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FINAL
EVALUATION REPORT
ON
SOCIAL MARKETING PROJECT OF
IMPORTADORA DE PRODUCTOS FARMACEUTICOS, SA
GUATEMALA

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I. EXECUTIVE SUMMARY

In accordance with a contract with the USAID Mission to Guatemala, Population Services International conducted a review of the contraceptive social marketing activities of the Importadora de Productos Farmaceuticos, S.A. (IPROFASA) in Guatemala. Field activities were conducted during April in order to assess nine specific areas identified by USAID as especially important to both USAID and IPROFASA in planning for future activities.

Major findings relating to the nine areas are reviewed below. Sections of this report in which the issues are reviewed in more detail are indicated in parentheses.

The general conclusion of the evaluation is that IPROFASA has conducted contraceptive social marketing activities in full compliance with contractual requirements and in accordance with sound business practices. There are some administrative and management issues that require attention and/or revision, as there are in all modern businesses. Nevertheless this young project has established a viable family planning service delivery system that offers the potential for making a substantial contribution to improved contraceptive use in Guatemala. Of considerable concern to IPROFASA is the

question of "project continuity" which is related to its stated objective of self-sufficiency.

SCOPE OF WORK HIGHLIGHTS

1. The administrative and operational organization were found to be acceptable, and in some cases relatively sophisticated.

MAJOR FINDINGS

- . Detailed manuals have been developed covering critical operational areas of accounting, sales, inventory, credit collection, and the computerized management information system. (Section III)
- . IPROFASA is established according to, and functions in compliance with, Guatemalan laws. Contractual obligations of the organization to USAID are now being satisfactorily met with the exception of a formal and integrated marketing plan as required by amendment no. 3 to the Cooperative Agreement between IPROFASA and USAID. (Sections II, III, and IV.)
- . The computerized data collection system has been carefully structured to include programs that are capable of providing timely information on sales, inventory, finances, and personnel performance. (Sections III and IV)
- . The current organizational structure is flat with few lines of authority. Given the present stage of the project and level of activity, and due largely to the smallness of the organization and the dedication and dynamics of the people involved, IPROFASA functions very well. IPROFASA is aware that project expansion would require revision to its organization. (Section III)

- . Supervision of current operations is adequate. (Sections III and IV).
2. Sales and Distribution operations were found to be professionally planned and managed. Marketing program planning and implementation requires greater definition and documentation of activities to be carried out.

MAJOR FINDINGS

- . The sales manager is responsible for overseeing the sales staff. The current sales manager is relatively new to IPROFASA, but follows proven procedures for supervising and directing sales activities. (Section IV)
- . IPROFASA lacks a formal and integrated marketing plan based on data that specifies the total market potential with which to establish realistic targets and to set objectives, or that presents the strategies for product, price, promotion and distribution to achieve objectives. It is essential that such planning be initiated immediately to provide a basis for logically planned project development and expansion, taking into account legal and socio-cultural conditions in the country. (Sections IV and VIII)
- . The current data/records keeping system is a well-designed computer-based system that could be highly useful as a management tool but which is not being utilized to its maximum potential. (Section III)
- . The current publicity campaign was designed to be low-key and unobtrusive in order to establish that contraceptives could be "advertised" without creating negative reactions. This has been established with positive reaction from the trade. However, it is necessary to implement a more intensive communications campaign that will reach a broader consumer base and provide greater support to trade members selling the products. IPROFASA should receive additional financial resources to introduce and sell contraceptives to

the indigenous population which represents a large segment of the project's social market, and which is difficult and expensive to reach, for cultural as well as geographic reasons. (Section IV)

- . Pricing policies for IPROFASA products have been guided generally by the philosophy of social marketing. Profit margins to the trade are set by law as well as custom, and the current prices are sufficient to encourage trade participation. However, in order that products be made more accessible to low-income groups, including the indigenous population, current and future price structures should be further evaluated. (Sections IV and V)
- . The current line of contraceptive products is adequate. Varying packaging configurations could be reviewed to serve a broader consumer base. The addition of other products is under consideration; decisions should be made in keeping with its social goals especially as they relate to social marketing. Additional products should be closely related to health, family planning, and/or nutrition. (Sections IV and V)

3. Logistic systems within IPROFASA are excellent.

MAJOR FINDINGS

- . Packaging is being carried out according to established procedures and norms. Retailers report satisfaction with the supply system, noting that stock-outs have not occurred. (Section IV)
- . No particular problems were found with the off-shore procurement process. Products arrive expeditiously and orders for supplies are filled in a timely fashion. (Section IV)

4. Visits to selected pharmacies, in conjunction with conversations with IPROFASA staff, indicate a substantial black market activity in Guatemala. The

only course available to IPROFASA to reduce the black market to its advantage is to position and promote its products in competition with contraband and to take advantage of the "brand loyalty" phenomenon found generally in marketing. (Section VII)

5. The current accounting system includes procedures and a chart of accounts, and has been classified by an independent auditor to be in compliance with standard accounting practices. Cost analyses have been undertaken.

MAJOR FINDINGS

IPROFASA has experienced only one disallowance, and that was early in its operations. Based on an internal audit carried out by USAID, all deficiencies in accounting have been resolved. Independent financial audits are conducted by Tuncho, Granados and Associates, representatives of the firm of Deloitte Haskins and Sells, an internationally recognized firm of good repute. (Section III)

IPROFASA is currently reviewing its personnel policies regarding employment procedures and pension plans to address both employee needs and to be competitive with other commercial firms. At the present time salaries and benefits for administrative and management staff of the firm are below market standards and increases do not keep step with the current inflation rate. Accordingly IPROFASA may wish to conduct a review of its salary scale and benefits package with an

aim to adjustment of compensation plans to make them more commensurate with the sector in which it operates. Increases could appropriately be linked to consumer price indices, or some other relevant formula. (Section III)

Two cost-analysis studies have been conducted to measure progress towards, and ascertain the feasibility of, reaching a "break-even" point. One, based on an analysis of subsidized products and market growth concludes that break-even is not feasible in the foreseeable future. The second results in an overly optimistic projection of when and how break-even may occur. The former study is more realistic. (Section VIII and Appendix B)

6. IPROFASA has devoted considerable time to studying the issue of project continuity, specifically as it relates to self-sufficiency, and has considered the addition of traditional consumer products in order to generate more revenue. Reaching a "point of equilibrium" in the foreseeable future is not possible without serious jeopardy to the social intentions of the project. Alternatives are nevertheless discussed. (Sections V, VIII, and Appendix B)

7. At the time of the review (April 1987) IPROFASA had been selling products for 21 months. Total sales during 1986 represents the delivery of 13,000 couple-years-protection, or approximately one percent of Married Women of Reproductive Age in the country. The net cost per CYP is Q31.38 (US\$ 12.55). Comparatively speaking this performance is good. For

example, Honduras launched products in 1984, and during that year achieved a CYP of 7900, or approximately 1.4% of MWRA. El Salvador, where CSM products were launched in 1978, delivered approximately 16,000 CYP during 1984 (2.3% of MWRA) at a net CYP cost of \$14.56 which includes the cost of condoms distributed through vending machines. (Section VI)

8. Continued technical assistance to the IPROFASA project will assist in developing and implementing, or completing, vital tasks including a marketing plan; training in strategic planning and computer system applications; streamlining administrative and financial procedures. It will also help with orderly and data-based long-range planning for future project development. (Section IX)

II. INTRODUCTION

Importadora de Productos Farmaceuticos, S.A., (IPROFASA) was incorporated in November 1981. On 31 August, 1982 an agreement was signed with USAID/Guatemala through which both financial assistance and materials are provided to support IPROFASA's contraceptive social marketing project (CSM). In July 1983, the Board of Directors acquired the services of Sr. Jorge Mario Ortega as General Manager. A Resident Technical Assistance Advisor to IPROFASA began work in May, 1984. Three contraceptive products were launched in July 1985, and a second condom was introduced in January 1987. At the present time CSM products being sold include Scudo and Pantera condoms, Lirio vaginal tablets, and Perla oral contraceptives.

According to IPROFASA's sales records, from July 1985 through December 1986, the total sales have provided revenue totalling Q391,235 (See Appendix A). During 1986 13,028 couple-years-protection were delivered at a cost per couple of approximately Q31.38 (US \$12.55), which has been calculated in the following manner:

Total 1986 Operating Costs	Q705,670
Less Total 1986 Revenue	296,786
=	
<u>Total Net 1986 Operating Cost</u>	<u>408,684</u>
Couple-Years-Protection Provided	13,028
=	
Cost per Couple-Year-Protection	Q31.38
(1 US \$ = Q2.50)	

The corporate objectives of IPROFASA are stated in very broad terms to:

1. Decrease the birth rate, and
2. Focus on classes of consumers at social and economic disadvantage.

According to corporate documents, these objectives are to be accomplished through the social marketing of contraceptives. As an additional aspect, the project is charged with meeting its objectives as well as attaining project self-sufficiency. The agreement with USAID, currently effective through December 1987, incorporates the corporate objectives as project objectives.

