECTS

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Introduction

Since its introduction in India in 1969, Contraceptive Social Marketing (CSM) has experienced significant growth within and across a number of developing countries as an innovative means of using commercial systems to reduce birth rates. Currently, CSM programs are in place in Bangladesh, Colombia, Ecuador, El Salvador, Egypt, Honduras, India, Jamaica, Mexico, Napal, Sri Lanka and Thailand. CSM programs in these countries have as their goal:

> "... to increase the use of family planning products and services using marketing techniques of advertising and existing and appropriate distribution channels to those segments of the population not served by existing public and private systems in an efficient and effective manner."[1]

CSM projects typically go through three life cycle stages in their historic development, introduction, growth and maturity with respect to their basic contraceptive sales and distribution programs. Many countries are still in the first two stages. However, for the few who have reached some level of maturity in their traditional contraceptive marketing programs, a key issue now emerging is how to obtain future growth. This, of course, is a problem facing organizations in a wide range of industries in and out of the private sector. It does, however, pose a special challenge for CSM programs because of their funding status. CSM programs at present derive anywhere from twenty to forty percent of their revenues from sales of contraceptive products. The remainder is provided by outside donor sources including Pathfinder, the International Planned Parenthood Foundation and the U.S. Agency for International Development. While currently enthusiastic about financing these programs, these outside donors, particularly USAID, have been encouraging CSM programs to work towards the point at which they can become self-sufficient or at least can reduce substantially their dependence on outside funding.

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[1] Final Report: Contraceptive Social Marketing Strategy Workshop, Washington, D.C.: The Futures Group, 1983, p. 34.

The Present Study

At present, existing mature contraceptive marketing programs in three countries have in the last three to six years undertaken efforts to broaden their base of internal sources of support through growth strategies outside traditional contraceptive marketing. Because many other CSM programs as well as sponsoring agencies are committed to the objective of increasing CSM program self-support, there is considerable interest in the experiences of these three innovating countries. The present study was funded by USAID through the International Contraceptive Social Marketing Project of the The Futures Group to conduct an assessment of these three projects.

The study was carried out between January and October of 1984. Its focus was the following three CSM Programs:

1. Profamilia, Colombia
2. PROFAM, Mexico
3. Population Development Association (PDA), Thailand.

Extensive site visits were made to the three programs. Interviews were held with key staff members and knowledgeable outside observers.[1] In most cases, independent analyses of specific performance documents were undertaken.

Self-Sufficiency

The question of whether self-sufficiency should be a goal of CSM programs is not at present resolved. Some argue that it should not if effects to achieve such a goal interfere with the basic mission of CSM programs; i.e. the reduction of birth rates in the specific countries. The fear is that energies might be diverted or compromises made that would reduce the effectiveness of traditional programs if CSM programs moved "too far" from their core missions. There is

[1]A list of contracts by country is included in Appendix A.

also the concern that a self-sufficiency criterion might occasion over-concern with the cost-effectiveness of contraceptive marketing itself, e.g., discouraging costly efforts to reach the "hardest" cases, such as rural and/or under-educated households. On the other side of the issue, it is argued that concerns for profitability will be beneficial because they will make programs more tightly run, more likely to take on feasible programs and to use effective tactics in traditional CSM marketing campaigns. Further, it is proposed that, while in the short run there may be some diversion of effort and interest from traditional programs as new growth opportunities are explored, in the long run, skills will be developed and revenues gained that can only serve to help core contraceptive projects.

This report will not focus on this issue to any great extent, although some further comments on these hopes and fears will be included as they were manifested in the three programs under study here. The paper will simply take as given that all CSM programs would at least like to be more self-supporting. The paper asks whether experiences in the three countries suggest that such an outcome is likely from the kinds of activities that the programs in these countries have attempted. Further, we shall also ask what lessons these experiences offer for those who wish to undertake such steps in future.

Alternatives

For a CSM program to become more self-supporting it needs to increase its profits or --- as is the case in all CSM programs to date --- reduce its losses. Generically, this goal can be achieved if one or more of three subobjectives are achieved:

1. Costs per unit of output are reduced

2. Returns per unit of output are increased (e.g. prices or service charges are increased -- or in some cases just introduced)

3. Total output is increased.

All three of the programs under study have explored the first two alternatives. However, opportunities to have major impacts on costs are severely restricted by the newness of many CSM programs and by external or internal demands that the programs serve target populations who are difficult to reach and/or influence. On the other hand, observation of these three programs (and others) indicates there are opportunities to make major improvements in efficiency in CSM marketing efforts. This, however, was not intended to be a focus of the present investigation.

Opportunities for imposing or increasing prices in many countries are also limited by existing or expected resistances by local governments. Prices are also sometimes intentionally restricted by CSM program management in order to meet a perceived responsibility to provide contraceptives and/or medical services at a cost that those with very little (but some) income can afford. Studies of such pricing strategies are also outside the scope of the present report. Instead, we shall focus here on the third avenue toward greater self-support, growth in output, specifically growth in output beyond traditional contraceptive products.

Growth Alternatives

Each of the alternative growth strategies explored by the three CSM programs can be categorized within the following matrix:

	Old Markets	New Markets
Old Products and Services	Market Penetration	Market Expansion
New Products and Services	Product Expansion	Diversification

A. Market penetration strategies would involve such tactics as extending contraceptive lines product raising prices, intensifying advertising and so forth, all designed to achieve more revenue from selling contraceptive products to the present markets. This all was not investigated in this study.

B. Market expansion strategies would involve taking existing or expanded product lines into new markets. These new markets could comprise different age groups (e.g. teenagers), different life cycle status groups (e.g. older, unmarried individuals) or different geographic areas (e.g. deep rural areas or new countries).

C. Product Expansion strategies in the present context, product expansion involves addition of non-contraceptive products or services, sold to present markets. This could include product line expansions sold through existing channels (e.g. diapers or plastic syringes sold in drug stores) or services offered to consumers already contacted (e.g. other medical services offered in program clinics).

D. Diversification strategies. Diversification would involve efforts to simultaneously move into new product lines and new markets. Examples of diversification growth strategies would include attempts to market advertising

or computer services to other in-country businesses.

The desirability of expansion in any one of these directions depends on a number of factors. Principle among these are factors internal to the firm -- its skills, past experiences, financial resources, physical assets -- and factors external to the firm -- market opportunities, competition, and government attitudes toward expansion. External factors typically will vary by country although some will prove relatively generic. A final factor affecting the desirability of a given growth strategy that is neither strictly internal or external to the firm is perhaps the most crucial ingredient. This factor is leadership -- the attitudes, drive and sophistication of the individual or individuals who are the key forces in the particular contraceptive marketing growth program.

Outline of the Paper

The present report summarizes and evaluates the experiences of the three programs with respect to three of the four growth areas. These experiences are reported for each program in turn. The final section of the report then integrates these experiences, adding additional insights and principles from the general marketing literature to permit conclusions and recommendations for other CSM program worldwide interested in non-contraceptive growth strategies.

PROFAMILIA, COLOMBIA

The simplest program to describe and evaluate is Profamilia since it has almost exclusively explored growth opportunities in just one of the cells of the growth matrix, Product Expansion.

Profamilia has recently attempted to improve profitability of existing programs and more of that may be possible in the future. In marketing, there has been a shift to independent distributors that has reduced the costs to Profamilia for transportation, warehousing and substantial payments for salaries and fringe benefits for a sales force with very high seniority. Of course, Profamilia must now pay an extra commission to the distributors for the products they sell but these only come about as sales are made and thus the cost is now perfectly variable with sales. While switching to the new system may have temporarily caused some loss of control over coverage of drug stores, this is a problem that the Director of Marketing is now attacking aggressively. Profamilia has also considered increasing prices for various services. Pathfinder has recently funded a study by an outside consulting firm of Profamilia's pricing structure. This study should be completed in the summer of 1984.

With respect to <u>market penetration</u>, Profamilia has recently added Emko foams, NeoSampoon vaginal tablets and a "Lifestyle" line of more expensive condoms from Atwell to its contraceptive product line. It is considering adding another low price brand of condom to be used in "combat" with the increasingly common smuggled imports. The outside consulting project mentioned above also plans to survey the U.S. market seeking other contraceptive products Profamilia could carry.

As a market extension strategy, Profamilia is considering offering its clinical services (e.g., its operating rooms) to outside physicians who may wish to use them in off-hours. The CRS program has also considered moving into rural areas but this is being left aside for the moment.

As noted, however, Profamilia's principal attempts at improving its self-sufficiency capabilities have involved product expansions.

Product Expansion at Profamilia

Beginning in the Spring of 1981, Profamilia has attempted to market -- and in one case is continuing to market -- products that are not contraceptives. The products, brands, suppliers and the approximate dates they were first ordered by Profamilia for the CRS project are shown in Table 1.

Table 1

Product Expansion History, Profamilia, Colombia

Product	Brand	Supplies	Beginning Date	Termination Date
Analgesic	Nandol	Pfizer	May, 1981	Dec., 1982
Sanitary Napkins	Serena	Johnson & Johnson	Aug., 1981	Oct., 1982
Disposable Syringes (2 sizes)	Polyflex	Saludcol	Apr., 1981	Feb., 1982
Antibiotics	Terramicina	Pfizer	Aug., 1981	Feb., 1983
Distilled Water (2 sizes)		Ciclo Procesco	Nov., 1981	---
Disposable Diapers		Johnson & Johnson	Nov., 1981	Aug., 1982

As of the time of this report, all of these products except the distilled water have been discontinued as part of the CRS program. At the moment, two additional non-contraceptive products are being given pilot study in Profamilia's Community Based Distribution (CBD) program. These products are a de-worming drug, Pirantel, originally acquired from Pfizer and now being supplied by McKesson and rehydration salts kits being provided by the Colombian Ministry of Health under a program supported by UNICEF. Neither is now planned for introduction into the CRS program.

Background

Prior to the time at which Profamilia began to consider specific non-contraceptive product introductions into the CRS program, the Director of Marketing had been discussing with the Executive Director and President of Profamilia the possibility of such an expansion. Two principal motivations are given by Profamilia staff for considering the possibility of introducing non -contraceptive products in 1981. First, there was a belief that the CRS distribution program constituted a stable, accepted and effective channel for contraceptive products in 1981 and that the system had the capacity and the willingness to add new products. In 1981, the system comprised a staff of five salesmen, each responsible for a territory or zone in Colombia. These salesmen solicited and filled orders from drug outlets in the capital cities and one or two additional major cities in each state in each of their territories.[1] Management came to believe that this system (specifically the salespeople) had excess capacity that could provide additional revenues to Profamilia.

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[1]Profamilia estimates that 99% of its sales in 1984 in the CRS program are in urban areas.

A second motivation was the belief that the new products would help reduce the costs of marketing existing products by spreading the fixed costs of the sales and physical distribution system across additional items. Presumably it was expected that the new products would not significantly increase the fixed cost base.

As a result of these deliberations and as specific product ideas were under consideration, top management gave the marketing director approval to proceed, on an experimental basis, with any product provided that it (a) met basic (high) quality standards and (b) was purchased and sold legally. In subsequent steps to implement this program, important roles were played by three groups: (1) Profamilia's marketing management (2) Profamilia's sales force and (3) potential product suppliers.

The instigator of the first concrete discussions leading to the first non-contraceptive product introduction was the Colombian sales manager for Pfizer. Pfizer was already supplying Pirantel de-worming tablets to Profamilia for experimental work in rural areas in the northern part of the department (state) of Tolima under a grant from the Japanese Organization for International Cooperation in Family Planning (JOICFP). This project had begun in early 1981. The sales manager's suggestion that the CRS program add Pirantel to its product line set in motion concrete discussions between Pfizer and Profamilia's marketing management leading to the selection of Nandol as the first product to introduce.

Nandol was a good choice for both sides. For Profamilia it represented a product:

a. with which they were already familiar; Nandol was already being used in the clinics where it was given to women after IUD insertions and tubal litigations and for menstrual cramps.

b. that was closely related to family planning and family planning products.

c. that was relatively simple and thus required little sales force training.

d. that was already on the market and familiar to druggists thus not requiring any educational effort on Profamilia's part.

e. that was a product for which, at least initially, Profamilia could be quite price competitive.

The last advantage came about from an agreement by Pfizer to give Profamilia an additional ten percent purchase discount (after the cash payment discount of 5 percent) that was not given to other competing wholesalers. Profamilia had argued that, as a non-profit organization committed to social goals, it was not planning to make a lot of money from the product and had asked Pfizer to make its own contribution to keeping the price to druggists (and thus to final consumers) low. Pfizer agreed to this discount. It was enthusiastic about the product because it hoped that sales by the CRS program would lead to the introduction and sale of Nandol in the Profamilia clinics. Because the product was a relatively mild analgesic, Pfizer presumably also hoped that pharmacists would not object to its sales to consumers over the counter in the clinics despite the fact that, strictly speaking, it was a prescription item. Sales of Nandol through the CRS program were thus begun in March of 1981.

Once this initial step was taken and the salesmen began to see the advantages of a broadened product line and to see management's willingness to implement such a broadening, it was the salesmen who then became the driving force for the next line additions. Their goal was to add other products that were clearly high turnover items. Their observation of sales at their drug

outlets suggested that paper products would be a good addition. Sanitary napkins became their first request.

This product was also good for Profamilia. Again, it involved a supplier and product with which they were already familiar. Along with a number of other products, Johnson and Johnson was already supplying the clinics with sanitary napkins to give out to women coming in for IUD insertions and other procedures or for examinations likely to precipitate discharges. Johnson and Johnson agreed to supply the CRS program but not to offer any price concessions.