USAID Guatemala further characterizes the IPROFASA CSM program as a "social experiment" to "position and

market quality contraceptive products so as to bring them within the reach of the economically disadvantaged segment of the Guatemalan population."

The current Cooperative Agreement between USAID and IPROFASA will conclude in December 1987. Through Population Services International USAID contracted for an evaluation of the project to provide an "objective and practical assessment of IPROFASA's performance," "and to make recommendations which can improve performance where necessary and assure its continuity and a viable business venture with a social purpose."

In April 1987 Robert Ciszewski and George Kraus initiated a review of IPROFASA activities to provide such an assessment. During planning meetings with USAID staff, concerns were confirmed to be general management and project continuity requirements. The social impact and potential of the project were emphasized as key issues for USAID.

The team reviewed project documents, sales reports, and conducted interviews with IPROFASA directors, management, and staff. Time constraints

precluded intensive field work, but a limited number of visits to pharmacies, the primary outlets for IPROFASA's products, were made to meet with shop staff and owners to ascertain if there were any significant problems or other observations from the field. The original project agreement and the subsequent six amendments, were also reviewed in relation to the commitments of both IPROFASA and USAID. Amendment No. 3 of April 27, 1987, changed the amount of USAID's obligation of funds from \$1,908,000 to \$2,501,063 and established key actions of IPROFASA, including the preparation of a "Market Plan."

The report that follows presents the major findings and recommendations of the review.

Part III provides a review and analysis of IPROFASA's administrative and operational systems, including Inventory Management, Logistics, Management Information Systems, Personnel, Operation Manuals, Organizational Structure, and legal matters.

Part IV provides a review and analysis of marketing management and sales, including the sales force, market planning, sales incentives, publicity campaign, and pricing.

Part V presents a discussion regarding project continuity and related issues.

Part VI reviews performance indicators and presents data from other countries.

Part VII reviews the black market and its implications for IPROFASA low cost contraceptives.

Part VIII is a critical review of planning processes and needs, especially related to revenue projections.

The report also provides discussion of additional technical assistance (Part IX). The major findings presented to USAID at the conclusion of field work are summarized in Part X.

III. Administrative and Operational Organization

The Administrative organization of IPROFASA is flat with The Sales Manager, Accountant, Chief of Credit Collections, and Warehouse Manager all appearing on the same level in the current organization chart. However, conversations with all department heads and employees concerning job descriptions, work flow, and information systems confirmed that, in terms of administration and organization, the firm, with fourteen employees, functions effectively. IPROFASA is able to coordinate and communicate internally. This ability is facilitated by the dynamic leadership provided by the General Manager. Also, the firm adheres to the procedures and guidelines established in a series of administrative manuals that provide IPROFASA a coherent administrative and operational structure.

A. Internal Operations

IPROFASA has developed five basic administrative manuals since 1984, that cover product inventory, accounting, sales, and management information. These manuals, described more fully below, provide IPROFASA the necessary ingredients for efficient, effective administration and management.

Manual de Normas y Procedimientos Administrativos
(MNPA).

The MNPA contains job descriptions and procedures for warehouse and physical inventory management. The procedures and formats contained in the MNPA were checked against actual warehouse procedures in use by IPROFASA. The MNPA procedures and inventory formats are being consistently used by IPROFASA personnel. The warehouse/inventory system is in conformance with accepted warehouse inventory systems.

Manual de Normas y Procedimientos Contables (MNPC).

The MNPC contains job descriptions for accounting personnel and specific accounting procedures including the chart and systems of accounts, and formats that are currently in use. The accounting system as designed in the MNPC has provided a basis for organizing financial reporting to AID and the Government of Guatemala (GOG). The independent auditor for IPROFASA in Guatemala (Tuncho, Grandos, and Associates) has, found the firm's accounting system to be in conformance with generally accepted accounting standards.

Manual de Normas y Procedimientos de Creditos y Cobranzas (MNPCC).

The MNPCC contains job descriptions, procedures, and formats for the administration of IPROFASA's credit and collection department. The credit collection system as presented in this manual has provided the organization with an excellent tracking system to monitor credit sales which, from the period of July 1985 to September 1986, comprised 73 percent of total sales.

. Manual Interno Departamentos de Ventas (MIV).

The MIV contains job descriptions for the sales manager and salesmen. It also describes routines for the daily activities and responsibilities of the sales force, and includes formats currently in use. The described procedures in the MIV have established the pattern of operations and the manual serves, in fact, as an operational manual for the sales force.

. Manual de Sistema de Informacion (MSI).

The MSI is a users guide to the IPROFASA management information system which has been developed for accounting, inventory, credits & collections,

sales, and management. The users guide is continually updated as the MIS is upgraded or expanded.

B. Personnel Administration

I PROFASA's management has a keen awareness of its obligations to employees especially since advancement in a small organization is not readily available as a form of incentive. Consequently, compensation in salaries, commissions, bonuses, social benefits, and other activities such as training, are important and necessary to retain staff and provide employee continuity.

Having identified employee benefits as an important aspect of I PROFASA's personnel policy, management opened an accrued benefit fund in January 1987, and steps are now being taken to increase this fund to a level that corresponds to its obligations in accordance with GOG regulations and I PROFASA policies.

A further aspect of employee relationships which the General Management considers important is I PROFASA's special vulnerability to any action or claim against it by an unhappy employee or ex-employee.

Discussions of the above issues with IPROFASA management and financial staff pointed directly to some needed adjustments and refinements to the current personnel policies.

Recommendations: First, IPROFASA should develop a formal policy regarding accrued employee benefits and take the appropriate actions to either 1) increase the accrued employee benefit fund, or 2) pay out at the end of 1987 all accrued benefits and sign annual contracts with employees. The second option is a practice used by other firms in Guatemala. Since there is currently a sufficient positive balance in IPROFASA' income account, deposit of accrued benefits in the fund or payment is financially feasible.

Second, to ensure that IPROFASA's position is defined and that employees are well informed, the firm should develop a policy (codigo de Trabajo de la Empresa), that details how the benefit plan operates, describes leave and vacation policies and procedures, explains performance evaluation procedures and schedules, and defines bonus and commission plans for the entire staff.

C. Financial Management

Since January 1985 IPROFASA has managed approximately Q1.3 million of USAID donations of funds and materials,

total sales revenues of Q472,863 (through March 1987) and disbursements of Q1,028,404 (through December 1986). In terms of monthly financial reporting to USAID/G the only disallowances noted to-date were made in the 1983-1984 period. These most likely resulted from the difficulties and uncertainties involved in project start-up. The majority of these disallowances were the result of overcharging line items.

Beginning in January 1985 IPROFASA has effectively prepared and provided timely financial reports required by USAID. Independent audit reports covering the period 1982-86 conducted by Tucho, Granados and Associates, affiliated with Deloitte, Haskins & Sells, find that IPROFASA has maintained its financial records in accordance with generally accepted accounting standards.

All financial management activities, including cash management, general ledger, budget preparation, balance sheets, P&L statements, voucher preparations, etc., have been computerized (see Section III.D. below,). This has allowed IPROFASA to reduce by 30 days the time required to prepare a monthly voucher submission to USAID.

D. Management Information and Control Systems

IPROFASA has benefitted from local technical assistance in the development of a management information

system (MIS). It has acquired more computer hardware and software than a less-capitalized or subsidized firm would be able to procure. The data base management software in use is Dbase III, and programs have been developed for accounting, inventories, credit and collections, and sales. Reports provide timely information to IPROFASA management and there is sufficient flexibility in the software to make any modifications necessary to match the firm's growth and changing needs.

There is general agreement among IPROFASA management, the resident advisor, and the local MIS consultant that personnel training is important if the system is to be utilized to its full capacity. Secretaries, for example, are not as yet taking advantage of the system's word processing capabilities, nor is management fully conversant with the facilities of Dbase and the Lotus spread sheet.

RECOMMENDATION: IPROFASA should dedicate time to on-the-job training on the computer and data system to all levels of relevant staff.

1. Inventory and Commodity Logistics

The central inventory system is part of the MIS system which can deliver accurate and up-to-date information regarding all aspects of inventory

management, material flow, stock positions, distribution, and sales. Daily updates facilitate all phases of supervision, decision making, and audit functions.

The inventory system contains information by each product and a manager may secure instantaneous information concerning bulk stock in hand, packaged stock, value of inventory, last entry, last shipment, and reorder point.

The physical inventory of materials and products is currently maintained in a 200 square meter space attached to the first floor of the office building. It is well situated, orderly, and clean; it contains areas for bulk storage and packaging, and final product storage.

The current reordering system to calculate annual product needs and multi-year projections will soon be superceded by another system designed by AID, and therefore should be better suited to the AID commodity ordering system.

I PROFASA management is satisfied with its current repackaging operation. No difficulties with material flow have been noted. Interviews with sales

staff confirm that products are available in active inventory and that no sales have been lost nor deliveries delayed due to lack of finished product.

Warehouse space expansion within the same office building is currently under consideration. IPROFASA is projecting a 20% annual increase in sales, and anticipates that additional space will be necessary to support this increase. However, while IPROFASA does maintain a cost or value of inventory, it has not calculated all costs of carrying an inventory. This is a necessary element in the decision making process to measure the optimal size of inventory, and thus estimate how much warehouse space is required. A warehouse needs analysis should include an analysis of the entire logistical operation.

RECOMMENDATIONS: The following recommendations are based on the findings from the review of the inventory and commodities management procedures.

1. IPROFASA should complete an inventory carry-cost study that includes personnel time, obsolescence, rent, office materials,

and so forth. Such a study would also facilitate additional calculations, such as economic order points, should these become practicable.

2. IPROFASA should conduct a warehouse space sizing study based on current needs and projections of inventories over the next five-year period. A formal calculation of this nature covering space and conditions necessary for bulk storage of product and materials, packaging, and active inventory would provide management with a quantified basis for planning and decision making.

E. Other Operational Issues

Discussions with the IPROFASA Board of Directors, the General Manager, Resident Advisor, and Financial Officer indicate that the firm is completely aware of all the issues that require attention. A few items bear mentioning or repeating here to be sure they are not overlooked as IPROFASA plans for the future.

1. Product Registration

Product registration (Registro Sanitario) and brand registration (Registro Mercantil) have been accomplished or are in process for all IPROFASA and the commercial distributor for Syntex products, whose registration for the Noriday Pill is due to expire in July 1988. Fortunately, the brand registration for IPROFASA's Syntex product, Perla, covers a ten year period, and overlaps the commercial distributor's five year Product Registration period. It would be prudent at this time for IPROFASA to define the Syntex distributor's position regarding the re-registration of the product.

The IPROFASA product is marketed as Perla, which ensures IPROFASA an advantageous position during any negotiation that might be necessary. Nevertheless, IPROFASA should consider contacting the Syntex distributor far enough in advance of the expiration date to ensure that the Syntex Distributor remains willing to re-register the product under the terms of the original agreement. Presumably IPROFASA's General Counsel is the best source of information on this item.

2. Employee Benefit Plan

To ensure that the accrued benefit fund established by IPROFASA is in full compliance with GOG labor laws and regulations, and that the employees are well informed of the fund, it is recommended that assistance be acquired to formalize the plan and policies currently under consideration by the firm.

3. Organizational Structure

As noted in Section A above, the current organizational structure of IPROFASA is functioning effectively. However, should IPROFASA enter into a significant growth phase, and/or actually include traditional marketing and distribution of selected products or lines, management of the organization would benefit from delineated departmental responsibility. The chart in Figure 1 is illustrative of a reorganization possibility that would facilitate management control. Under this schematic, the G.M. would have two direct reports; also, IPROFASA would then have a structure to assist it develop a mid-level management capability, which would allow the G.M. more time for strategic decision making,

delegating many of the daily operating decisions
to the Marketing Manager and
Administrative/Finance Manager.

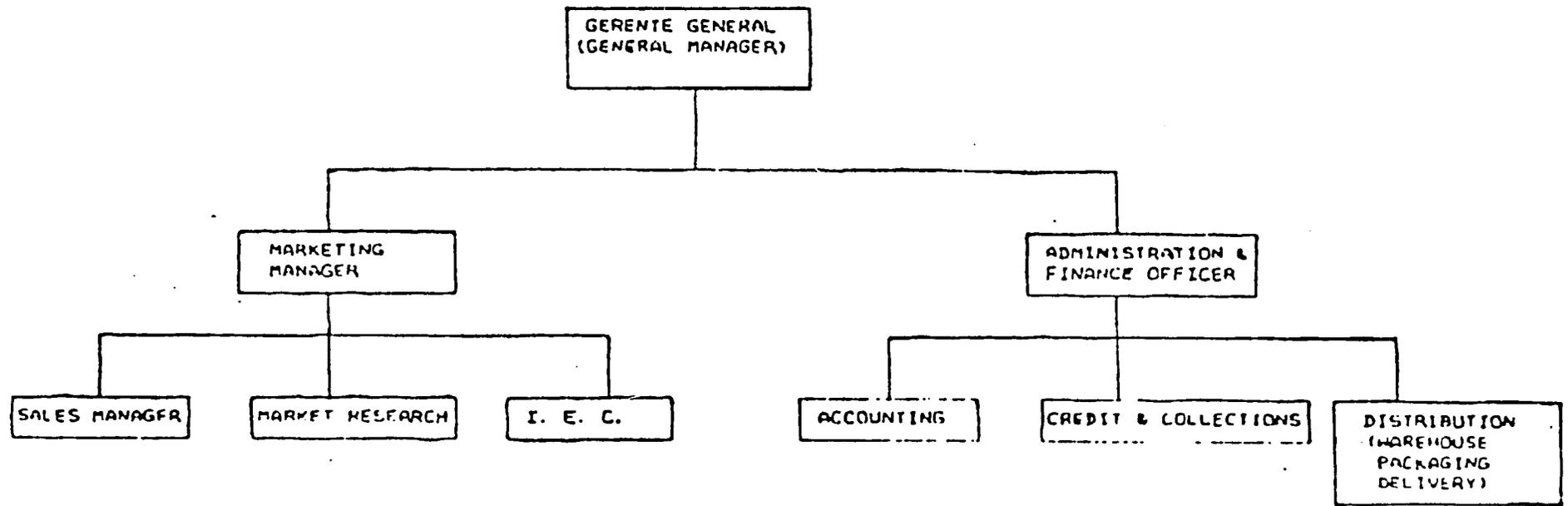


FIGURE 1: Potential Reorganization Scheme

IV. SALES AND MARKETING

The sales and distribution activities of IPROFASA are conducted according to classical business approaches. The organization has established procedures and an infrastructure that function effectively.

The total "marketing" operation is guided by an implementation plan that, while adequate for project initiation, lacks a comprehensive approach required for effective long-range strategic planning and goal setting.

A. Field Sales Force

IPROFASA presently has a sales staff consisting of a sales manager, and three salesmen. A medical representative is on staff (they are contemplating adding another) to promote Perla to physicians. The country is divided into 3 sales zones each of which is arranged geographically to include a part of the capital city. Tour schedules are carefully planned on a 5-week cycle, 3 weeks of which are spent outside Guatemala City. The Sales Manager (who has only recently joined the company) travels 7-10 days per month checking on the accuracy of call

reports and generally making sure the sales force is doing its job, which includes, in addition to checking stocks and taking orders, collection of money and payment of bonuses to retail clerks.

Each salesman is expected to average about 12 calls per day. With three salesmen, therefore, the country's 650 outlets are easily covered at least once during each 5 week schedule; more important outlets are visited more frequently.

Additionally, shopkeepers can and do telephone orders into the head office, which arranges delivery of the products. According to shopkeepers interviewed both in and out of Guatemala City, IPROFASA provides excellent service and stockouts seldom occur. The response time and frequency of visits is obviously very good.

RECOMMENDATION: In brief, the sales staff appear to be well-chosen, well-supervised, and have high motivation. No changes are recommended with regard to their performance or supervision.

B. Sales Incentives

1. Staff Incentives

The sales staff, including the medical representative(s), now receive a commission based on sales. Presently a salesman is allotted 5 percent of money collected for sales to retail outlets in his territory; the medical representative receives a cash commission based on overall sales of Perla. The sales manager receives 1-1/2 percent of sales collections from all products.

In addition, there are monthly, quarterly, and annual cash prizes for exceeding quotas, and all salesmen share equally the 5 percent commission on sales to wholesalers regardless of location.

Sales personnel say they are content with this arrangement, although the commission for exceeding quotas has not been paid for several months due to low sales.

Establishment of sales targets or quotas is a difficult task, especially during the early stages of a CSM project when the products themselves have no sustained sales history and the potential is not known.