One additional product each from Pfizer and Johnson and Johnson were then added later in 1981 at the recommendation of the sales force. However, in both cases these products (an antibiotic, Terramicina, and disposable diapers) were not closely related to family planning nor were products already used by Profamilia. On the other hand, the sales force was aware that these types of products and these specific brands were high turnover items in the drug outlets. Further, they believed that sales of each supplier's products would be easier if the salesmen carried more than one item from that supplier.

The addition of the final two items, disposable syringes and distilled water, represented variations on these scenarios. Disposable syringes were like the earlier products in that they represented a product Profamilia was also buying for its clinical program. This product was selected by Profamilia's marketing management with the support of the sales staff in part because of this familiarity and because they believed they were getting a good price on the items.

Distilled water was a unique case. One of Profamilia's physicians was friendly with the owner of Ciclo Procesa Ltd. Ciclo Procesa was already selling distilled water in plastic ampules to the Ministry of Health for their

programs. (The distilled water is used to dilute certain antibiotics that are manufactured in powdered form). The physician suggested that this item could also be used at Profamilia and handled by the CRS program. The first order of this item was sent out in August of 1981.

Results

Total dollar sales to Profamilia's distributors[1] for the six product lines for the three years for which data are available are given in Table 2 along with similar data for contraceptive products. The annual contribution of the non-contraceptive products ranged from 2.9 percent in 1983 to 11.9 percent in 1982. These differences, of course, mainly reflect differences in the number of months during which the non-contraceptive products were available. When these differences are taken into account, it can be seen that the monthly dollar contribution of these products was about $15,249 in 1981, rose slightly in 1982 but declined noticeably in 1983.

The latter, of course, reflects the fact that only two of the six product lines that were available in 1981 and 1982 were still offered during any of 1983. More important for the analysis is the finding that the relative monthly contribution between 1981 and 1982 declined markedly from a promising 18.5 percent of all Profamilia CRS sales to 14.9 percent. This reflected in part the modest growth in monthly sales of non-contraceptive products from 1981 to 1982 (actually this growth did not exceed increases in the Col mbian price index). More so, however, it reflected a very rapid growth in monthly contraceptive product sales which grew almost 44 percent between the two years. (They grew another 26 percent in 1983.) These data suggest clearly that if there was excess capacity in the system, as Profamilia's management believed,

[1] Strictly speaking these figures represent collections from the distributors.

Table 2

TOTAL CONTRACEPTIVE AND NON-NONTRACEPTIVE SALES REVENUES*

IN SOCIAL MARKETING PROGRAMS BY YEAR AND BY MONTH, 1981-1983,

PROFAMILIA, COLOMBIA

	1981		1982		1983	
	Monthly	Annual	Monthly	Annual	Monthly	Annual
Contraceptives						
Amount	$67,078	$804,938	$ 96,372	$1,156,463	$121,754	$1,461,042
%	81.5	91.1	85.1	88.5	91.0	97.1
Non-Contraceptives						
Amount	15,252	78,225	16,874	150,223	12,104	44,222
%	18.5	8.9	14.9	11.5	9.0	2.9
Total						
Amount	82,330	883,163	113,246	1,306,686	133,858	1,505,264
%	100.0	100.0	100.0	100.0	100.0	100.0

*1 U.S. Dollar = 95 pesos

it was being used up very rapidly by the rapid growth of the traditional contraceptive product lines.

The success or failure of individual product lines over the period varied greatly among the categories as may be seen in the figures in Table 3. For example, between 1981 and 1982, there was a significant growth in average monthly sales for Nandol of almost $1300. However, this was more than offset by a drop in monthly sales of the other Pfizer product, Terramicina, of $6365 (which bounced back to a level of $10,105 during the two months it was sold in 1983). Significant growth was also shown between 1981 and 1982 for diapers and distilled water but these gains must be seen more as a result of the fact that these products had barely begun to sell in 1981. Diapers were discontinued in August of 1982. However, average monthly sales for distilled water continued to grow in 1983 by 57 percent over 1982. Monthly sales for both sanitary napkins and disposable syringes grew in 1982 over 1981 but these products were also terminated.

The reasons for the termination of four product lines in 1982 and one in 1983 reflect market factors that were different in each case.

1. Disposable Syringes were the first products to be discontinued at the end of February 1982. Stated very simply, this product had been falling off in unit and dollar sales per month rather dramatically (as shown in Table 3) as a result of increased smuggling of disposable syringes produced in other countries. The dramatic downward pressure on prices can be seen in Table 4. In 1981, Profamilia received 9,126 pesos for a box of 100 syringes. The costs of purchasing the product and the estimated costs of carrying inventory, paying taxes and commissions and various other expenses were approximately 6.90 pesos

Table 3

NON-CONTRACEPTIVE PRODUCT SALES BY PRODUCT, 1981 TO 1983

PROFAMILIA, COLOMBIA

	1981					1982					1983				
	Units	Dollars*	Months Sold	Units per Month	$ per Month	Units	Dollars*	Months Sold	Units per Month	$ per Month	Units	Dollars*	Months Sold	Units per Month	$ per Month
Nandol (Boxes of 100)	5718	$10,269	8	715	$ 1,284	17675	$ 30,640	12	1470	$ 2,553	-	-	-	-	-
Terramicina (Boxes of 100)	42104	59,251	5	8421	11,850	44332	65,826	12	3694	5,485	12928	$20,209	2	6464	$10,105
Sanitary Napkins (Boxes of 72 Packets)	201	4,631	5	40	926	700	18,165	10	70	1,817	-	-	-	-	-
Disp. Diapers (Boxes of 24 Bags)	43	1,466	2	22	733	675	20,542	8	84	2,568	-	-	-	-	-
Disp. Syringes (Boxes of 100)	22700	2,181	9	2522	242	9500	754	2	4750	377	-	-	-	-	-
Dist. Water (2 cm) (Boxes of 100)	160	331	2	80	256	3943	8,211	12	329	684	5777	12,877	12	481	1,073
Dist. Water (5 cm) (Boxes of 100)	39	101	2	20	51	2131	6,095	12	178	508	3409	11,136	12	284	928
TOTAL		$78,229		11820	$15,252		$150,233		10575	$13,992		$44,222		7229	$12,104

*1 U.S. Dollar = 95 Pesos

for the 2½ cm. syringe and 7.90 for the 5 cm. syringe (see Table 4). Thus, in 1981, some profit was being made. However, in 1982, the average price collected by Profamilia had fallen to 7.543 pesos which was close to, if not below, cost. Profamilia's decision to abandon the product was clear. The firm was left with a lot of inventory but this was absorbed into the clinic program.

2. Disposable Diapers. The second product to be dropped, disposable diapers, was abandoned for four reasons. First, this product had many competitors in the market place (estimated at 20 or more) and there was constant price cutting depending on who had the oldest (and therefore cheapest) stock or who was most aggressive and willing to take the least profit. Profamilia's druggist-customers carried only one or two brands of diapers and were quite prepared to switch to whoever currently offered the best price. This included other wholesalers carrying the same brand. (Profamilia did not have exclusive distribution.) Second, Profamilia felt it did not have any leverage it could exert on the druggists to keep them loyal when Profamilia's prices were temporarily out of line. Other wholesalers with broader lines apparently from time to time were successful in holding customers by threatening to withhold other products they offered if the customer strayed. Profamilia considered using its contraceptive lines as sources of pressure since it held perhaps 60 percent of the pill market and 95+ percent of the condom market. However, this strategy was considered to be against the firm's principles, in part because withholding product might mean some families would be inconvenienced, perhaps deprived, of the contraceptives they needed.

Third, because of this intense price competition, Profamilia was actually losing substantial money on the line in 1982 (Table 4). Returns in 1982 fell to 2891 pesos per box of 100 versus 3239 in 1981 against costs of approximately 3180 per box. Finally, the simple bulk of the product was a problem. It just took up much more space in delivery trucks and warehouses than was originally estimated. Carrying costs for these items were greater than originally estimated.

3. Sanitary Napkins. This Johnson and Johnson product was dropped approximately two months later for the same four reasons: inability to be price competitive, inability (or unwillingness) to pressure druggists through other lines, low profits and excessive bulk. The effect of price competition on returns for sanitary napkins was apparently not as severe as for diapers. Returns increased somewhat in 1982 over 1981 and in both cases were above costs. This may explain why the line was kept on somewhat longer than diapers.

4. Nandol. The first of the Pfizer products to be dropped was Nandol which was eliminated at the end of 1982. The major problem here was that the 10 percent special discount given to Profamilia by Pfizer was discontinued for both Nandol and Terramicina. Pfizer claimed that a major distributor had learned of the discount to Profamilia and threatened to drop all of Pfizer's products if the special discount was not eliminated. Sales per month for Nandol had been growing in 1982 (see Table 3). However, as noted in Table 4, returns per box of 100 fell to the level of Profamilia's costs. At the end of this venture, it was Profamilia's feeling that it had helped introduce Nandol and given it Profamilia's backing. Product sales had grown and at the point Pfizer had let Profamilia down by dropping the cost advantage.

Table 4

AVERAGE PRICE IN PESOS RECEIVED BY

PROFAMILIA FOR NON-CONTRACEPTIVE PRODUCTS

1981 TO 1983 AND ESTIMATED COST IN PESOS

	Unit	Estimated Cost	1981	1982	1983
Nandol	Box of 100	164-166	170.61	164.68	-
Terramicina	Box of 100	127-133	133.69	141.06	148.50
Sanitary Napkins	Box of 72 Packets	2116-2247	2188.56	2465.28	-
Disp. Diapers	Box of 24 Bags	3180	3238.60	2891.06	-
Disp. Syringes	Box of 100	6.90-7.90	9.126	7.543	-
Dist. Water (2 cm)	Box of 100	140-149	196.50	197.82	211.76
Dist. Water (5 cm)	Box of 100	191-200	236.92	271.73	310.32

5. Terramicina. It was not surprising that Terramicina was dropped relatively soon after in February of 1983. Its unit and dollar sales had fallen significantly (despite finding an unexpected second market for the product as an antibiotic to control diarrhea in chickens!). Returns per unit were always very close to Profamilia's costs. Given the shrinking of the overall non-contraceptive product line and the salesforce's preference for multiple brands from a single supplier, it was not surprising that the product was deleted. In the end, the product was seen by Profamilia as causing a good deal of trouble and not returning any considerable profit to the company.

6. Distilled Water. The one product that has been retained is distilled water. As can be seen from Tables 3 and 4, this is a product for which Profamilia is making a substantial profit per unit and for which sales have been increasing systematically over the three years in which the product has been offered. The principal explanations offered for the success of this line are that (a) Profamilia had exclusive rights to the distilled water products of this struggling manufacturer and thus was not competing with other distributors of the same line, (b) the manufacturer could not arbitrarily raise prices without Profamilia's concurrence, and (c) it met an important market need which has not as yet been duplicated by competitors. In the past, competitors produced distilled water in glass containers which were at serious risk of breakage for consumers and for distributors. The latter apparently particularly appreciated the innovation.

Profamilia's Assessment

In summary, Profamilia management is of the opinion that, for at least five of the six products they tried, the products:

1. Were too far removed from the (contraceptive) markets Profamilia knew best;
2. Subjected Profamilia to conditions it did not fully anticipate (e.g., excessive price competition, manufacturer's removing special price considerations, and changes in the rate of smuggling);
3. Involved too much managerial time and energy;
4. Generated not enough volume and profit payoffs to justify even modest effort.

Other desirable, but not required characteristics include the following:

1. There is a past working relationship with the manufacturer so that:
   a. there is mutual cooperation in developing the new venture;
   b. the manufacturer can help "educate" Profamilia marketing management and staff in areas unfamiliar to them;
   c. Profamilia can be confident of the sincerity and ethicality of the manufacturer's treatment of them.

2. There is a use for the product in existing clinic operations to minimize the downside risk if the venture fails.

Profamilia executives suggest that they would contraceptive products in future only if they met the following criteria:

1. Profamilia should have a differential advantage with druggists due to one or more of the following:
   a. exclusive distribution rights to a desired product;
   b. expertise in the product area (i.e., a direct relationship with contraception) where Profamilia's knowledge and reputation can persuade druggist to carry its products rather than competitors';
   c. a price advantage over competition.
2. There should not be many competitors and therefore limited price competition.
3. Profamilia should have a long-term commitment from the manufacturer so that Profamilia is not in the position of building a market using its reputation only to have the market taken away by the manufacturer at a later time.
4. The product should be closely enough related to present products and services such that management would not have to learn about and operate in unfamiliar markets.
5. Margins and projected volume should be high enough to justify the added effort.
6. All products should meet Profamilia's high standards for quality and bear no risk for Profamilia's national reputation.

POPULATION DEVELOPMENT ASSOCIATES, THAILAND

In Thailand, Population and Development Associates (PDA) has added non-contraceptive products in much the same manner as Profamilia. However, it has taken a very different approach to the overall growth issue, focusing on organizational expansion out of its original family planning base. PDA's strategy for this development has evolved into a relatively coherent conceptualization. The steps it has taken to implement the strategy since 1978 appear, with several exceptions, to have been relatively successful.

As documented in a recent report by Smith, Louis and Druckenmiller,[1] PDA currently markets two contraceptive product lines in two different ways. The very heart of PDA is its community-based distribution and development system. This system operates in 157 of Thailand's 620 districts under two programs. Eighty districts are supported and managed through the Family Planning Health and Hygeiene Project funded by USAID. An additional seventy-seven districts are managed under the Village Family Planning project. This project was originally supported by IPPF and is now supported by PDA itself. In the entire 157 districts, there are approximately 10,200 villages each with a village volunteer. These volunteers were originally screened and selected to be the key educator and motivator for family planning in the village and to be a supplier of oral contraceptive products and condoms. In the 10 years since the program started, volunteers in selected villages have also been called upon to initiate, coordinate and even carry out a wide range of non-family planning projects. Most of these projects involve either rural development or family health. Opportunities for further market penetration through the distribution of oral contraceptives through the CBD project are indicated by the data on sales for the last five year are reported in Table 5.