Every employee, from the general manager to office boys and drivers, have a part in making the enterprise a success. In order for every employee to assume a personal interest in sales performance; a motivation is needed. A small annual bonus based on total sales could activate that interest, impart a complete "team" operation, and engender loyalty to IPROFASA.

RECOMMENDATION: With some 21 months of sales experience to analyze, IPROFASA should consider re-assessing its sales commissions with a view to making the targets more realistic.

RECOMMENDATION: Strong consideration should be given to including all staff, not just sales personnel, in the scheme.

2. Retail Incentives

By mid-1986 there was some suggestion that continuing emphasis on sales bonuses and purchase incentives might be resulting in overstocking at retail levels. Reorders during the past two quarters have indeed been low. (See Section VI, Figure 2.) This indicates that retailers had more than adequate stocks on hand, probably as a result of the various distribution incentive schemes.

Viewed from a broad perspective, overstocking is not a negative factor. It is essential for any prime distributor of a consumer-goods sales effort (especially one involving social marketing of non-traditional items such as contraceptives) to achieve the widest and quickest distribution possible. The distribution objective of social marketing is to put products within convenient reach of consumers. This IPROFASA has done, and if there was overstocking it seems a fair price to have paid. As the market becomes better defined and the products better known and accepted, consumer demand will reduce the need for excessive incentives to retailers to carry the products. Nevertheless, incentive bonuses utilized to date have served their classical purpose: to stimulate sales to retailers and achieve fast and wide distribution.

RECOMMENDATION: Henceforth bonuses should be used in more traditional fashion with the purpose of increasing distribution laterally (i.e., to new outlets) and introducing new products and packaging.

C. Sales Record Systems

Sales records are part of the overall management information system described in Section III. The design is excellent and has the capability to provide immediate

product performance data broken down by sales representative, type and location of outlet, credit information, averages, etc.

D. Publicity Campaign

At the present time product promotion relies heavily on point-of-sale materials, augmented by brand specific radio spots and press ads which include a general theme of happier families. Currently, the new Pantera condom is not being promoted.

1. Current Status

Retailers as well as project staff are enthusiastic about the quality and soundness of the advertising and promotion campaign. It is low-keyed and dignified yet produces excellent recall statistics. Management believes the IPROFASA advertising campaign has contributed to "desensitizing" family planning products and has helped demonstrate to the more conservative urban element that the mention of a contraceptive in mass media will not result in negative public reaction.

From the beginning there has been an element of tension or apprehension about consumer advertising of these

"delicate" products. However, there has been no adverse reaction to date, and experience in other countries supports the likelihood that none will develop.

The campaign, although cautious, is planned to (and must) become by stages more explicit, to provide more information via a wider variety of media. IPROFASA must continue to insist that the agency be innovative and, to the extent possible, probe public opinion and test reaction. Focus group research is now underway and may reveal areas of weakness and identify potential for improvement, but the campaign to date has obviously been well planned and executed.

2. Future Needs

One area which now must receive a good amount of promotional attention is the "indigenous" market. Steps are already underway to test certain facets of this market; more can be and should be done. This large and difficult-to-reach segment of the population is a critical one in family planning terms.

RECOMMENDATION: A series of separate in-depth studies should be undertaken to 1) identify constraints to family planning with the important indigenous communities, and 2) develop and test motivational approaches via appropriate

media to overcome these constraints. This task, while not easy, can be accomplished; until it is it will not be known to what extent this community can be persuaded to adopt family planning.

3. Special Considerations for Pantera

One additional point about the recently-introduced condom, Pantera: The decision was made not promote this brand with consumer advertising or point-of-purchase display materials. This decision is linked with IPROFASA's felt need to generate financial return to the program; it was feared that sales of low-priced Pantera would impact adversely on sales of Scudo.

- This decision should be re-examined. The product was designed for a market segment other than Scudo's, and is more likely to compete with contraband products than with IPROFASA's. (See Section VII.) Developed for a different market segment (and it should be so placed and promoted), Pantera, with low packaging costs, could become an important source of income and provide the consumer with a wider choice. It must, however, be advertised and promoted heavily.

RECOMMENDATION: Discussions regarding Pantera promotion should be reopened and decisions reassessed. CJR

E. Pricing

In 1987 IPROFASA instituted price increases for all products. Pantera was launched with a retail price of Q0.50 per piece. Scudo, Lirio, and Perla are now Q1.75 (3 pack), Q1.25 per 4, and Q2.00/cycle (U.S. \$0.60, 0.50, and 0.80) respectively. Commercial retail prices for condoms range from Q1.00 to 4.50 per 3-pack with a variety of pack/price configurations. Neo-Sampoon is sold for Q8.06 per 20.

Although shopkeeper opinion largely supports the contention that consumer prices for the CSM products are appropriate, one question comes to mind: Is the price of Scudo, which works out to some Q0.58 per application, too high? Lirio costs Q0.31 per application, for example, and sells better than Scudo.

Research being planned on consumers' opinions about project prices, and the upcoming internal pricing review will further examine this question. Consumer reaction to Pantera can be studied once proper promotional support is provided. Scudo, unlike most socially-marketed commodities, does not enjoy a clear price advantage in the marketplace. It is, in fact, priced within the range of other condoms on

the market. If management finds that Scudo is overpriced, options would be to shift promotional emphasis to Pantera or to simply lower the price of Scudo.

In any discussion of price it should be noted that pressures for self-sufficiency inevitably create the temptation to raise prices. This must be resisted, unless management is certain that the higher price is affordable by the target market. Price increases otherwise only cut off the lowest end of the very market segment which the project is designed to serve.

F. Adequacy of Product Line

1. Contraceptives

The product line has taken a normal course by social marketing standards. Beginning with the classical one condom, one oral, and one spermicide (and including an ill-advised attempt to market a condom spermicide combination package, which failed), the project has now added a bulk-packed, lower-cost condom (Pantera), and is preparing to introduce a low-dose oral.

With the product line "complete," including two brands of condoms, two orals, and a vaginal spermicide, some experimentation should be done with packaging size and

presentation. For example, Scudo and Lirio might be offered in boxes of 6 or 12 at lower per-unit prices, thus offering consumers a price break and at the same time increasing IPROFASA's margin by lowering packaging costs. Of course, crucial to any decision to offer larger presentations is the question of whether the project's target consumer can afford to buy in larger quantities, even at a lower per-unit cost.

RECOMMENDATION: Management should take under consideration the question of offering a greater variety of package sizes.

Also, should it become appropriate to do so, we suggest that IPROFASA be encouraged to add a socially-marketed oral rehydration product to its line. We understand that constraints currently exist which make this difficult, but IPROFASA should remain alert to opportunity in this area.

G. Marketing Planning

As noted elsewhere in this report, contractual obligations to USAID now include the preparation of a marketing plan. In the absence of a marketing plan, IPROFASA's strategic planning remains cursory and short-term. Implementation plans were prepared for 1986

and 1987, but fall short of providing decision makers with a basis for 1) projecting market and revenue; 2) projecting CYP and cost per CYP; 3) assessing and planning elements of the marketing mix; 4) determination of additional products (in relation to CSM activities) and any other products for commercial sales.

There is no substitute for business and marketing plans that specify objectives and include analysis of cash flows (See also Section VIII). The process required to produce such a document will be especially valuable to management, not only in establishing realistic objectives and performance assessment guidelines, but also by forcing managers to consider and participate in developing strategies and time-frames which often are ignored or forgotten in the press of day-to-day problem solving.

Marketing is a dynamic activity, which, in many ways, does not lend itself to rigid planning. Nevertheless, a marketing plan is an essential blue-print to guide strategy development and implementation and to gauge progress and identify problems and opportunities that are responsive to market changes. IPROFASA must be allowed the flexibility to operate outside the plan as changeable market conditions dictate.

RECOMMENDATION: IPROFASA, the Resident Advisor, and USAID Project Officer should participate in the development of a marketing plan with a specified deadline. Since marketing plans are constantly revised, the plan should not be considered a definitive document, and needs to allow IPROFASA the flexibility to operate according to market changes. But it should include all activities including needed market research, financial requirements, and revenue projections. It needs to be based on the primary goals of the organization and must reflect IPROFASA's complete experience via a diagnostic of both internal and external environments. The resulting more reliable income projections will help define the kinds of subsidies necessary (from whatever source) or the types of products needed for continued activity.