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[1]Robert Smith, Terry Louis and Robert Druckenmiller, Report of Field Trip, February 8-21, 1983, Washington, D.C.: The Futures Group, 1983.

Table 5

Oral Contraceptive and Condom Distribution,

1979 to 1983, PDA, Thailand

	Oral Cycles Distributed		Oral Contraceptive Revenues Generated		Condom Sales	
	Units	% Change	Baht	% Change	Unit	% Change
1979	1100007	----	6,875,055	----	----	----
1980	1219708	+ 10.9	7,740,850	+ 12.6	4469472	
1981	1468865	+ 20.4	2,429,851	+ 21.8	5369700	+ 20.1
1982	1658886	+ 12.9	10,798,768	+ 14.5	5454492	+ 1.6
1983	1736514	+ 4.7	11,536,490	+ 6.8	4743612	- 13.0

As Table 5 indicates, over the years, revenues have grown faster than unit sales primarily as a result of a shift in the mix of product sales among its three brands, Norinyl, Eugynon and Ovostat which sell at 5, 9 and 7 Baht respectively. It is also the case that both revenue and unit sales have declined in recent years. Indeed, PDA has projected only an 8 percent unit growth and a 9.25 percent revenue growth in 1984.

Condom unit sales in the CBD project for the last four years are also reported in Table 5. Revenue figures are identical to the unit sales figures since each Mechai brand condom sells for 1 Baht. Clearly, CBD condom sales are not growing. In part, this is a result of their low popularity in the villages and in part as a result of growth in the acceptance of other methods.

At the present time, supplies of basic commodities are provided at no cost by the Thailand Ministry of Health. PDA estimates that after paying commissions to distributors and their supervisors and paying operating costs, contraceptive sales in the CBD Village Family Planning project (77 districts) are breaking even but the Family Planning Health and Hygiene Project is not as yet.

Contraceptive sales are also made by PDA through a second traditional contraceptive retail sales (CRS) program. This program uses a supervisor and three salaried salespeople to sell two condom brands (Rainbow and Super Thin) to approximately 1750 pharmacies in urban areas. Sales for these brands for the last three years are as follows:

	Unit Sales	% Change
1981	4,358,736	----
1982	3,393,936	- 22.1
1983	3,978,000	+ 17.2

The substantial decline in unit sales in 1982 was due to the introduction into the market of a lower priced close copy of PDA's Rainbow brand by Planned Parenthood of Thailand (PPAT). Unit sales increased in 1983 but revenues did not. This was due to lowered prices to druggists to meet prices of other competitive products.

Prices and marketing costs of the two PDA condom brands in the CRS system are as follows:

	Rainbow (units of 3)	Super Thin (units of 3)
Price to Consumer	5.000 Baht	10.000 Baht
Price to Druggists	3.625	5.875
Gross Margin	1.375	4.125
Costs		
Product	*	2.792
Packaging	.427	.521
Marketing	.729	.729
TOTAL	1.156	4.042
Net Profit	.219	.083

(*Product supplied free from Ministry of Health)

At the present time it is estimated that sales were divided about 80 percent to Rainbow and 20% to Super Thin yielding an overall contribution to PDA in 1983 of 232,300 Baht from Rainbow and 22,000 Baht from Super Thin.

Growth Alternatives

As already indicated, the potential for growth within family planning itself is limited even when one includes clinical and mobile vasectomy programs. PDA has determined that if it were to develop growth opportunities outside its traditional family planning these should be based wherever possible on PDA's major assets:[1]

[1]See Tanothai Sookdhis, "Rationale Behind CBD and Potential Integration: Its Approaches," The Asian Center, Population and Community Development Association.

1. PDA's present personnel and their skills
   a. CBD experts/consultants
   b. Health professionals
   c. Rural development experts
   d. Volunteers in 10,400 villages
   e. Researchers
   f. Social marketing advertisers/educators/promoters
2. PDA's reputation as the country's leader in family planning;
3. Their director's ability to bring attention to social marketing issues and gain political and popular support;
4. PDA's in-place network of CBD volunteers;
5. PDA's non-government independent status.

1. Product and Service Extensions

a. Traditional Household Products

As in the Colombian project, in 1978 PDA decided to market a line of 47 household products such as bandages, non-prescription drugs, and the like. PDA differed from Colombia in that this line was distributed through the CBD program and not the CRS program. The line extension was carried out without donor support and was not considered likely to be a major source of revenue by PDA. The products were offered as a convenience to the local volunteer distributor and to his or her village. An evaluation of the Family Planning Health and Hygiene project in the spring of 1981[1] found that of 21 CBD distributors interviewed, 10 carried oral rehydration salts, 12 carried vitamins,

[1] Kwan-Hwa Marnie Chen and John Farley, An Evaluation of the Family Planning Health and Hygiene Project of the Community-Based Family Planning Services, Thailand, USAID, April, 1981.

3 carried antihelmintes, and 7 carried other PDA drugs. In addition, fourteen carried non-PDA drugs. One distributor interviewed in 1984 stated that he did not carry the PDA items since the villagers preferred shopping for such items in the nearby town where assortments were broader. By 1983, PDA had narrowed the household product line to 20 of the most popular items (see Table 6). Sales, PDA revenues and purchase cost figures for the household products from 1978 to 1983 are reported in Table 7. As can be seen in Table 7, retail sales of household products after 1978 (when the program was not in operation for a full year) have fluctuated between about 200,000 and 270,000 Baht. Net profits to PDA in the last three years have been about 13.8 percent reflecting relatively good purchase planning by PDA in a rising cost market. Profits as reported here were higher in earlier years since products donated by USAID or purchased by PDA were not included.

Still, in recent years PDA's return has only averaged around 30,000 Baht out of which must come additional costs for acquisition, record-keeping, transportation and other handling expenses. Even ignoring such costs, the total return to PDA for these non-contraceptive products is only about $1350 U.S. This return will probably now be cut in half since in early 1984 drug costs increased and PDA has decided that to remain price competitive it must reduce its gross margin to 25 percent by cutting out 5 percent of the distributor's commission and 5 percent of its own net profit. This should mean that the household products will be net losers. It may also be that the lower commissions to the distributors will reduce their sales enthusiasm also.

b. Innovative Health Care Products

As is the case with some other CSM projects, PDA has been exploring the possibilities of marketing oral rehydration salts and a food supplement, fish powder.

Table 6

LIST OF HOUSEHOLD

DRUG AND RELATED PRODUCTS, PDA, THAILAND

MARCH 1984

Item	Price (Baht)	Item	Price (Baht)
Stomach Mixture	6.00	Bandage	2.75
Sodamint Tablets	.50	Piperazine Citrate Elixir	7.00
Sulfaquanidine Tablets	5.00	Multivitamin Tablets	3.00
Phthalysulfathiazole Tablets	4.50	Analgesic Balm	2.00
Colorquine Phosphate Tablets	4.00	Oral Rehydration Salt	4.50
Aspirin Tablets	1.00	Kalbin Mixture	6.50
A.P.C. Tablets	1.50	Cough Syrup	4.00
Thimerosal Tincture	2.50	Brown Mixture	5.00
Merbromin Solution	2.00	Sulfacetamide Eye Drops	5.00
Cotton Wool	3.00	Whitfield's Ointment	1.50

Oral rehydration salts (ORS) has not to date been particularly successful as part of the CBD system because of its poor taste and a large, and wasteful package size and because of a lack of understanding of the role of the product in the villages. Under a grant from the Program for the Introduction and Adaptation of Contraceptive Technology (PIACT), PDA's research and development group is in the second stage of a market research and testing project for ORS. A lemon citrate formulation has already been found to be quite acceptable. A new, smaller package has been designed and an explanatory brochure and point-of-sale display piece have been developed. A new price structure is planned that will increase the per-gram cost of the product and this has been found to be acceptable to consumers. An innovative step PDA is taking is to position the ORS product as a drink not only for diarrheal problems of infants but also for adults with "energy loss." Market testing of the new strategy evaluating various media alternatives (primarily posters) is now underway.

Under a grant from a Norwegian fish cooperative, Norsildmel, PDA is also testing villagers' reactions and likely use of powdered fish as a protein supplement. Tests are being conducted with samples of 20 households each in 4 rural villages and 2 areas in Bangkok. Preliminary results from this test will be completed in May of 1984. PDA is considering the possibility of producing the powder locally in Thailand.

c. Promotional Products

PDA has developed a number of promotional products over the years primarily as a menas of promoting PDA and the adoption of family planning. These products which are known at PDA as "fund-raising products" include: key chains, "safe period" calendars, cigarette lighters, socks, underwear, towels and T-shirts. A beer bottle opener is soon to be added. These

products are sold through the CBD system and wherever else PDA has a clinic or center or sets up a temporary display (e.g., at the King's Birthday celebration). Although an attempt was made to sell some of the products through the CRS system, druggists were dissatisfied by the lack of breadth in the T-shirt line. Sales of the fund-raising products have been growing rapidly in recent years but PDA does not feel it wants to compete with major marketers in these categories. It is content to accept whatever revenues come in but in large measure considers sales merely as evidence of levels of publicity. However, because margins for these items are considerably higher than for traditional household products, in 1983 the promotional products contributed about eight times the net profits to PDA as did the household products.

2. Market Expansion

PDA has undertaken two major efforts to carry its existing products and services to new markets. These two projects are: (a) the Asian Center for Population and Community Development and (b) The School and Community Health program.

The Asian Center at PDA was established in 1979 as a response to the need of other countries for advice and assistance in contraceptive social marketing. Originally, the Center focused only on family planning but as PDA broadened its interests, by 1980-81 the Center also was beginning to offer advice on rural development. At the present time, the Center generates revenues in three ways through (a) various formal training programs (8 are planned for 1984); (b) direct on-site technical assistance; (c) contracts for general consulting services, preparation of communications materials, and research and evaluation studies in other countries.

Since 1979, the Center has run also three types of in-house courses, General, Intensive and Specific, for 450 participants from 30 countries as well as conducting orientations, workshops, etc. for another 3500 visitors to Thailand. Revenues from these sources have proved to be significant but PDA also sees the Center's sales as a measure of PDA's growing international stature in the family planning world.

The School and Community Health Program presently serves two target markets, schools and factories, with five services or products. The services are a physical exam, a parasite exam, a book on parasite control, X-rays, and dental care for grades 1 through 6. Dental care is not available in factories.

Sales figures for the two target markets are given in Table 7 for 1982 and 1983. The 1983 figures, however, are atypical due to the severe flooding in Bangkok which caused schools to be closed for many days. Since, in 1983 the School and Community Health Unit program only served factories whenever the schools were closed, the floods caused a necessary shift in effort allocation from the schools to the factories. On the other hand, the physical exam figures for factories in 1982 was also atypical in that they are inflated by a special one-time contract to PDA to conduct physical exams for workers of one particular company about to be sent to Saudi Arabia. Overall, because of relatively high costs for the professional staff involved, the School and Community Health program barely breaks even. However, in order to increase its revenue in 1984 and beyond, the School and Community Health program is dividing itself into two units, one for schools and one for factories and adding staff to the latter so that factories can be served even when schools are open. PDA is also considering adding a second book on parasite control in cartoon style to the program to serve their school target population since the present book is designed for adults.

Table 7

Revenues for School and Community

Health Program, 1982 and 1983 (in Baht), PDA, Thailand

	Program					
	Physical Exam	Parasite Exam	Parasite Book	X-Rays	Dental Exam	Total
1982						
School	765,270	200,300	82,650	2,840	322,660	1,373,720
Factory	141,670	151,741	2,595	36,862	---	332,868
TOTAL	906,940	352,041	85,245	39,702	322,660	1,706,588
1983						
School	624,820	152,020	47,060	12,864	191,910	1,028,674
Factory	26,670	107,990	4,960	63,350	---	202,970
TOTAL	651,490	260,010	52,020	76,214	191,910	1,231,644

3. Diversification

It is in the area of diversification -- developing new products and services for new markets--that PDA has been most innovative. It has entered the day-care business, the resort business, the food marketing business and the water tank construction business. All of these are in some way related to its central activities in family planning and rural development. In addition, PDA has created an independent corporation to pursue a number of cost-saving and diversification strategies.

a. The Day Care Center

At its main Bangkok office, PDA runs a day care center for the children of PDA staff as well as for the construction workers involved in various PDA building projects. While the number of children looked after varies depending on construction activity, the current number is about 60. At present PDA receives a small contribution from parents and individual benefactors to cover operating costs of the center. However, since the staff includes two teachers and a volunteer and there are also expenses for food, transportation and physical exams, the project presently involves a considerable loss for PDA.

b. The Khoa Kor Resort

After the army cleared terrorist out of the Khoa Kor region in northeast Thailand, a group of private investors was encouraged by the government to construct a resort hotel there. Because of its connections with one of these investors, Mr. Agon, PDA took on the responsibility of managing the 16-room hotel using experience it had gained in food operations at the refugee camps (see below). Since the hotel was opened in April 1983, it is too early

to judge whether this will be a successful enterprise for PDA. However, PDA has already begun to develop other community-building projects in the immediate area of the resort of the type it currently promotes elsewhere in Thailand.

c. The Food Marketing Project

It has been a typical venture strategy at PDA to begin with a small project in a promising area preferably with outside agency support, remove the flaws and, if successful,demonstrate to others how well PDA can handle the project. It is also a common tactic to have new projects in some way support old projects. The Fair Market Program is a good example of this strategy. When the refugee problem first emerged in Thailand, it was the belief of some relief agencies that the food rations provided by the United Nations High Commission for Refugees were inadequate. In 1980, through a relatively small contract with German-based Agro-Action, PDA began supplying high quality supplementary food rations for refugees. These rations, whenever possible, were acquired from farmers participating in PDA's CBD programs. In 1981, when the UNHCR contract was put up for bidding, PDA bid on it, demonstrating that not only was it price competitive and with product quality perhaps superior to that of other suppliers, but also, by buying directly from Thai farmers, it could guarantee them a fairer price for their product and thus make an important contribution to Thailand's rival economy. PDA won part of the United Nations contract and is now supplying supplemental food to the refugees.[1] In 1983, PDA purchased approximately 500 tons of maize and 1,750 tons of unmilled rice for distribution to 43,000 refugees.