V. SELF-SUFFICIENCY: SOME CONSIDERATIONS

It is generally recognized by all parties that IPROFASA cannot generate (with a line of socially marketed products priced to reach the economically disadvantaged) enough income to offset even the moderate expenses needed to continue operating. (See also Section VIII and Appendix B.) If the service it is performing is deemed valuable, and USAID wants to continue sponsoring a social marketing project, then the alternatives, broadly, are to:

1. Continue financing all of IPROFASA's costs, or
2. Encourage and assist them to earn all or part of their expenses.

With regard to the first, there apparently exist political and economic considerations which narrow the viability of this option. Paramount among these may be the fact that the current donor cannot commit to indefinite support of any enterprise, however developmentally sound. On the assumption that this is the case, the discussion which follows is largely directed toward the second of the above alternatives. However, the first is, in our opinion, the more attractive, and, if it is not impossible, the

rationale in Section A below should be strongly considered. Section B presents considerations regarding self-sufficiency.

Discussions regarding both alternatives presupposes that USAID will continue to provide donated contraceptives at levels permitting IPROFASA to confidently work toward market expansion.

A. Continued Subsidization

IPROFASA presently devotes its corporate resources to the pursuit of a social goal. Withdrawal (or substantial diminution) of USAID funding, particularly at this early stage of the organization's brief history, would force IPROFASA to redefine its purposes and the nature of its business. At this point it appears highly unlikely that IPROFASA, obliged to fend for itself in the marketplace, would continue a single-minded concentration on low-demand, low-return contraceptives. USAID's continued presence assures, certainly in the short term, and likely in the longer as well, the operation of a well-run marketing organization with great potential for social good. Conversely, USAID's absence will certainly weaken this potential.

I PROFASA was established at no small cost to AID. Its failure as an independent commercial enterprise, or its continued operation at only marginal demographic and humanitarian impact, would multiply this cost substantially. Moreover, the cost of its continued operation under full subsidies can be meaningfully evaluated only in juxtaposition with comparable data: Is delivering non-clinical contraceptives to the poor through I PROFASA expensive? The question can only be addressed by considering the alternatives quantitatively. An a priori judgement might conclude that social marketing would be more cost-efficient in that most of the physical and human capital involved in handling the contraceptives would be paid for by the consumers. In any event, should USAID wish to continue to pursue population objectives in Guatemala, it is by no means clear that the funds required for subsidies to I PROFASA could be as well or better invested elsewhere.

The recommendation therefore is (recognizing that it may not be possible) that AID continue to completely subsidize I PROFASA and use its legitimate influence as donor to limit the organization to social marketing. I PROFASA would then be encouraged as it matured and developed its expertise to broaden its product line to include other, similar goods and services of clear social value: products such as oral rehydration salts, and

concepts such as small family norms, breast feeding, vaccination, AIDS prevention, etc. Such additional activities are justifiable in and of themselves, but would have the effect of enhancing the cost-efficiency of IPROFASA still further.

If the situation does not leave that option open, the question becomes one of how--and to what extent--to help IPROFASA operate without USAID cash subsidies. The following section briefly outlines certain basic options and points out risks and opportunities in each.

B. Self-Sufficiency

USAID must recognize, first, that there are trade-offs involved. Emphasis on the social goals of IPROFASA will inevitably diminish as the struggle for profits (read "survival") takes more of everyone's time and attention. The challenge is to select the compromise which provides the best likelihood that IPROFASA will preserve a satisfactory degree of commitment to its social goal of serving the economically disadvantaged. Below are presented a series of options for USAID consideration to address the issue of self-sufficiency:

1. A primary approach would be to hire IPROFASA to distribute contraceptives, based on a system of payment by units sold. For example IPROFASA would be paid an additional amount equal to (or greater than) its own markup on such products, thereby making the socially marketed products as lucrative (or more so), percentage-wise, than other items.

This option would make contraceptive products profitable to IPROFASA and thereby assure them some level of priority on sales schedules. USAID would necessarily have to insist on certain geographical standards in distribution as well as a balance of types of outlets and product mix. It would also be necessary to require substantial levels of consumer promotion to assure that products were getting to the ultimate consumer. These requirements would need careful monitoring, which USAID might find difficult and expensive to provide. In short, while not impossible, this option could be very difficult to manage.

2. Another option would be to schedule a specified diminishing subsidy (say over five years), tied to demanding but achievable contraceptives sales performance, and verified by audit. IPROFASA would receive this subsidy so long as satisfactory

progress--in distribution as well as in market expansion--were demonstrated. This also carries many of the same difficulties as above.

A wide variety of other possible combinations of contractual arrangement exist. They are diverse with so many variables, that an adequate presentation would require an in-depth examination beyond the scope of this assignment. The more likely options could be more readily developed by the technical assistance contractor for consideration by USAID. Such information would assist USAID to calculate the marginal costs of providing contraceptives through a variety of schemes in social marketing and to compare these alternatives with other types of distribution systems. It may well be that the cost of subsidizing IPROFASA would prove a more desirable than investment in other types of contraceptive delivery.

RECOMMENDATION: The technical assistance contractor should examine in depth a variety of contractual options and present alternative recommendations to USAID. This examination should include comparative projections of costs to USAID to completely subsidize IPROFASA for a further period of 5 years.

C. Comments

The argument for IPROFASA to raise all or part of its own funding is based on the assumption that the most reasonable way for it to acquire earnings to support its social goals is to add lucrative products to its line. IPROFASA was formed to operate in the marketplace and is now a competent sales organization. To minimize erosion of its social objectives it is recommended that any "diversification" of product line be limited to products which can be promoted and sold via the same outlets (presently pharmacies, for the most part) which retail contraceptives. Additionally, unless there are strong financial reasons to the contrary, we suggest that these added consumer products should be associated with health, family planning and/or nutrition, in keeping with the image sought by IPROFASA, and in accordance with its social corporate objectives.

It should be noted, and perhaps emphasized, that the addition of for-profit products to IPROFASA's product line does not guarantee its viability as a marketing organization, or even its survival. Many--if not most--small businesses fail, and the fact of having equipment, premises, systems, and some experience in the

marketplace does not assure IPROFASA of success. USAID should be aware of this, and should be prepared, should the occasion present itself, either to bail it out or see it disappear.

D. Conclusions

IPROFASA's board and management are more than willing to continue to operate purely as a social marketing organization. The goals of the company and its potential for providing social benefit are well recognized. At the same time, lacking believable assurances to the contrary, management has to prepare for the worst: in this case, withdrawal of USAID support. IPROFASA's proposed entry into other activities which, it is thought, could provide funds to continue social marketing shows due concern and proper caution under the circumstances. But, provided with a reasonable guarantee of continuing USAID support, IPROFASA would be able to singlemindedly pursue its social marketing activities, and would likely succeed.

On the other hand, if forced into a too-hasty emphasis on self-sufficiency, the social marketing function of IPROFASA will be weakened. The quest for profit will interfere, to a greater or lesser extent, with the delivery of contraceptives to low-income users, and with the recruitment of those users. For this reason USAID should develop a specific and detailed examination of the many

options and combinations available, to be able to more accurately assess the amount of emphasis on social goals which is likely to be sacrificed in return for a lowering of its long-term financial commitment.

Finally, USAID should realize that family planning and contraceptive social marketing are long-term activities and that self-sufficiency in social marketing is not necessarily more urgent than self-sufficiency in, say, a ministry of health or an international development agency. IPROFASA should be relieved, to the extent possible, of the burden of worrying about self-sufficiency, and allowed to get on with the tasks at hand.

VI. PERFORMANCE INDICATORS

CSM performance is measured in both demographic and economic contexts. Demographic results are presented in terms of couple-years-protection (CYP) provided through product, distribution, and sales, and the percent of MWRA covered. A general standard to derive one CYP is 100 condoms and vaginal tablets, and 13 cycles of oral contraceptives.

Economic or "cost efficiency" results are measured in terms of net CYP costs, which includes calculations of revenue return.

The progress that IPROFASA has made in terms of CYP and cost efficiency, considering that it is a young program, with distribution primarily through pharmacies, compare well with other projects in the region. Data from larger, more mature programs, that do not have a self-sufficiency requirement, demonstrate the potential to deliver vast quantities of contraceptives at a relatively low net CYP cost.

A. Distribution

Distribution coverage, which by end 1986 included some 650 pharmacies as well as some other categories of retail

outlets, is adequate. IPROFASA has not as yet taken steps to significantly expand distribution to other types of outlets. IPROFASA had originally planned to include small stores, supermarkets, and gas stations in its distribution chain. Expanded coverage and increased consumer promotion usually result in increased sales and the gap between costs and revenues then begins to show significant reductions. (See 2. CYP Cost below.)

Projects around the world which have achieved relatively high coverage of MWRA (e.g., Bangladesh 7.7%, Egypt 7.2%, and Jamaica 13.2% in 1984) have extended distribution programs through a wide variety of outlets.

RECOMMENDATION: IPROFASA should develop a step-wise plan to broaden its outlet coverage. Such a plan could include a study of cost implications, contribution to social goals, and estimated changes in revenue.

B. Sales and CYP

Sales, while moderate, are satisfactory. Using the measurement most commonly applied to CSM programs, the IPROFASA project sold in 1986 enough contraceptives to provide some 13,000 couple years of protection (CYP). This amounts to 1 percent of the estimated 1.3 million MWRA, and indicates adequate progress for a young program.

Unit sales and CYPs during selected periods are presented in Figure 2. Diminishing sales during the two most recent quarters are suspected to be a result of heavy earlier stocking (Section IV), and should not be construed as indicating trends.

Compared to other projects in the region (See Figure 3) IPROFASA performance is good in terms of sales, CYP, and MWRA covered. In 1984 El Salvador, for example, which had been selling products for seven years, delivered nearly 16,000 CYP providing coverage to 2.3% of MWRA.

Using 10% sales increase projections, and discounting Pantera's potential, and the introduction of a low-dose oral, it can be conservatively estimated that by 1990 product sales could account for 1.4% coverage of MWRA in Guatemala. Expanded outlet coverage together with increased promotion could increase this level to 2-4% by 1990.

TOTAL SALES AND CYP

<u>July 85-Mar 87</u> (project to date)	<u>UNITS</u>	<u>%</u>	<u>CYP</u>	<u>%</u>
Scudo	598,536	40.7	3,420	30.7
Lirio	800,710	54.4	4,575	41.1
Perla	<u>71,437</u>	<u>4.9</u>	<u>3,140</u>	<u>28.2</u>
TOTAL	1,470,683	100	11,135	100

TOTAL 1986 SALES AND CYP

<u>Jan 86-Dec 86</u>				
Scudo	382,434	39.7	3,824	29.4
Lirio	531,930	55.1	5,319	40.8
Perla	<u>50,499</u>	<u>5.2</u>	<u>3,885</u>	<u>29.8</u>
TOTAL	964,863	100	13,028	100

SELECTED QUARTERLY SALES AND CYP

<u>Oct-Dec 86</u>				
Scudo	86,388	44.3	3,455	35.9
Lirio	101,604	52.2	4,064	42.3
Perla	<u>6,800</u>	<u>3.5</u>	<u>9,611</u>	<u>21.8</u>
TOTAL	194,792	100	9,611	100

<u>Jan-Mar 87</u>				
Scudo	72,720	48.0	2,909	31.6
Lirio	89,112	52.2	3,565	38.7
Perla	<u>8,886</u>	<u>5.2</u>	<u>2,734</u>	<u>29.7</u>
TOTAL	170,718		9,208	

FIGURE 2: IPROFASA SALES AND CYP DATA

Country	Launch Date	1984 SALES			Total CYP	1984	% MWRA Covered
		Condoms	Pills	Tablets		MWRA (in 000's)	
El Salvador	1978	606,074	115,759	79,808	15,772	688	2.3%
Honduras	1984	-0-	77,204	-0-	7,900	543	1.4%
Jamaica	1975	1,281,688	389,472	-0-	42,806	324	13.2%
Mexico	1979	6,271,917	23,392	26,202	67,784*	11,057	.6%

*(This data is for the PROFAM Project. Total CYP includes distribution of injectables not displayed on chart. Unit sales of 12,007 @ 3 months protection per injectable = 3002 CYP)

FIGURE 3: SALES, CYP, AND MWRA DATA FROM SELECTED COUNTRIES

(Source: AID's Experience with Contraceptive Social Marketing: A Synthesis of Project Evaluation Findings. April 1986.)

C. CYP Cost

During 1986, IPROFASA reported expenditures of Q706,000 and sales income of Q296,000, leaving a "loss" (or net operating cost) of Q410,000. The marketing and administrative cost of the over 13,000 CYP's provided by IPROFASA's 1986 distribution was therefore Q31.38 (or, at 2.5 to 1, about \$12.55). (See Section II). Add to this the cost of the donated products sold in 1986, a total of \$72,142 or \$5.54 per CYP, and the cost, before adding the expense of the technical assistance contractor, is \$18.09 per couple year of protection.

World-wide experiences suggest that for first year operations this cost is not excessive. For example, reported first year CYP costs in Bangladesh (1975) was \$27.91 excluding commodities, and in Nepal (1978) nearly \$49.00 including commodities. During 1984 these countries reported net CYP costs of \$1.75 and \$8.30 respectively. Looking at Latin America, once again El Salvador, in 1983 net CYP costs (including the cost of condoms for vending machines was \$14.56. (All data from Population Reports, Series J. No. 30, 1985.)

On the question of contraceptive costs in Guatemala, it might also be mentioned that this project's heavy reliance on expensively-procured vaginal spermicides as

opposed to other methods (particularly orals) adds to its average cost per CYP. For information, basic product costs follow (1987 procurement prices):

Cost per CYP*:	Condom	\$4.25
	Oral	2.21
	Vaginal Tablets	9.50

* (Based on the convention, used by the USG internationally, that 100 condoms or spermicidal tablets, or 13 cycles of orals, equal one CYP.)

From the preceding it is clear that wider use of the pill (at \$2.21 per year) as opposed to condoms (\$4.25) or vaginal spermicides (\$9.50) would lower the cost per CYP. The desirability of presenting another option to the few available to Guatemalan women probably outweighs these rather minor cost considerations, but for planning purposes it should be noted that a higher ratio of OC sales will lower CYP costs.

VII. BLACK MARKET

There are significant quantities of contraband condoms, as well as other contraceptives, being sold at very flexible consumer prices in Guatemala. This phenomenon is a worldwide one; and it is not easy to determine how much damage, if any, it does to the family planning movement.

A. Findings

The product most widely encountered here during market visits was Sultan condoms in AID-supplied boxes of 100. Stocks seen were fresh and in good condition, resulting in speculation that there may be sizeable demand and rapid turnover. Reported price of these condoms was Q0.30 each, about half the consumer price of Scudo, and slightly below Korean and other low-cost brands (which may or may not be contraband).

There were also reports of pills diverted from public programs being sold at Q1.00 per cycle, but none were seen during the limited field exposure.

B. Implications

There is no satisfactory way to estimate numbers of contraband and diverted contraceptives which reach the market, but it seems safe to presume that the problem they present to IPROFASA in a quest for self-sufficiency is considerable. Still, it should be noted that even were this black market to disappear today, IPROFASA could not reach its social goals and become self-sufficient in the foreseeable future.

The overall question of contraband is a complicated one. Before condemning the practice across the board, the positive as well as the negative ramifications should be considered.

First, on the negative side, there is no doubt that the presence of sizeable quantities of public-sector or smuggled products represents a socially distasteful situation, one which involves misuse of public property and which interferes with legitimate trade. Further, it makes estimates of market size very difficult, drives potential investors away, and, specifically--with regard to the IPROFASA program--not only lowers its sales income but makes the task of assessing its success in terms of cost-benefit ratios problematic.

On the other hand, the continuing presence of sizeable quantities of contraband indicates that there is a demand for contraceptives, and that the normal trade is or was not satisfying that demand. It is obvious that price is a major determinant of black market success, but this is not true in all cases. Protectionism, with inferior quality being preserved by high tariffs, often leads to consumers paying higher than market prices for smuggled items deemed superior. By the same token, a well-displayed and cleverly-promoted "local" product can be expected, even given some price disadvantages, to outsell an unpromoted institutionally-packaged one in the same market. For this reason the market being served sporadically and indifferently by contraband and which can be better and more-consistently supplied by a social marketing program, presents a marketing opportunity. Experience in other markets not unlike that of Guatemala suggests that by applying a combination of price and promotional pressure to the contraband products, consumers can be won from them. Experience also indicates that, given an affordable price, the client will most often choose the advertised, familiar, brand.

C. Conclusions

It seems likely, therefore, that while in the short-term the diverted products will achieve reasonable

distribution and significant sales simply as a function of price, in the long run they can--without too much difficulty-- be replaced by properly-priced and well-promoted products. And while it is true that the IPROFASA program will suffer in the short term, ultimately it stands to gain as CSM products take a greater market share away from the black market.

Meantime, given the knowledge of an important black market in contraceptives, allowance should be made for this impediment to IPROFASA's distribution and it should receive recognition for success beyond what total sales indicate, since the black market currently benefits from IPROFASA's IE&C activities. Thus, USAID and IPROFASA should take into consideration that the only way to defeat the black market is via a combination of low prices and heavy promotion of quality products. IPROFASA, given the flexibility that social marketing can and should be provided, is in a unique position to replace contraband products on the shelf with its own.