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[1] After securing the supplemental food contract, PDA subsequently won a short-term contract to provide food preparation services in one of the holding camps.

In 1984, there are fewer refugees and since PDA must share its contract with other suppliers, this source of revenue has dwindled. However, through the support of a PDA board member, Mr. Agon, PDA has acquired contracts to supply eggs, chickens and some vegetables to two Bangkok hotels. Again, whenever possible, the products are purchased from participants in other PDA development projects. About five percent of sales in this program is to hotels and the rest to the refugee camp. However, margins to PDA are kept relatively low (about 7%) to insure a fair profit to farmers -- the major goal of the program. Thus, it is not particularly profitable to PDA.

At present, PDA is exploring the possibility of adding additional markets for food products, for example, more hotels and/or factories. This will be important as the refugee population continues to shrink. In the main, the intention is that, in future, the Fair Price program should serve as the general marketing arm of the Community-Based Integrated Rural Development projects of which there is now one (in Mahasarakham) with two more likely to come on stream in the next year.

d. The Water Tank Project

About 75 percent of Thailand's population "depend on water drawn from sources of doubtful safety".[1] In 1978, PDA established a Community Based Appropriate Technology and Development Services Bureau (CBATDS) to "promote low cost, ecologically sound technology" that helps villagers help themselves in ways that will improve their quality of life. The PDA Tungnam (water tank) Project was pilot-tested under CBATDS in 1980.

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[1]Tanothai Sookdhis,"Rainwater Collection for Safe Drinking in Rural Thai Villages," Population and Community Development Association. Paper prepared for the Asian Non-Government Organizational Forum on Water and Sanitation Programmes, Yogyakavta, Indonesia, September 14-16, 1983.

Tungnams are bamboo-reinforced concrete storage tanks for the collection of rainwater. Based on the pilot test with a small grant, PDA secured support from German Agro Action to begin phase 1 of the project in 1981-82. One thousand four tanks were built under this phase. A second grant for phase 2 allowed for 1640 tanks to be built. Phase 3 is in progress with a target of 2700 tanks. The system works as follows:

1. The sponsoring agency establishes a revolving fund large enough to loan villagers the capital necessary to build the target number of tanks in the village.

2. When a project is announced for a village, specific villagers can then apply to obtain a tank on their property. In the application, they must: (a) agree to supply 1 worker to construct from 15 to 20 tungnams in the village over three to four weeks, (b) agree to put up a down payment once the tank is completed and (c) agree to a specific repayment schedule. Materials for the tank are paid for out of the Agro Action revolving fund.

3. As the loans are repaid in full, funds then become available to the community to build more water tanks (or other projects such as latrines as the need to build water tanks diminishes).

4. Decisions about who gets loans in a village are left in the hands of a village committee which also monitors repayments.

The water tank program is tied into family planning in two ways. First, the family planning practice of the applicant's household is one of the factors considered in deciding who gets a water tank. (Indeed, a stencil on the side of the water tank indicates the level of protection -- condom, pill, sterilization -- the family is using). Second, PDA's local distributor is typically the one to introduce the program into the village. This reinforces his or her role as a central influential source of community resources.

The water tank project at the moment is not designed to produce revenue to PDA, although it does provide some overhead support. It is, however, not inconceivable that such a venture could someday be a product diversification bearing higher prices and generating net profits to PDA through the CBD system.

e. Population and Development Corporation

Under Thai laws there are a number of severe restrictions placed on associations in terms of their abilities to market aggressively. There is no institution like the tax-exempt, non-profit organization in the U.S. that can adopt tactics used in the commercial sector and still have public service as a basic goal. For this reason, Mechai Viravaidya, Executive Director of PDA, and a number of associates decided to create a tax-paying corporation, Population and Development Corporation, to demonstrate to the public and the government the possibilities for a non-profit organization in Thailand based on the American model. Since it is an ordinary corporation, PDC has to pay taxes. However, by agreement among its founders, it is chartered not to distribute its profits as dividends to stockholders but to make them available to assist non-profit associations like (but not restricted to) PDA. It is Mechai's hope that he and his associates can eventually influence Thai law-makers to pass legislation promoting the creation of tax-exempt, non-profit organizations.

At the present time, PDC has four principal roles that it can play for PDA and other non-profit organizations:

i. A Source of Services

PDC is a source of a number of services that PDA would otherwise have to contract from outside agencies. The three principal services offered are (a) the office and clinic space rented to PDA; (b) two mobile vasectomy vans and four other vehicles leased to PDA and (c) various ad hoc manpower services subcontracted to PDA from time to time (for example, a person or persons to seek out sources of special supplies for the refugee camps). All of these involve expenses that PDA would otherwise have to pay a third party.

ii. A Generator of Sales Revenues

PDC runs three sales ventures which generate considerable revenue. First, it markets medical services principally through four clinics and mobile vasectomy vans to the general public. It has a staff of 10 full-time physicians and 8 part-time physicians which it also provides on contract to PDA as needed. Second, PDC runs a restaurant on the PDA grounds where it contracts to supply lunch to PDA staff as well as servicing the general public (neighbors and construction workers).

Finally, PDC supplies several hotels and the PDA refugee kitchen with liquid petroleum gas. This venture stems from the good relationships developed with Petroleum Thailand when PDC supplied LP gas to the refugee feeding project and during a later study (subcontracted to PDA's Asian Study Center) investigating fuel usage practices in Thailand's rural areas.

iii. An Investment Vehicle

Excess capital internally generated by PDC can be invested in real estate or business ventures that might service future needs of PDA or other non-profit associations. PDC has acquired land adjacent to its present location on which it may build future office and parking space partly for itself and partly to rent to others. It also has acquired land outside Bangkok that could someday be used as a site for a warehouse for the Fair Price food marketing program.

PDC has also become a 55% investor with a European businesswoman in a separate corporation established to market Czechoslovakian-built tractors in Thailand. A line of bank credit has already been secured and PDC is investigating the problems of assuring a supply of spare parts. The first 15 tractors have been ordered and it is expected that they will be marketed through PDA's service centers.

iv. A Source of Seed-Money Loans

Finally, PDC can serve as a source of temporary funding of non-profit projects that either don't have sponsors yet (e.g., because some demonstration of capability is first needed) or are experiencing delays in cash flow under an approved grant. At the present, PDC is supporting PDA's day care center in this manner.

Summary

It is clear that, in the aggregate, PDA has been able to attract considerably more revenue from non-contraceptive sources than has Profamilia in Colombia. The "revenue" is in reality of two kinds: donor funds to begin new ventures and internally generated revenues. In the former case, PDA has been remarkably successful, particularly in developing a major presence both domestically and internationally in the fields of family health and rural development as well as family planning.

It is also clear that PDA has been remarkably adept at interconnecting the majority of its projects such that they serve as both background and reinforcers for each other. PDA has also been relatively consistent in concentrating its expansion efforts on projects that are built around its core CBD system.

However, in the development of internally generated funds PDA can be said to be still feeling its way. The household products are only modest income producers likely to be less important in the near future. The promotional products contribute somewhat more and are growing in importance. However, it seems unlikely that PDA is willing to mount the aggressive marketing campaign necessary to achieve significant revenues from future growth for these items.

The school and community health program is at the moment merely holding its own. It has considerable promise if greater inroads into factories can be achieved and the number of publications increased. The Fair Price food marketing project is a high volume activity with an intentionally low margin. It may become more important in future especially as additional Community-Based Integrated Rural Development projects come on stream and/or if farmers in CBD villages are encouraged to use PDA as a marketing arm.

The Asian Center, including its information/promotion and research divisions, is a major revenue producer and one that may be expected to grow significantly in the future.

Finally, the two new potential revenue producing projects, expanded ORS and fish powder, are still unknown quantities but the former seems from early test market results to have considerable potential.

PROFAM, MEXICO

PROFAM was incorporated on May 10, 1978 as a private sector organization devoted to promoting family planning in Mexico. It began operations in 1979 with funding for that year and for 1980 from USAID and the United Nations Family Planning Activities program (UNFPA). Since then PROFAM has survived through internally generated revenues from both contraceptive and non-contraceptive sales of goods and services and through additional grants for special projects. Goals of PROFAM are stated to be as follows:

1. Offer the population of Mexico the necessary education to select and correctly use the right product for family planning purposes and

2. Increase usage by providing the contraceptive product needed at the lowest possible price, at the place that the product is required particularly in marginal urban and rural zones of Mexico.

Contraceptive Product Marketing

Initially, PROFAM's line consisted of five items.

a. A condom supplied free by AID (Tahiti),

b. An oral pill purchased from Schering, Mexicana,

c. A vaginal foam purchased from Lemery,

d. A vaginal cream purchased from Lemery, and

e. A vaginal suppository purchased from Norwich.

The last four items were manufactured in Mexico and packaged by the supplier in a PROFAM box. The USAID condoms were repackaged by PROFAM itself. Three additional condom brands were added to the product line in 1980. Two brands, called Supermacho and Alazan, were provided free by AID. The third added

brand, Selecto, was a higher priced condom purchased from Schmid Laboratories of New Jersey. All three new condoms were acquired in bulk from the United States and repackaged by PROFAM in Mexico.

One additional line item was created by PROFAM in 1981, PROFAM DUO, a package containing two suppositories and two condoms that emphasized the joint responsibility of both men and women for contraception.

These commercial products were initially marketed by an extensive field force of "promoeducators" through drugstore, supermarkets and smaller food and general stores throughout Mexico, although concentration was primarily in the urban areas. This program in the beginning was backed by a precedent-breaking promotion program using radio, TV and the press, point of purchase materials, educational seminars, individual training sessions for shop-keepers and their staffs and limited house-to-house product sampling.

After experiencing considerable initial success and growing sales, two major problems impacted the contraceptive marketing program beginning in late 1981. At the end of 1981, the Minister of Health who had initially been very supportive of PROFAM's programs resigned to become a state governor. His successor was not supportive of PROFAM -- indeed questioning the need for such an organization in Mexico at all. He proceeded to enforce a law stating that any branded pharmaceutical product sold in Mexico must be manufactured by the brand sponsor in Mexico. Since at that time none of the PROFAM pharmaceuticals was manufactured by PROFAM in Mexico, their registration permits for the PROFAM pills, foam, tablets and suppositories were withdrawn in January 1982. PROFAM then was left only with its four condom products plus PROFAM DUO as a product line, plus some leftover stock of the banned items.

To meet the needs for an oral pill, a brief attempt was made to distribute Norgestril,a low dose pill manufactured by a government pharmaceutical laboratory,for about 6 months in 1983. And, in January 1984, PROFAM acquired non-exclusive distribution rights to sell Schering's PLAFAM, an oral pill with a formulation identical to PROFAM's pill. One other contraceptive product was added in December 1983, an injectable contraceptive (1 month low dose) called PATECTOR NF manufactured in Mexico by Applicaciones Farmaceuticals S.A. (a French-Swiss Company).

The second factor affecting PROFAM's economic picture in the early 1980's was the severe monetary and economic crisis that impacted Mexico in early 1982 and again in 1983. The economic crisis had three immediate effects on PROFAM. First, PROFAM was forced to discontinue advertising (although recent research has shown that over 60 percent of the target audience is aware of the PROFAM name and associates it with family planning). Second, the distribution staff was reduced and concentrated in urban areas. (In 1980-81, a market test using two vehicles and four people was conducted in rural areas of the states of Mexico, Oaxaca, Tlaxcala and part of Hidalgo. "A relative degree of success was achieved but market expansion was not possible.") Finally, possibly in part as a result of the above, condom sales levelled off and actually began to decline in mid-1983.

Sales Results

Shipments of commercially distributed contraceptive products (in units) are given in Table 8 for all six product lines. (Figures include free samples.)

As can be seen, overall sales began to level off in 1982 and actually declined in 1983. As can be seen in the monthly condom sales figures in Table 9, this decline was particularly acute in the second half of 1983.

Average monthly condom sales for the first and second halves of each year since 1980 are shown in Table 10. Sales in the second half of 1983 were off 23% from the year earlier figures. The levelling off of sales and especially this decline caused PROFAM severe cash flow problems. As seen in Table 10, sales in the first five months of 1984 appear to have bounced back from the low point in the second half of 1983 but still have not regained the levels of the first half of 1983. However, Table 8 indicates that sales of other contraceptive products (i.e., pills and injectables), while still small, are improving in 1984.

Distribution of the commercial contraceptive products now is being carried out by a sales force of 23 divided into four regions each with a supervisor. The sales force covers about 4000 drug stores directly and an additional 4000 drug outlets through 220 pharmaceutical wholesalers. Also covered are over 80 large Conasupo stores and 15 SAHOP government stores. Products are stored in warehouses in Mexico City or at PROFAM's factory in Queretaro. PROFAM management believes that its sales force's particular strength is in covering medium-sized drug outlets thoroughly with personal selling. Other drug suppliers, if they have their own sales forces, tend to concentrate on large outlets plus wholesalers. Those without a sales force rely on the sales people of the wholesalers. However, because of the large number of items they carry, the latter are largely order-takers not sales people as PROFAM's promo-educators are.