VIII. PROJECT PLANNING ISSUES

A review of IPROFASA's documents, including the 1986 implementation plan and annual report, and the 1987 implementation plan, combined with interview of IPROFASA management and administrative staff, Board of Directors, and Resident Advisor has provided the basis for the following observations:

A. Project Continuity

There has been much concern expressed by the IPROFASA General Manager and Board of Directors regarding IPROFASA's ability to reach a projected break-even point or point of equilibrium. IPROFASA's ability to generate income through sales revenues of its CSM products has been related to the subject of project continuity.

The concept of project continuity, or the future of IPROFASA's CSM project, is probably rooted in the original project paper which, on page 19, provides a projected cash flow that identifies a "break-even point" (gross costs - gross revenue) during the fifth year of operation. The concern for the determination of a CSM project break-even

point has consumed considerable energy and has led to the presentation of two analyses: the first completed by the IPROFASA Board of Directors; the second, by a former Resident Advisor.

1. Break-even Analysis One

The first analysis defines the contraceptive market available to IPROFASA as 1 percent of the current pharmaceutical market. This analysis then continues to compare IPROFASA's sales in cash with total cash sales of the contraceptive "market" without taking demographics into consideration. Comparing an optimal revenue projection against estimated costs, the analysis indicates that, even with a market share of 80 percent, IPROFASA would not reach a break-even point.

Although there is certainly room for argument in this study (both its assumptions and sources can be seriously questioned), it arrives at the what we consider a realistic conclusion: A project that sells contraceptives at prices within the reach of C&D class consumers, and continues to maintain low prices for those products while mounting significant IE&C efforts to increase CYP, may very well recover a significant percentage of costs, but will not generate a positive cash flow in the foreseeable future.

Based on this analysis, IPROFASA management and Board of Directors argue that IPROFASA should take advantage of its distribution system and market product(s) under contracts with local distributors that would provide the organization with sufficient cash flow to enable its CSM project to continue with less dependence on USAID direct funding of operating costs.

2. Break-even Analysis Two

The second analysis, presented to USAID by the former Resident Advisor, provides a critical assessment of the above IPROFASA analysis, and develops an argument that the IPROFASA CSM could "given the information shown in pages 25 through 28 . . . reach its point-of-equilibrium and ultimately, self-sufficiency of the CSM project because in 16 months of sales and distribution it has accomplished many of the principal objectives of any private sector for-profit organization." (Page 29 of report).

Unfortunately, the analysis does not prove the preceding statement: The demographic analysis (from which projected market size is drawn) is flawed, and the potential income of Q1,004,673 derived from the maximum market of 51,720 consumers falls short, for example, of the Q1,467,040.00 illustrative operating budget per CY 1987.

The analysis also fails to provide sufficient discussion of costs and revenues over a time horizon as the project moves forward and increases its market.

B. Observations and Recommendations

Taking into account IPROFASA's Implementation Plan for 1987, we see that the organization projects an increase of 20 percent in CYP, and concomitant increase in gross revenue income from Q296,786 (1986) to Q440,000 in 1987. Since the total operating cost in 1986 was Q705,670 (see Appendix A) the project operated with a deficit of Q409,000 (cost of TA and contraceptives not included). With a 20 percent increase for 1987, the project will operate at a projected deficit of Q1,027,040. Furthermore, a 20 percent increase in CYP and sales is probably too ambitious, since talks with the IPROFASA G.M. indicate that an 8 to 10 percent increase would be more in line with the experience of the Guatemala Pharmaceutical Industry.

With a constant 10 percent increase of sales each year it would take 12 years for the project to achieve annual gross revenues of over Q1,000,000 (1986 sales base), and 8 years to achieve an annual gross revenue of over Q705,670 (1986 total operating cost).

1. New Cash-Flow Analysis

Appendix B contains cash flow analyses of calendar years 1985, 1986, and 1987. Also a cash flow analysis for the period 1986-1993 has been prepared to assist IPROFASA management in the process of decision making. It should be made clear that these cash flow analyses are management exercises, and thus some of the numbers may differ from the IPROFASA accounting reports and other numbers used in the evaluation.

The 1986-93 analysis assumes a 5 percent increase in costs from the base year of 1986. Total sales over the period are set at 10 percent and 20 percent increments, and incremental benefits also reflect net sales at 10 and 20 percent. To compare present value/worth of the benefit streams a discount factor of 12 percent has been used.

This analysis is intended to provide management with a clearer picture of projected costs and benefits over a time horizon. Obviously the analysis can utilize alternative values for both cost and revenue streams. As presented, with a 20 percent annual increase in sales and 5 percent annual increase in total cost, the social marketing

project begins to generate a positive cash flow in the 8th year. But it would not "break-even," since it must provide in subsequent years a return to recover the negative cash flow generated during the first seven years.

However, the analysis also shows that, taking the above assumptions into consideration, the SMP can be structured to reduce systematically the amount of the subsidy.

RECOMMENDATION: IPROFASA should prepare its own cash flow analysis using values relevant to overall plans.

IX. ADDITIONAL TECHNICAL ASSISTANCE

After the review of IPROFASA's administrative and marketing practices reviewed in the preceding sections, we consider it advisable for USAID to extend the technical assistance contract. In addition to assuring the presence in IPROFASA of a representative of the donor to implement reporting and generally support AID's interests, continued technical assistance would allow for the completion of several specific and vital tasks, which include the following:

1. To design, produce, and periodically revise marketing plans, for existing as well as new products.
2. To design training in and encourage study of such areas as strategic planning, computer systems, personnel management, and the objectives and procedures of social marketing as distinct from those of traditional consumer marketing.
3. To develop and refine strategic planning support documents regarding contractual options, cash flow projections based on demographically relevant market potentials, needed communications research, and the like.

4. To develop a comprehensive communications plan.
5. To implement systems revisions designed to streamline financial, administrative, and logistics procedures.
6. To enhance the computer capabilities of appropriate IPROFASA staff.
7. To continue to help IPROFASA understand and comply with AID's procurement and reporting system, and to monitor contract compliance.

X. MAJOR FINDINGS AND RECOMMENDATIONS AS PRESENTED
TO USAID APRIL 13, 1987

1. That IPROFASA is a well-run and increasingly efficient social marketing organization, presently carrying out the work for which it was established, and that it has been and is being greatly aided and supported in this by the TA contractor, Juarez & Associates, and by USAID.
2. That IPROFASA has the marketing competence to continue doing contraceptive social marketing as well as other related socially desirable work.
3. That if it continues as a social marketing company it could by end 1990 have motivated large numbers of acceptors and be directly serving as many as 60,000 - 70,000 couples.
4. That IPROFASA's board is concerned about withdrawal of AID support and consequently is examining various means to support itself. That IPROFASA cannot, however, become self-sufficient by selling low-cost socially beneficial products, and that to become self-sufficient they feel they must introduce "commercial" or profit-making products into their line.

5. By adding profit-making products it is likely--but by no means certain--that IPROFASA will survive corporately, but it is also likely that priorities will shift away from social marketing toward the profit orientation necessary for their survival.

7. We, therefore, recommend that USAID continues with interim funding of IPROFASA while delaying the introduction of profit-making products until an assessment of costs and other ramifications can be made, and that USAID consider continuing to entirely fund IPROFASA for 5-10 years, with a view to assuring that its social priorities and family planning objectives remain intact. We also recommend that USAID extend the TA contract so there is a full time representative of AID's interests in IPROFASA.