As of 1984, PROFAM estimates that its penetration of the Mexican market is as follows. There are about 17.8 million women of fertile age in the country with 65 percent (11.5 million) in some form of union. Of these, about 5.3 million (30% of all women of fertile age) are using some form of contraception (46% of those in a union). Three and half percent of users use condoms,

Table 8

UNIT SHIPMENTS OF COMMERCIALLY DISTRIBUTED CONTRACEPTIVE PRODUCTS BY YEAR (in 1000's), PROFAM, MEXICO

	1979[a]	1980	1981	1982	1983	1984[b]
Condoms	1708.2	4027.2	6329.0	6493.0	6222.6	2711.1
Suppositories	1342.8	2228.4	1357.8	8.4	4.2	7.5
Foam	3435.5	1323.0	885.5	-	-	-
Cream	517.0	864.0	335.0	138.0	25.0	(.4)[c]
Pill (cycles)	447.7	778.4	276.9	142.4	17.0	17.1
Injectable	-	-	-	-	4.0	8.7

[a] 10 months only

[b] 5 months only

[c] Returns

Table 9

DISTRIBUTION OF CONDOMS BY MONTH 1979 TO 1984

(000 UNITS), PROFAM, MEXICO

	1979	1980	1981	1982	1983	1984
January		52.2	250.0	460.5	332.4	671.3
February		272.8	637.6	492.3	453.7	428.1
March		255.0	524.8	611.6	613.3	497.2
April	27.8	321.0	479.0	480.8	439.4	371.9
May	59.6	344.8	569.0	474.5	578.3	763.0
June	88.2	374.4	549.4	615.0	1,161.8	
July	97.4	362.6	525.2	486.6	165.7	
August	107.4	355.2	489.8	751.0	320.7	
September	158.6	356.6	855.2	633.2	353.8	
October	143.8	390.0	438.0	454.8	816.1	
November	291.0	384.6	500.0	470.4	587.0	
December	734.4	558.0	510.9	562.8	400.4	
TOTALS	1,708.2	4,027.2	6,329.0	6,493.0	6,222.6	2,711.1

Table 10

AVERAGE MONTHLY CONDOM SALES IN UNITS BY

SEMI-ANNUAL PERIOD, 1981 TO 1983, PROFAM MEXICO

	1980	1981	1982	1983	1984
January - June					
Average Unit Sales	272	502	522	596	546[a]
%change from previous year	n.a.	+84%	+ 4%	+14%	- 8%
July - December					
Average Unit Sales	400	553	560	441	-
%change from previous year	+56%	+38%	+ 1%	-23%	-
Total					
Average Unit Sales	336	527	541	519	-
%change from previous year	+77%	+57%	+ 3%	- 4%	-

[a]Five months only

one half for family planning and one half for other purposes. The total condom market therefore is about 18,500,000 units per year. The government supplies about 5 million units leaving 13.5 million for the commercial and contraband sectors. As noted in Table 8, PROFAM's condom sales are about 6.5 million. Thus, it estimates that its share of the commercial condom market is about 48% (or 52% if contraband sales are excluded). About ninety-five percent of PROFAM's current condom sales are for the PROFAM brand which currently sells at about 35 pesos each (about 20¢ U.S.). Of the remaining brands, Selecto is the most popular (see also Table 11).

Of all contraceptive products and services, it is estimated that 53% comes from the government and 47% from the private sector. Because of its recent problems with the Ministry of Health, PROFAM's share of the markets for other contraceptive methods is very small.

In addition to these commercially sold contraceptive products, PROFAM has a medical division which has been selling I.U.D.'s and laparascopes to physicians since 1981. Unit sales of I.U.D.'s from 1982 are as follows:

Year	Unit Sold
1982	1409
1983	840
1984 (5 months)	200

Two clinics (or "consultorios") have been opened since 1982 under a grant from the Population Crisis Committee. Two are in Ciudad Netzahualcoyotl on the outskirts of Mexico City and one is in Villa del Pueblito just outside Queretaro. These provide general consultation, family planning advice and I.U.D. insertions.

The principal opportunities for growth with existing products and services in existing markets that PROFAM is considering is through greater promotion of present products and services (particularly condoms) and the expansion of their fledgling vasectomy program. At the time of this report, PROFAM has completed a proposal for a vasectomy program to be funded in England to establish a three year test of a family planning clinic specializing in vasectomies in the city of Leon. The clinic will focus mainly on "low level factory workers and a semi-urban population" and will be supported by a substantial educational and advertising campaign. The project budget over three years is about $55,000 U.S. and is part of a broad long range strategy of PROFAM's to specialize in marketing to male consumers. In the interim, a grant of $6,500 has been approved by the Association for Voluntary Sterilization for initial research and promotion of vasectomy in Cindad Netzahualcoyotl where two of PROFAM's "consultorios" are located.

A general two-year promotion campaign for condoms has recently been developed as part of a proposal to USAID and UNFPA to expand PROFAM's market. The promotion budget is set at $418,600 U.S. and covers primarily radio advertising, plus posters, leaflets and pamphlets. While part of a proposal to penetrate new (actually underserved) rural markets, this program, if funded, would have important benefits to PROFAM's existing line in existing markets.

a. Market Expansion

As noted above, PROFAM is proposing to move its commercial distribution system more extensively into rural areas where it now readily admits it has very weak coverage. The proposal to USAID and UNFPA would focus on rural centers between 5000 and 15000 in population. Over a two-year period, the

project would conduct the aforementioned advertising and promotion campaigns, would add 10 new promoeducators plus 10 vans to service primarily food stores in rural areas, and would conduct surveys both before and after the project to assess its effects. Including the media and promotion expenses, and administrative and capital costs, the project is budgeted at $632,000 to come from USAID for operating costs and $165,000 to come from UNFPA for capital expenditures. The proposal estimates that by Year Two sales will be $154,000 including pills and an oral rehydration product. Approval to sell condoms in food stores was granted in April 1984.

Finally, PROFAM is beginning discussions with a Government retail operation, CONASUPO, to supply private label products to their 10,000 outlets. Noted below, this could mean considerable revenues to PROFAM's condom manufacturing subsidiary, PROFAMSA.

b. Product Expansion

i. Contraceptive Products

PROFAM has recognized that it needs to develop manufacturing capabilities if it is to be able to register its own brands in the Mexican market place. Therefore, it has already put in place the necessary production and packaging equipment and testing laboratories so that it can begin to produce vaginal suppositories. Final approval of this venture is expected in the summer or early fall of 1984.

This product should do well as PROFAM was the leading brand of suppositories before it was taken off the market. However, the suppository market is relatively small. All barrier methods are estimated to comprise only about 2 percent of all usage for family planning purposes. As already noted, much greater markets exist for oral pills, I.U.D.'s and injectables. However,

there are over two dozen commercial brands of pills on the market and there is probably little room for a PROFAM venture. Their only prospect in this regard would be to carry more brands than just Schering.

A focus group study has recently been completed under funding from Family Health International on the use and potential of injectibles in Mexico. The study has confirmed the importance of the "secretness" of the approach and a preference for the one-month version that PROFAM offers. (Market shares for the one-month product are higher than for the three-month Depo-provera.) The major drawback in using injectables was reported by respondents to be finding someone to do the injections.

Finally PROFAM is considering expanding its contraceptive product line even further. It has discussed with Schmid the possibility of adding Sheik and Ramses condoms which are Schmid's brands plus two brands that would have different names in Mexico, Sexcito and Protextra. All four would be manufactured by Schmid. The first three would be imported in bulk and repackaged in Mexico. Because Protextra carries a spermicide as part of its lubricant, this item would probably be packaged by Schmid before shipment. Sheik and Ramses have already been approved by the Government. Sexcita may have to be renamed to get approval. Protextra must await some technical tests (e.g., for irritation) because this kind of product has not been sold in Mexico before.

If these four are added, PROFAM will have <u>eight</u> condom lines. The PROFAM brand, Supermacho and Alazan will all be low priced. They are, in fact the same condom (Tahiti). Profam is sold in packages of two, the others in individual units from a dispenser. Sheik and Ramses will be middle-priced brands. Sexcito will be marketed as a fancy, fun product and Protextra as the condom with added protection. Selecto will continue as the quality, high-priced brand.

Some shifting in brand franchises are likely to take place when the new items are introduced.

As noted below, future plans involve PROFAM's manufacturing subsidiary PROFAMSA eventually producing and testing some of its own condoms in Mexico.

ii. Non-Contraceptive Products

Very early in its history, PROFAM recognized the potential for selling non-contraceptive products through its extensive commercial distribution system in Mexico's urban areas. In seeking out products to add, PROFAM set as minimum requirements the following:

1. PROFAM should receive a discount permitting them at least a 20 percent gross margin;

2. The products should be sold to PROFAM on consignment with payments made to suppliers only as the goods were sold.

In return, PROFAM would use its promoeducators to reach outlets the suppliers were not adequately servicing and lend PROFAM's reputation to the supplier's goods. To minimize its potential cash flow problems, PROFAM decided that all products would have to be sold to retailers on a cash only basis. This strategic choice turned out to cause them problems in a few cases. Credit sales were permitted for PROFAM's contraceptive product line.

To secure the special price concessions this program required, PROFAM typically worked through some special personal relationship with the potential supplier or relied on special conditions where the supplier was willing to make the concessions because of something PROFAM would do for them. The "special relationships" were typically personal contacts between someone in PROFAM and someone in the supplier company.

A list of all the non-contraceptive products carried since 1981 is given in Table 11 along with annual unit sales. Sales and gross margin data are

given (along with similar data for contraceptive products) in Table 12. Before discussing some of these results, a brief description of each product line will be offered.

c. Ponds

This product line (Q-tips, deodorant and hand cream) was acquired through contacts Raul Roca of PROFAM had with the Sales Manager at Ponds, his former employer. Ponds felt it was not covering drug-stores well with its present salesforce and so was willing to let PROFAM duplicate the coverage. However, Ponds was only one of two suppliers of products that PROFAM eventually took on that refused to make consignment sales. However, at the retail level, PROFAM could not compete with Pond's regular salesmen who could offer 30-day credit while PROFAM required cash. Since sales were low and PROFAM had a cash problem beginning in the economically troubled year of 1982 that made it undesirable to pay Ponds up-front for its products, the line was dropped in late 1982.

d. Becton-Dickinson

A PROFAM promoeducator contacted a relative at this firm and secured the line of syringes, and briefly, thermometers on a consignment basis. Although B-D had many types of syringes and associated needles, PROFAM only carried the two best selling items. However, because of its cash bind, in mid-1983 PROFAM felt it had to temporarily divert receipts from its sales of Becton-Dickinson syringes to support its regular contraceptive program. As a consequence, this supplier (and others to be noted below) discontinued supplying products to PROFAM until its bills were paid. These bills have now all been paid, but PROFAM has decided not to carry this line in future.

Table 11

DISTRIBUTION OF NON-CONTRACEPTIVE PRODUCTS 1981 TO 1984 (in Units), PROFAM, MEXICO

	1981[a]	1982	1983	1984[b]
BIC pens	107,200	39,159	212,044	10,933
BIC Disposable Razor	57,500	14,159	51,104	300
BIC Lighter	80,800	128,067	88,402	-
BIC Razor + Lighter	-	84,421	-	-
Becton-Dickinson Syringes	103,400	742,251	452,499	-
Becton-Dickinson Thermometer	165	-	-	-
Vitamins	19,067	8,757	7,286	696
Ponds Q-tips	16,500	42,032	-	-
Ponds Deodorant	480	520	-	-
Ponds Cream	600	656	-	-
Glue (Kola Loca)	920	-	-	-
NUBE Sanitary Towels	91,600	64,276	6,112	-
CONTAC	120,000	1,196,820	566,660	600,720
Family Medicine Kit	-	345	9,881	2,604
Key Chains	-	-	7,869	5,616
Max Factor	-	-	77,295	(1,171)[c]
Health Magazine	-	-	121	12,340

[a]Estimated due to an absence of December 1981 sales records

[b]Five months only

[c]Returns

e. BIC

A similar pattern applied to BIC. First, contacts were made between Raul Roca and an ex-colleague. Subsequently, pens, disposable razors and disposable lighters were sold on a consignment basis until mid-1983 when PROFAM's delinquency in payments and the coincidental resignation of Raul's friend led BIC to cancel the arrangement. It will not be resumed.

f. Kola Loca

This all-purpose glue was selling well in supermarkets but poorly in drugstores. The manufacturer and PROFAM decided to test whether PROFAM could improve sales in drugstores through the effort of PROFAM's promoeducators. They found that much improvement could not be achieved. Further, since the manufacturer would not permit consignment sales, the product was dropped after a very short sales period in 1981.

g. Baby Bottles

For a short time, PROFAM acquired free samples of baby bottles to see whether they could make up a profitable line for PROFAM. It was discovered that the market was highly price competitive and PROFAM did not have the capital or marketing flexibility to compete effectively. This product was quickly dropped.

h. Contac

This product is manufactured by Smith, Kline and French which is Luis de la Macorra's previous employer. Ing. de la Macorra was able to secure the product on consignment. It is still on consignment and is a steady, although seasonal, source of revenue. It will continue in the product line.

i. Vitamina Vitamins

A former promoeducator from PROFAM started his own company to produce and market vitamins in joint partnership with the private Mexican television enterprise, Televisa. The latter supplied free advertising time for the product as its contribution to the venture. PROFAM was given the product to market on consignment. However, during the economic crisis of 1982, Televisa decided not to continue to offer free television advertising. Vitamina subsequently entered bankruptcy. PROFAM continued to sell the substantial stocks it had on hand. These are now virtually all depleted.

j. Max Factor

Again, personal contacts with Luis de la Macorra were important in securing for PROFAM the opportunity to distribute on consignment Max Factor's "Moisturessence" line. This line was sold entirely on the basis of in-store displays with no media backing. PROFAM was given exclusive distribution in drug stores on consignment. As of July 1984 PROFAM is not carrying the line as it has not fully paid off what it owes Max Factor from previous sales, although a repayment plan has been agreed to. This line will not be taken up again since PROFAM management has concluded that although it is capable of handling the line, the modest gross margin (21.4 percent in 1983) did not justify all the time and trouble the promoeducators have to put in setting up and maintaining displays and checking inventories to insure a full selection of colors is available.

k. NUBE Sanitary Napkins

This was a unique venture for PROFAM in that the product was manufactured as a special 2-napkin pack carrying PROFAM's own registered brand name, NUBE.

Initially, sales were very high as the dominant manufacturer, Kimberly-Clark, had as its smallest item a 10-napkin pack. However, the economic crisis pushed PROFAM's costs up so high that it could not profitably underprice even Kimberly-Clark's 10-pack. This product was also dropped.

ℓ. Revista de la Salud

The latest non-contraceptive item in PROFAM's commercial product line is a health magazine sold in drug stores. The magazines are given on consignment to PROFAM and also to retailers. At each month's delivery, cash is received for last month's sales and unsold magazines returned. This product will be retained.

By mid-1984, PROFAM's line of non-contraceptive products distributed through the commercial system has been reduced to three items from a high of eight in 1983. The three remaining are Contac, Revista de la Salud and the key chains. Other products, however, are planned for the future, as will be noted below. Detailed sales and gross margin results for the years 1982 through 1984 are reproduced in Table 12 (which also include similar results for contraceptive products). The table shows, first of all, the very high gross margins contributed by the contraceptive lines. In 1982 and 1983, before PROFAM's cash problems had their major impact on noncontraceptive product sales, contraceptive products generated from two-thirds to three-quarters of PROFAM's sales revenues but about ninety percent of total gross margins for the commercial division. This is, of course, caused by the fact that the average markup on contraceptives was 71.8 percent in 1982 and 74.7 percent in 1983. Mark-ups on the non-contraceptive items were steady at about 22.5 percent. Mark-ups on condoms were slightly higher in 1983 since the

PROFAM condom brand, which alone made up about 57 percent of sales, went from a gross margin of 75.5% to 81.9%. (At the same time, gross margins on Selecto dropped by one-half, primarily due to the rapid devaluation of the peso which had a strong impact on this purchased imported product.)

However, in 1983 when the greatest number of non-contraceptive products were part of the PROFAM line and the country's economic problems had only begun to impact, these products generated almost one-third of PROFAM's sales, a significant accomplishment. At a rate of 160 pesos to the dollar, they contributed about $45,300 U.S. in gross margin toward PROFAM's efforts at self-sufficiency. Possibly, if the economic crisis had not been a major problem, the total contribution could have been markedly higher.

In 1984, the situation on both lines is not yet very promising. Not only are contraceptive sales off, gross margins on PROFAM condoms have fallen to 72.2 percent from 81.9 percent in 1983. Since product costs are only for packaging, this shift reflects the fact that PROFAM's prices have lagged behind rises in these costs. A price rise planned for July should improve this picture as it has for Selecto which now has a gross margin of 42.7 percent, up from 27.6 percent in 1983. Further, as the non-contraceptive line has been reduced to three of its most profitable items, gross margins are now up to 32.2 percent. However, it may be estimated that the total contribution of these items will probably be less than $20,000 U.S. in gross margins in 1984.

The overall profitability of the corporate entity, PROFAMILIA S.A., which carries out the commercial sales operation is indicated in Table 13. Here we can see that, following a loss in 1982, PROFAMILIA has reported a profit on its operations for 1983 and for the first five months of 1984. Further, overall profits in 1984 appear to be running ahead of 1983, primarily due to higher average mark-ups (also reflected in Table 12) and a steady level of expenses.

Table 12

SALES AND GROSS MARGINS, COMMERCIALLY DISTRIBUTED PRODUCTS, 1982-84, PROFAM, MEXICO

	1982					1983					5 months 1984				
	Total Sales[a]		Gross Margin		GM	Total Sales		Gross Margin		GM	Total Sales		Gross Margin		GM
Product Line	Pesos[a]	%	Pesos[a]	%	%	Pesos[a]	%	Pesos[a]	%	%	Pesos[a]	%	Pesos[a]	%	%
Profam Condoms	34,007	58.9	25,667	73.8	75.5	56,395	56.7	46,182	80.5	81.9	31,554	74.3	22,789	86.2	72.2
Other Profam Products	757	1.3	363	1.0	47.9	(19)	(b)	(11)	(b)	(60.5)	(20)	(b)	(8)	(b)	(38.4)
Profam Duo	615	1.1	266	.8	43.3	1,013	1.0	586	1.0	57.8	354	.8	168	.6	47.5
Supermacho	208	.4	162	.5	78.0	300	.3	261	.5	87.1	23	.1	18	.1	76.1
Alazan	161	.3	125	.4	77.6	227	.2	196	.3	86.1	93	.2	72	.3	77.5
Selecto	3,946	6.8	2,590	7.4	65.7	7,258	7.3	2,000	3.5	27.6	4,400	10.4	1,878	7.1	42.7
Norgestril	1,844	3.2	606	1.7	32.8	816	.8	52	.1	6.4					
Other Sales	2,588	4.5	1,902	5.5	73.5	1,185	1.2	885	1.5	74.7					
Patector N.F.											1,433	3.4	151	.6	10.5
PLAFAM											727	1.7	115	.4	15.8
TOTAL CONTRACEPTIVES	44,126	76.4	31,681	91.5	71.8	67,175	67.6	50,151	87.4	74.7	38,564	90.8	25,183	95.2	65.3
Sanitary Napkins	211	.3	89	.3	42.3	49	(b)	39	(b)	79.0					
BIC Products	3,906	6.8	881	2.5	22.6	4,787	4.8	938	1.6	19.6	224	.5	45	.2	20.0
B & D Syringes	8,140	14.1	1,734	5.0	21.3	12,424	12.5	2,960	5.2	23.8	14	(b)	4	(b)	31.1
CONTAC	887	1.5	256	.7	28.8	1,277	1.3	420	.7	32.9	1,745	4.1	608	2.3	34.9
Vitamins	274	.5	81	.2	29.5	198	.2	79	.1	39.7	30	.1	13	(b)	42.8
Ponds	90	.2	20	.1	22.4	1	(b)	-	(b)	22.5					
Family Medical Kit	144	.2	29	.1	20.3	3,941	4.0	589	1.0	15.0	1,066	2.5	199	.8	18.7
Key Chains						355	.4	256	.4	72.3	367	.9	252	1.0	79.8
Max Factor						9,204	9.5	1,966	3.4	21.4	(122)	(.3)	(90)	(.3)	74.3
Magazine						5	(b)	1	(b)	30.1	577	1.4	227	.9	39.4
TOTAL NON-CONTRACEPTIVES	13,652	23.6	3,090	8.9	22.6	32,241	32.4	7,248	12.6	22.5	3,901	9.2	1,258	4.8	32.2
ALL PRODUCTS	57,778	100.0	34,771	100.0	60.2	99,916	100.0	57,399	100.0	57.7	42,465	100.0	26,441	100.0	62.3

a in 1000's; b less than .1 percent

Future Plans for Non-Contraceptive Products

At the present time, it is PROFAM management's intention to give considerable attention to adding more non-contraceptive products to its commercial distribution system. As the data above suggest, they believe that in future they can add significantly to total gross margins by piggybacking other products onto this distribution system. Among the products currently under consideration are the following:

a. Disposable syringes manufactured by Jeriplast.

b. A line of bandaging materials (swabs, gauze swatches and rolls, folded cotton, adhesive tape and band-aids) manufactured by Alpha.

c. A line of Oral Rehydration Liquids manufactured by Alpha.

d. Oral Rehydration Salts manufactured by PROFAM.

In the first case, the manufacturer came to PROFAM. The latter two arose in the "traditional" way from personal connections and past experiences. (Alpha supplies the TC_u220C I.U.D. that PROFAM markets and an Alpha executive is on the PROFAM Foundation's Board of Directors.)

The oral rehydration salts project is still at the research stage. Two studies with druggists and potential consumers have already been completed. A grant from The Futures Group has been requested for a feasibility study for this line. A tablet presentation is being considered.

Diversification

PROFAM has developed three other sources of revenue to the present time through sales of (a) medical products (b) computer services and (c) advertising services to new markets. Each of these revenue sources is channelled through a separate company as follows:

Table 13

PROFIT AND LOSS, PROFAMILIA S.A., MEXICO

1982 TO 1984

(1000's of Pesos)

	1982		1983		5 months, 1984	
	Pesos	%	Pesos	%	Pesos	%
Sales			106,328	102.0	44,321[a]	101.1
Less Discounts/Returns			2,082	2.0	465	1.1
Net Sales	67,562	100.00	104,247	100.0	43,856	100.0
Less Cost of Goods	27,781	41.1	48,925	46.9	17,677	40.3
Gross Margin	39,781	58.9	55,322	53.1	26,179	59.7
Less Expenses						
Management			1,612	1.5	612	1.4
Administration	21,336	31.6	8,222	2.9	4,102	9.4
Operations	1,739	2.6	1,520	1.5	1,332	3.0
Sales	17,654	26.1	34,441	33.0	12,240	27.9
Accounting			1,679	1.6	1,800	4.1
Financing	5,011	7.4	3,534	3.4	1,795	4.1
Marketing	1,458	2.1	2,023	1.9	442	1.0
TOTAL EXPENSES	47,199		53,031	50.9	22,324	50.9
Other Income	177	.2	1,758	1.7	1,180	2.7
Net Profit or Loss	(7,301)	(10.8)	4,049	3.9	5,035	11.5

a Includes a tranfer of $1,861,000 pesos to ECISA (see below).

Product/Service	Company
Medical Products	Equipamento Comercial Internacional S.A. (ECISA)
Computer Services	CLEM S.A.
Advertising Services	CREATIVA S.A.

To understand the contribution and future prospects of each of these companies (which are treated also as divisions of GRUPO PROFAM), a brief history is necessary.

i. ECISA

When sales began to be difficult in the basic condom market in 1982, PROFAM began to look around for a company it could add to its operations to generate additional revenue. ECISA was a company that was begun in March of 1981 by various individuals to market medical products including a line made by Hewlitt-Packard. The company looked like a promising addition and thus was acquired in December of 1982. The former owners retained a 40 percent interest in the company.

ECISA began operations as part of PROFAM in January 1983 although its profits and losses were incorporated into PROFAM's 1982 results. The company/division was given responsibility for selling the Hewlitt-Packard line as well as the TC_u220C I.U.D. and laparscopic equipment to hospitals and other health care outlets. ECISA was exclusive distributor for all of these lines. It also purchased other medical equipment for its clients as requested.

In Mexico,about 80 percent of all medical equipment is sold to the Mexican Government, both the Social Security Administration and the Health Service. Unfortunately, just as ECISA began operation within PROFAM, the government

ceased buying all medical equipment such as the Hewlitt-Packard line because of the economic crisis. Thus, as indicated in Table 14, ECISA's sales fell dramatically in 1983 and were still down in 1984. One major sale to Humana Hospitals of over 70 million pesos was made in 1983. However, because of delivery problems only 10 million pesos in "sales" were invoiced in 1983 and 60 million pesos in 1984. Thus about 40 million pesos in sales in 1982 and only about 6 million pesos in 1983 were sales above and beyond the major Humana sale.

Expenses for ECISA were very high in 1983 since PROFAM at the outset ambitiously decided to hire more salespeople (at high rates because of their professional skills) than were initially in the division and pay significant travelling and other expenses. These costs amounted to over 13 million pesos in 1983 which well exceeded the gross margin contributed by the line, even including the Humana deliveries. As a result, PROFAM in 1984 substantially trimmed the expenses of this company/division in part by reducing the sales force to 4 people and putting all of them on commission only. Still, PROFAM is relatively pessimistic about this division which has been a significant drain for the GRUPO rather than the contributor it was inteded to be. In addition, the future status of the Hewlitt-Packard line is unclear.

ii. CREATIVA, S.A.

When initially formed, PROFAM secured its advertising assistance largely from outside sources, mainly in the Mexico City area. However, in mid-1983 after the operation moved to Queretaro, PROFAM was able to convince Sr. Sergio Orozco to come to the new site and direct the advertising company that PROFAM had set up. The company was designed both to service PROFAM and to solicit

Table 14

PROFIT AND LOSS, EQUIPAMENTO COMERCIAL INTERNACIONAL S.A., MEXICO 1982-1984

(1000's of Pesos)

	1982		1983		5 months 1984	
	Pesos	%	Pesos	%	Pesos	%
Gross Sales	33,239	100.0	50,205	112.4	66,443	100.0
Discounts	6	(b)	5,534	12.4	-	-
Net Sales	33,232	100.0	44,671	100.0	66,443	100.0
Cost of Goods	21,541	64.8	35,799	80.1	57,371	86.3
Gross Margin	11,691	35.2	8,872	19.9	9,072	13.7
Less Expenses						
Marketing			-		15	b
Management			1,813	4.1	95	.1
Administration	6,439	19.4	3,789	8.5	1,826	2.7
Sales	4,936	14.9	13,103	29.3	5,496	8.3
Financing			559	1.3	47	.1
Total Costs	11,375	34.2	19,264	43.1	7,481	11.3
Other Income			a	b	463	.7
Net Profit or Loss	316	1.0	(10,391)	(23.3)	2,054	(3.1)

a Less than 500 pesos

b Less than .1 percent

business from outside clients. As of June, 1984, Creativa had the following "Third Party" accounts:

1. Advertising design for a hotel, Las Cavas, in nearby Tequisquiapan.

2. Assisting an advertising company in Mexico City, Creative Marketing de Mexico, S.A. to develop a tourist map for the State of Queretaro.

3. Developing internal communications for a plastics manufacturer, Producto del Bajio.

4. Developing internal communications for a packaged food company, Clemente Jacques.

5. Developing a logo and communications material for the social development division of the state of Queretaro (promoting native crafts).

6. Developing posters and diplomas for a local secretarial academy, Acadamia Comercial Anahuac.

7. Developing direct mail materials for the Social Marketing International Association.

8. Developing direct mail materials for an export company, PEISA.

Results for Creativa reported in Table 15 indicate a rapidly improving sales and gross profit situation. More importantly, sales to "Third Parties" in the first five months of 1984 are now greater than internal sales to other PROFAM divisions. This is a company about which PROFAM is very enthusiastic.

iii. CLEM, S.A.

PROFAM was one of the earliest family planning programs to be computerized. A computer was rented as part of the original Population Services International contract. At the end of this contract, the computer was purchased by PROFAM and paid off by 1983. A separate company, CLEM S.A. was brought into the GRUPO PROFAM to provide computing services internally and to third parties. At the end of 1982, it was realized that CLEM had excess capacity and in the middle of 1983 it began to look for outside clients to which it could supply accounting and payroll services.

As indicated in Table 16, CLEM in 1984 received six percent of its revenues from outside third parties which represents a slower rate of development than PROFAM hoped for. However, CLEM is showing a book profit in the most recent period. Plans are now in place for marketing the extensive and highly accurate list of drugstores that PROFAM has accumulated in the form of labels for other manufacturers, especially drug companies.

iv. Other Companies

An additional diversification strategy that GRUPO PROFAM has developed to improve its profitability that is also used by the Population Development Association in Thailand is to establish independent companies to hold assets, provide services or otherwise assist PROFAM's internal organizational needs. We have already seen that ECISA, CLEM and CREATIVA were set up in part for these reasons. CLEM and CREATIVA provide advertising and computer services to other GRUPO companies that they would otherwise have to acquire outside.

The additional companies and their roles are as follows:

1. Promatora de Planificacion Familiar A.C. (Association Civil)

Created at the same time as PROFAMILIA, this non-profit organization is established to receive grants from outside agencies which a private company cannot do. PROMATORA also supervises the two health care consultorios which are both non-profit and, at the moment, supported by grants. It is hoped that some day these consultarios will provide royalties to PROMATORA. PROMATORA supervises other miscellaneous family planning activities exclusively funded by grants. In the past, this has included marketing research activities.

Table 15

PROFIT AND LOSS, CREATIVE S.A., MEXICO

1982 to 1984

(1000's of Pesos)

	1982		1983		5 months 1984	
	Pesos	%	Pesos	%	Pesos	%
Sales to Profam			1,899	74.3	1,290	41.6
Sales to Third Parties			657	25.7	1,809	58.4
Sales	307	100.0	2,555	100.0	3,099	100.0
Cost of Goods	11	3.4	329	12.9	284	9.2
Gross Margin	296	96.6	2,226	87.1	2,814	90.8
Less Expenses						
Administration	71	23.1	834	32.3	1,873	60.4
Sales	267	87.0	1,862	72.9	1,175	37.9
Finance			-	-	9	.3
Total Expenses	338	110.1	2,696	105.5	3,056	88.6
Other Income			a	b	a	b
Net Profit or Loss	(42)	(13.7)	(470)	(18.4)	(242)	(7.8)

a Less than 500 pesos

b Less than .1 percent

Table 16

PROFIT AND LOSS, CLEM S.A., MEXICO

1982 to 1984

(1000's of Pesos)

	1982		1983		5 M nths 1984	
	Pesos	%	Pesos	%	Pesos	%
Sales to PROFAM					2,565	94.1
Sales to 3rd Parties					162	5.9
Total Sales	3,099	100.0	3,880	100.0	2,727	100.0
Less Cost of Goods	570		85	2.2	664	24.3
Gross Margin	2,530		3,795	97.8	2,063	75.7
Less Expenses						
Administration	2,648		4,066	105.1	1,702	62.4
Financing					2	.1
Total Expenses					1,704	62.5
Other Income	-	-	a	b	14	.5
Net Profit or Loss	(118)		(271)	(7.0)	374	13.7

a Less than 500 pesos

b Less than .1 percent

In the future, proposals have been prepared for such activities as the ORS feasibility study and a 3-city training program for doctors in techniques of tubal ligation. The directors of PROMATORA are six PROFAM executives and six outside directors. (All other GRUPO PROFAM companies except PROFAM S.A., below have only PROFAM executives as directors.)

2. Immobilaria PROFAM, S.A.

This real estate corporation was formed when PROFAM moved to Mexico. Its role is to hold title to the land and head office - factory of PROFAM. Its incomes are solely from rentals to other PROFAM companies.

3. Promotora Y Fabricacion Mexicana S.A.(PROFAMSA)

This is a joint venture with Schmid Laboratories Co., which has a 40 percent interest. PROFAMSA's sole function at the moment is to repackage condoms. There are plans for PROFAMSA to purchase untested condoms and test them itself at the Queretaro plant in late 1984 or early 1985 and to start investing to produce its own condoms beginning in 1987. In the interim PROFAM is discussing the possibility of private label condom packaging for a major government distribution outlet (CONASUPO).

4. Laboratorias PROFAM, S.A. (LAPSA)

This corporation is established to manufacture the vaginal suppositories once approval has been obtained from the government. It is the only PROFAM company with a permit to manufacture drug products. At the moment it has no function. As noted earlier, there are plans under consideration to begin manufacturing oral rehydration salts in this division by the Spring of 1985.

A consolidated profit and loss statement for the first five months of 1984 for all eight GRUPO PROFAM companies is reported in Table 17. One immediately notes that there is a total net profit for the period. However, because of temporary transfers among businesses and the crediting of past sales to the present period (e.g., the Humana sale) the figures do not represent the true profitability of current operations. Management estimates that the program has a modest operating loss. On the other hand, the year end figure is expected to be much better because of the following factors.

1. PROFAMILIA sales will continue steady growth.

2. Promatora has cut expenses by 400,000 pesos per month and expects three major grants by the end of 1983.

3. CLEM's sales to third parties will increase through the label marketing project.

4. CREATIVA's revenues will continue to grow due to its aggressiveness and increased income from the tourist map project.

5. PROFAMSA showed a loss in early 1984 largely because it did not produce in February, March and April. This will not be the case for the rest of the year.

6. IPSA will not change, yielding a steady profit of 300,000 pesos per month.

Balanced against this will be the expected losses for LAPSA (which still won't be producing) and for ECISA (which still has not turned around). The net effect of all of this is a realistic expectation of a profit on operations for 1984 of about 14 million pesos (about $70,000). This would be the first year-end profit for the GRUPO.

Table 17

CONSOLIDATED PROFIT AND LOSS,

GRUPO PROFAM, MEXICO, JANUARY 1 TO MAY 31, 1984

(in 1000's Pesos)

	PROFAMILIA	ECISA	CREATIVA	CLEM	PROFAMSA	LAPSA	IPSA	PROMOTORA	TOTAL
Net Sales	43,856	66,443	3,099	2,727	3,742	15	5,700	610	126,192
Cost of Sales	17,677	57,371	285	664	751	7	-	-	76,755
Gross Margin	26,179	9,072	2,814	2,063	2,991	8	5,700	610	49,437
Expenses									
Administration	6,614	1,923	1,273	1,701	1,820	615	1,101	1,849	16,896
Sales	12,240	5,496	1,775	-	35	201	-	883	20,630
Operations	1,332	-	-	-	1,641	1,569	2,102	1,070	7,714
Marketing	443	15	-	-	350	290	204	1,123	2,425
Finance/Acctng.	1,795	47	9	2	-	22	777	53	2,705
Total Exp.	22,324	7,481	3,057	1,703	3,846	2,697	4,184	4,978	50,270
Other Income	1,180	463	-	14	-	-			1,657
Net Profit/Loss	5,035	2,054	(243)	374	(855)	(2,689)	1,516	(4,368)	824

SUMMARY AND CONCLUSIONS

A. Evaluation Criteria

A new venture to be added to any organization's portfolio will be desirable under one of the following conditions:

1. The venture will be successful in its own right -- i.e., it will be a "profitable" use of resources and not constitute a drain on the rest of the enterprise's activities;

2. The venture, while not likely to be successful in its own right, will have sufficient pay-offs to the organization and its other activities so as to justify the undertaking.

Clearly, the criteria for achievement of the first condition is straightforward. The venture should simply offer a return on investment equal to or greater than that achievable on other uses of the organization's resources (i.e., its investment funds) with only a "reasonable" risk that this return would not be achieved. At the same time, such projects should clearly have little or no negative effect on the rest of the organization.

A more difficult issue is defining the criteria for projects that are not likely to be successful in their own right but which may have other pay-offs for the organization. Experience to date suggests that the appropriate criteria could ask to what extent any given product extension, market expansion or diversification venture yields one or more of the following consequences:

1. Reduces the costs of distributing other products (e.g. by spreading transportation or sales personnel costs across more items);

2. Enriches the jobs of present staff (e.g. provides new challenges or opportunities);

3. Justifies more frequent contacts at present distribution points (during which other organization products can be promoted);

4. Attracts new staff that could presently or in future contribute to other functional areas of the organization;

5. Develops skills and knowledge that can be used elsewhere in the organization;

6. Permits the addition of staff services that can be used elsewhere in the organization (e.g., provides a broader base to justify an internal marketing research or advertising department);

7. Establishes personal or organization contacts that can be useful elsewhere (e.g., establishes a new distribution network or a new set of outlets)

8. Builds goodwill with suppliers, donors or government officials that can have longterm payoffs;

9. Builds awareness of and positive attitudes towards the organization in the minds of the general public;

10. Does not direct management's time and energies away from contraceptive products marketing;

11. Does not require large capital investments;

12. Requires skills for success that are now within the organization's capabilities;

13. Carries few risks of future negative consequences for the organization;

B. Summary Evaluation

As summarized in Table 18, the three programs studied in the present report undertook or will undertake 23 projects that could be classified as product extensions, market expansions or diversifications. The results will be summarized in turn.

a. Product Extension

Experience from the three projects to date has demonstrated that one can, indeed, increase revenues to CSM programs, from product line extension. Although Profamilia's experience was negative (except for distilled water), both PDA and

PROFAM have concluded that such undertakings can be profitable if products are carefully selected and closely managed. However, experience to date suggests that at the level of activity of these two programs (a maximum of 20 products) returns will be very modest. Monthly net profits to PDA for 20 items in 1983 was only about $115 (U.S.) to which should be added profits from PDA's "promotional products" which were reported to be eight times this level. (Table 7) Monthly gross margins to PROFAM in 1983 for 8 products were $2,600 (U.S.) (Table 12) while gross margins for Profamilia's distilled water were about $2,000 U.S. in 1983 (Table 3).

Since experiences across the product categories was highly variable, we must ask what can be concluded about the kinds of products that appear likely to be successful when added to an existing contraceptive marketing distribution system? First of all, the product extensions can be divided into two groups; those that have little or no competition and those that do.

i. Exclusive Products

The success of Profamilia's distilled water, PROFAM's sanitary napkins and Vitamins and PDA's so-called "promotional products" are clearly due to the fact that these items have little or no competition. This means that the organization has several advantages:

1. Margins can be increased by pricing the products close to the maximum the market will bear;
   (For example, note in Table 12, highest margins were achieved by PROFAM for its vitamins, key chains, and its unique 2-pack sanitary napkins.)

2. There will be less risk should mistakes in strategy and tactics be made.

3. Developing strategy will be simpler since it will only involve determining how best to tap customer demand without worrying about how to deal with competitors.

Table 18

SUMMARY STATUS OF NON-CONTRACEPTIVE GROWTH STRATEGIES IN THREE COUNTRIES

1980 - 1984

	Projects	Results	Future Prospects
A. Product Extension			
1. Profamilia, Colombia	a. 6 OTC Health Care Products	Monthly sales $15,000; 1 modest success, Distilled water (monthly gross margin = $2000)	Continue distilled water only
2. PDA, Thailand	a. 20-47 Health Care products	Monthly Sales = $650 Monthly profit= $115	Profits likely to decline
	b. ORS/Fish Powder	-	In test.
	c. Promotional products	Monthly profit= $800	Slowly add items
3. PROFAM, Mexico	a. 12 Heath Care and Stationery items	Monthly sales = $15,000; Monthly gross margin = $2600	3 products remaining, others to be added
B. Market Expansion			
1. Profamilia, Colombia	None		
2. PDA, Thailand	a. Asian Center (Consulting, Research)	Revenues "Significant"	Expansion of Scope
	b. School and Community Health Program	Monthly revenues = $5500	Expansion into factories
3. PROFAM, Mexico	a. Contraceptives in rural areas	-	Proposed
	b. Private label manufacturing for Government's CONASUPO outlets.		Proposed

Table 18 - Continued

	Projects	Results	Future Prospects
C. Diversification			
1. Profamilia, Colombia	None		
2. PDA, Thailand	a. Day Care Center	Major Loss	Continue
	b. Resort	Unknown	Growth
	c. Food Marketing	High volume, Low mark-ups	Add factories, hotels as outlets.
	d. Water tanks	Breakeven	Possible LR Profits
	e. Population Development Corporation		
	i. Providing services	Reduce Costs	Continue
	ii. Clinics, mobile vans	Very Profitable	Expand
	iii. Restaurant	Loss (?)	Continue
	iv. LP gas	Modest Revenues	Continue
	v. Real Estate investment	Reduces cost, adds revenues	Add land, buildings
	vi. Tractors	Just beginning	-
3. PROFAM, Mexico	a. Medical equipment	Loss	Possbly discontinue
	b. Advertising services	8 accounts	Major growth
	c. Computer Services	Growing outside Sale	Growth
	d. Real Estate Investment	Reduces Costs	Continue.

Both of the latter advantages are particularly important for CSM programs which are relatively new to non-contraceptive markets and in need of time to develop their marketing skills. How then does a CSM acquire products with limited competition? Two principal routes to such a position have been experienced in the past. First, the organization can develop the product itself as with PDA's T-shirts and key chains or PROFAM's home medical kits. Here the crucial factors are (a) creativity -- coming up with a product that is truly different and (b) demand -- finding a product that people need and want or can be pursuaded to need and want. The key chains with imbedded condoms are a good example of a product that is creative and has a small but clear demand.

The second route to exclusivity is, of course, to obtain exclusive distribution for a product that is or will be in demand. This is the case for Profamilia's distilled water, PROFAM's health magazine, and <u>may</u> be the case for PDA's fish powder. Achieving exclusive distribution (as well as obtaining some of the concessions for competitive products noted below) can be achieved for one or more of the following reasons:

a. There is a personal contact between someone in the CSM project and a key person in the manufacturing company that can lead to special treatment. This was the case for most of the products added by PROFAM in Mexico.

b. The CSM distribution system offers unique advantages to the manufacturer (e.g. PROFAM argues that it covers medium-sized outlets that the manufacturer misses and can spend more time with retailers than the manufacturer can);

c. The CSM can simply persuade the manufacturer that they can do a better job. This is most likely to be the case with health care or contraceptive-related products. The CSM can secure a careful hearing by retailers for new or existing products of non-CSM manufacturers;

d. The manufacturer can be persuaded that assisting a CSM program is a socially responsible action to take which may yield the manufacturer important goodwill benefits with the government and/or the general public;

e. The manufacturer believes that offering special concessions on non-contraceptive products will yield an inroad into the CSM program for other products and services. This was the case with Pfizer and Profamilia.

f. The manufacturer believes that association with the CSM program can secure some spill-over in goodwill for his products in the minds of consumers or, especially, retailers.

ii. Competitive Products

Where CSM programs have attempted to market products for which there is substantial competition, they have generally not been successful. This was particularly the case for Profamilia in Colombia for all of its products but distilled water. Part of the problem is that social marketers do not as yet have the cost efficiencies, breadth of lines, marketing expertise or, perhaps, the commitment to go head-to-head with experienced competitors. Thus, to have a chance at success in competitive markets, there appear to be three conditions under which a CSM program can achieve such an edge:

a. Products can be distributed on a consignement basis; - this permitted PROFAM to carry many of its products with virtually no investment and relatively low risk (until they ran out of cash to pay for merchandise sold);

b. Products can be purchased with a cost advantage not available to competitors. This helped Profamilia with Nandol in the early months of sales. However, this cost advantage may be hard to maintain if not justified by savings to the manufacturer and if other distributors handling the product raise complaints (as was the case with Nandol);

c. The CSM marketer is permitted to handle only the most popular of the supplier's line and not have to handle time-consuming low volume items as well. This was the case where PROFAM only handled the top-selling BIC pens, disposable razors and lighters and only the two most popular Beckman-Dickinson syringes.

In terms of side effects on regular contraceptive marketing programs two of the three organizations found relatively few effects. Profamilia did feel that the time, energy and anxiety involved in non-contraceptive ventures were not justified by the return. However, they only explored product expansion strategies and the other two programs did not feel this way. However, the latter did report the following:

1. PROFAM felt that too much time with the Max Factor line was spent on non-selling tasks such as setting-up displays, checking inventories and so forth. There was the distinct feeling that such activities can distract from time that should be spent on contraceptive marketing.

2. Profamilia felt that diapers and sanitary napkins were too bulky and took up too much space in inventory or in cramped distribution facilities (e.g., bicycles, small vans) for their returns.

3. PDA and PROFAM both felt that key chains, T-shirts and the like had important publicity value for their regular contraceptive programs.

4. Individuals in all three programs expressed some concerns that various products were in danger of being too far removed from the organizations' "stock-in trade" --- contraceptives. While this comment was often directed at diversification strategies (like PDA's resort, tractors and LP gas), it also included PROFAM's Max Factor, BIC and Ponds lines and PDA's fish powder.

Finally, it may be noted that the reasons PDA and Profamilia did not feel there were negative payoffs associated with product extensions (and market expansions and diversifications) differred between the two. PDA has an "organization style" that encourages venturesomeness and projects that try to add new products fits this spirit. If the ventures succeed, the organization feels rewarded; if it fails, PDA sees it as just another adventure that didn't work out. On the otherhand, PROFAM's distinctiveness is that it is directed by individuals with a marketing or management background. For them, new ventures like line extensions or diversification experiments are normal examples of risk-taking in any active enterprise.

C. Market Expansion

In all three organizations studied, it appeared that there were considerable market expansion opportunities available for traditional contraceptive products and health care services. These were opportunities that each organization was probably the most comfortable considering because it involved products and skills with which they were familiar. Two innovative expansions that have been tried or are being considered is PDA "exports" of contraceptive marketing and research expertise to other Asian countries through the Asian Center and PROFAM's plans for export markets for some of its promotional items. PDA's Asian Center is apparently quite profitable and is a type of venture other mature programs in other world markets should consider.

D. Diversification

PDA and PROFAM have demonstrated clearly that diversification ventures can also be profitable for CSM programs, although their experiences have been mixed. Certainly, attempts to hold real estate and equipment to reduce CSM program costs and to generate outside revenue are quite successful and should be copied by others whenever possible. Similarly, attempts to seek new markets for broadened services that are also needed inside the CSM program also seem well justified. Such was the case with PDA's marketing of health care services and PROFAM's marketing of advertising and computer services to business enterprises. These have both generated good outside revenue (or seem very likely to in future), and met a central need in the two CSM programs.

Further, several of PDA's other diversification strategies such as the water tank, resort and foodmarketing projects also seem worthwhile undertakings principally because they were logical extensions of things PDA was already doing and because they were supported by outside donors. For this reason,

these projects have involved minimal risk while having the potential for developing new organizational skillls and adding managerial talent and for generating future revenues or other business spinoffs for the CSM enterprise.

It appears that it is only when the program ventures into non-subsidized products or services that are not central to CSM operations that failure is likely. This would be the case for PDA's LP gas and Day Care Centers and PROFAM's medical equipment division. It may also prove to be true in future for PDA's resort and tractor ventures. The problems here involve the organization spreading itself too far from their original base of expertise and involvement.

RECOMMENDATIONS

The experiences of these three programs and wisdom from the general marketing management literature permit the following general recommendations for other CSM programs considering non-contraceptive marketing growth:

1. Each program should seriously consider non-contraceptive marketing projects in its future organization planning. The experiences reported here clearly demonstrate that, if carefully selected with the criteria outlined above in mind, such ventures can be profitable additions because they add revenues, reduce costs to existing programs or otherwise provide positive synergy to the organization.

2. Even if a planned venture is not likely to be profitable in its own right, there are often other good reasons for undertaking it. The latest marketing management literature advocates that organizations

should consider themselves as having portfolios of products or internal "companies". At any point in time, an organization should have in its array of offerings some mature projects that are steady earners, either fully self-supporting ("stars" like PROFAM's contraceptive line) or more than self-supporting in that they spinoff funds for other planned ventures (i.e., they are "cash cows" like Profamilia's clinics). It should also have projects that are "immature" but in potential growth situations (like PROFAM's advertising and computer companies). The latter in the short run will serve to engage the enterpreneurial energies of organizational members while at the same time providing in the long run potential replacements for mature products as they begin to fade.

3. Expansion ventures should be undertaken only when the existing conventional CSM programs are reaching a stage of maturity. This will assure that energies can be diverted to the new enterprises without significantly diminishing the old. It will also make it likely that distribution systems will be in place and organizational marketing skills developed such that they can actively help a new venture (e.g. an effective distribution system must be in place with some excess capacity to offer an attractive alternative to manufacturers of non-contraceptive lines).

4. An organizational culture supportive of experimentation should exist before undertaking programs of expansion what will inevitably generate failures from time to time. This, in my judgment, is one of the significant positive characteristics of PDA's organizational environment. They will take risks and are not intimidated by the prospect of failing.

5. If product line extensions are to be undertaken, the organization should have (or hire) marketing managers with experience in general marketing not just in contraceptives. This is a major strength of PROFAM and a serious problem with Profamilia (once Santiago Plata left the Organization).

6. Wherever possible, risks in such ventures should be minimized in some fashion by getting outside donor support, consignment sales agreements, price concessions, and/or exclusive distributorships.

7. A concentric model for expansion should be considered, adding first projects closes to what the organization already does and does well and then moving slowly away from this base. Thus, CSM programs should first think of market expansion of existing contraceptive lines, then perhaps adding very closely related non-contraceptive product extensions (e.g. health services or health care products) aimed at existing contracepting households. Only then should the organization consider more distant ventures as we have categorized under the heading of diversification. Here, very careful attention would be paid to not diversifying too far afield from the organization's basic skills and strengths. The danger of taking up ventures just because an opportunity presents itself (e.g. through the interest of a particular donor as in PDA's tractor enterprise) should be avoided since these are likely to be a large diversion of energies that could be used for other ventures with higher potential payoffs since the more diverse the venture, the more the CSM will have to learn.

There is also the danger of tarnishing the organization's image as well managed if it undertakes too many bizarre enterprises or has too many failures. This may well deter future donors.

8. Finally, each project should be given enough time to find its niche in its market but should also be closely monitored to assure that the organization always knows how well it is doing so that they can expand or cut losses as soon as possible. The organization should be brave in accepting the short-term buffeting that any new venture inevitably entails but sensible in monitoring carefully both the profitability of each venture and its side effects. The organization should avoid the two extremes either bailing out of a project too early because it seems hard to get a foothold or holding on too long because the project "seems promising" or is in some other sense personally satisfying but not organizationally beneficial.

We have demonstrated that the potential for growth in non-contraceptive expansions does exist. We have also shown that the pathway to success is rock-filled and even successful enterprises like PDA and PROFAM have had their share of failures. One hopes that by following the suggestions and cautions embedded in this document, future expansion attempts by other organizations will have both higher success rates and smoother routes to that achievement. We have learned a good deal about what to do and what not to do. But since much still needs to be learned, it is the final recommendation of this report that some mechanism be developed by the Futures Group or other agency to formally capture and evaluate the experiences of future non-contraceptive

marketing expansions. These case studies involving 23 ventures are only a beginning. In my opinion, this is a direction of development that must grow in future if CSM programs are to become more self-supporting. We owe it to those who will take the risky path to have available and accessible a systematic accounting of the wisdom accumulated by those daring entrepreneurs who have gone before.

APPENDIX A

PERSONAL SOURCES OF INFORMATION

A. Colombia

Fernando Tamayo - President, Profamilia

Miguel Trias - Executive Director, Profamilia

Gustavo Merizalde - Marketing Director, Profamilia

Bernardo Escobar - Assistant to the Marketing Department, Profamilia

Gabriel Ojeda - Director of Evaluation and Research, Profamilia

Lily Bracht de Buchelli - Director of Information and Education, Profamilia

Clorinda Zea de Morales - Director of Local Resources, Profamilia

Ralph Winstanley - Commercial Officer, U.S. State Dept., Bogota, Columbia

Santiago Plata - Latin-American Regional Manager - Contraceptives, Quimica Schering Columbiana S.A.

Jorge Tobon - Director, Togojapa Cia. Ltda. (Independent Distributor of Profamilia products and former Profamilia salesman).

Alberto Rizo, Regional Representative, The Pathfinder Fund

Alcides Estrada, Centro Regional de Poblacion, SOFEMA

B. Thailand

Mechai Viravaidya - Secretary-General, PDA

Tanothai Sookdhis - Director, Asian Center for Population and Community Development, PDA

Jonathan Hayssens - Community Based Appropriate Technology Specialist in PDA

Tony Bennett - Research and Evaluation, PDA and Ministry of Health

Tavatchai Traitongyoo, Deputy Director, PDA

Pairojana Sornjitti, Director Community-Base Appropriate Technology and Development Services Bureau, PDA

Tanaporn Praditwong, Communications and Information Division Manager, PDA

Sirikant Chantamatjanakij, Researcher, PDA

Don Weeden, Intern, PDA and Columbia University's Center for Population and Family Health

Nattaya Navanukul, School and Community Health Unit, PDA

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C. Mexico

Samuel Taylor, Population Officer, USAID, Mexico City

Luis de la Macorra, President, PROFAM

Raul Roca, Marketing Director and Manager, Promatora de Planification Familiar, A.C.

Alberto Moussier, Operations Director and Manager, Laboratorios PROFAM, S.A. de C.V. and Promociones Y Fabraciones Mexicanes, S.A.

David Bricker, Controller General and Manager, CLEM, S.A.

Sergio Orozco, Creative Director and Manager, CREATIVA, S.A.

Manuel Sanchez Posada, Director of Commercial Sales and Manager, Profamilia, S.A.