APPENDIX A

FINANCIAL WORKING PAPERS

100

REPORTE DE VENTAS Y RECUPERACIONES POR PRODUCTO

<u>Mes</u>	<u>Scudo</u>	<u>Lirio</u>	<u>Perla</u>	<u>Pantera</u>	<u>Total</u>
Julio/85	Q 2,733.60	Q 796.80	Q 483.00	-	Q 4,013.40
Agosto/85	14,074.32	3,362.37	2,928.20	-	20,364.89
Septiembre/85	5,311.98	5,007.16	2,344.22	-	12,663.36
Octubre/85	11,415.88	8,930.21	1,782.96	-	22,129.05
Noviembre/85	8,611.02	5,076.76	6,069.58	-	19,757.36
Diciembre/85	8,078.14	5,902.85	1,537.63	-	15,518.62
Enero/86	6,486.92	8,754.39	1,043.00	-	16,284.31
Febrero/86	6,493.66	7,185.18	1,387.42	-	15,066.26
Marzo/86	10,878.21	7,223.00	9,285.93	-	27,387.14
Abril/86	20,251.69	8,322.21	5,046.09	-	33,616.99
Mayo/86	13,038.73	11,932.77	2,866.06	-	27,837.56
Junio/86	8,965.48	7,408.27	5,913.32	-	21,287.07
Julio/86	10,788.99	9,502.64	7,932.21	-	28,223.84
Agosto/86	15,083.10	7,431.61	5,839.14	-	28,353.85
Septiembre/86	14,141.60	9,990.29	4,868.11	-	29,000.00
Octubre/86	7,203.49	6,487.73	3,084.46	-	16,775.68
Noviembre/86	13,835.08	10,781.34	8,017.82	-	32,634.24
Diciembre/86	11,793.16	5,771.67	2,753.91	-	20,318.74
Enero/87	12,855.51	9,834.07	8,441.57	-	31,131.15
Febrero/87	12,670.08	6,974.79	2,872.21	Q 240.00	22,757.08
Marzo	13,005.53	8,916.51	5,350.99	467.00	27,740.03
TOTALES	Q226,716.17	Q155,592.62	Q89,847.83	Q 707.00	Q472,863.62

PROYECTADO

Abril/87	Q 13,000.00	Q 8,000.00	Q 5,000.00	Q 400.00	Q 26,900.00
Mayo/87	13,500.00	7,000.00	6,000.00	350.00	26,850.00
Junio/87	12,000.00	6,000.00	7,000.00	450.00	25,450.00
Julio/87	13,200.00	7,500.00	6,600.00	475.00	27,775.00
Agosto/87	12,800.00	10,000.00	4,200.00	500.00	27,500.00
Septiembre/87	13,100.00	9,800.00	5,300.00	550.00	28,750.00
Octubre/87	13,500.00	8,000.00	5,800.00	450.00	27,750.00
Noviembre/87	14,000.00	9,700.00	4,000.00	385.00	28,085.00
Diciembre/87	11,000.00	9,500.00	3,000.00	400.00	23,900.00
GRAN TOTAL	Q342,816.17	Q231,092.62	Q137,247.83	Q4,667.00	Q715,823.62

AL 30 DE SEPTIEMBRE DE 1986

	<u>Efectivo</u>	<u>Efectivo Mat. Reemp.</u>	<u>Otros</u>	<u>Producto</u>	<u>Vehículos</u>	<u>Total</u>
Abril/83	Q 16,185.00					Q 16,185.00
Octubre/83	6,310.16					6,310.06
Enero/84	2,415.52					2,415.52
Febrero/84	2,334.09					2,334.09
Marzo/84	3,038.12					3,038.12
Fianza de Fidelidad						1,094.72
Fotocopiadora			Q 1,094.72			1,094.72
Abril/84	Q 10,650.00		4,050.00			Q 10,650.00
Mayo/84	3,199.43					3,199.43
Junio/84	13,109.25					13,109.25
Julio/84	1,689.30					1,689.30
Agosto/84	6,190.50					6,190.50
Septiembre/84	19,796.82					19,796.82
Octubre/84	5,659.40					5,659.40
Noviembre/84	10,216.04					10,216.04
Diciembre/84	7,524.40					7,524.40
Febrero/85	15,915.23					15,915.23
Marzo/85	23,345.00					23,345.00
Abril/85	8,515.43					8,515.43
Mayo/85	17,516.17					17,516.17
Junio/85	35,106.17					35,106.17
Julio/85	63,470.70					63,470.70
Agosto/85	49,438.96			Q 89,096.06		152,566.76
Material de Reempaque		Q26,177.80		14,120.36		63,559.32
Septiembre/85	46,689.40					26,177.80
Octubre/85	46,662.69					46,689.40
Enero/86	18,610.03			11,722.72		58,385.41
Marzo/86	19,387.58					18,610.03
Abril/86	91,981.50			26,458.83	Q13,170.84	59,017.25
Mayo/86	43,667.38					91,981.50
Junio/86	55,154.88					43,667.38
Material de Reempaque		Q18,164.00				55,154.88
Julio/86	53,170.71					18,164.00
Computadora			Q44,910.76			53,170.71
Agosto/86	28,584.56			Q110,144.13		44,910.76
Septiembre/86	91,295.71					138,728.69
TOTALES	<u>Q816,830.13</u>	<u>Q44,341.80</u>	<u>Q50,055.48</u>	<u>Q251,542.10</u>	<u>Q13,170.84</u>	<u>Q1,175,940.35</u>
RESUMEN						
Total Fondos recibidos en efectivo	Q 911,227.41					
Total producto y vehículos	Q 264,712.94					
TOTAL	<u>Q1,175,940.35</u>					

DETALLE DE GASTOS MENSUALES DE 1987 - PROYECCION

	<u>Sueldo Personal del Proyecto</u>	<u>Honorarios profesionales</u>	<u>Publicidad y Promoción</u>	<u>Viajes y Transportaciones</u>	<u>Administra- Local</u>	<u>Gastos de Bodega y Reempaque</u>	<u>Material de Reempaque</u>	<u>Gastos de Administra- ción</u>	<u>Total</u>
Enero/87	Q 12,050.47	Q 2,535.00	Q 37,932.33	Q 2,311.95	Q11,943.15	Q 1,650.62	0.		Q 68,423.52
Febrero/87	13,208.68	2,413.77	45,380.43	2,209.94	4,380.06	3,228.22	Q24,086.22	Q 225.00	95,132.12
Marzo	13,300.00	2,500.00	38,000.00	2,300.00	6,500.00	3,500.00	2,000.00	228.00	68,328.00
Abril	13,500.00	2,550.00	35,000.00	2,500.00	6,300.00	3,300.00	2,500.00	226.00	64,876.00
Mayo	13,250.00	2,550.00	50,000.00	2,400.00	6,250.00	4,000.00	2,600.00	250.00	81,300.00
Junio	14,000.00	2,600.00	50,000.00	2,500.00	6,000.00	4,500.00	2,700.00	260.00	82,560.00
Julio	14,000.00	2,600.00	55,000.00	2,300.00	6,200.00	4,800.00	2,650.00	275.00	87,825.00
Agosto	14,000.00	2,600.00	58,000.00	2,500.00	6,300.00	4,600.00	2,300.00	260.00	90,560.00
Septiembre	14,000.00	2,600.00	54,000.00	2,600.00	6,100.00	4,000.00	2,500.00	262.00	86,062.00
Octubre	14,000.00	2,600.00	55,000.00	2,500.00	6,000.00	4,200.00	2,600.00	268.00	87,168.00
Noviembre	14,000.00	2,600.00	60,000.00	2,300.00	6,000.00	4,600.00	2,300.00	270.00	92,070.00
Diciembre	21,000.00	2,600.00	40,000.00	2,600.00	6,000.00	4,750.00	2,000.00	275.00	79,225.00
	<u>Q170,309.15</u>	<u>Q30,748.77</u>	<u>Q578,312.76</u>	<u>Q29,021.89</u>	<u>Q77,973.21</u>	<u>Q46,128.46</u>	<u>Q48,236.22</u>	<u>Q2,799.00</u>	<u>Q983,529.64</u>

DETALLE DE GASTOS MENSUALES DE 1986

1986	Sueldos Personal del Proyecto	Honorarios Profesiona- les	Publicidad y Promoción	Viajes y Transporta- ciones	Administra- ción Local	Gastos de Bodega y Reempaque	Gastos de Distribución	Total
Enero	9,262.16	1,450.00	1,488.95	2,446.24	5,083.10	1,160.30	0	20,890.75
Febrero	15,106.33	2,178.70	2,028.60	4,047.74	5,032.58	2,279.02	0	30,672.97
Marzo	9,983.43	4,788.96	6,814.05	4,827.34	5,024.98	893.88	174.18	32,506.82
Abril	10,744.46	1,925.00	13,929.70	5,203.60	5,260.33	13,186.31	194.77	50,444.17
Mayo	16,364.52	1,475.00	8,991.98	4,114.14	5,027.26	1,218.06	222.60	37,443.56
Junio	11,472.97	6,800.00	8,433.50	4,745.50	9,151.04	19,053.40	229.94	59,886.35
Julio	16,547.86	1,675.00	16,954.26	3,968.94	6,739.38	1,308.22	222.60	47,616.26
Agosto	11,697.52	5,761.04	23,163.31	3,526.06	4,719.07	3,743.76	222.60	52,833.36
Septiembre	16,006.30	1,870.00	44,539.41	3,831.54	3,134.64	5,493.02	222.60	75,097.51
Octubre	11,144.18	1,525.00	34,496.64	3,631.36	7,161.91	5,374.22	222.60	63,555.91
Noviembre	14,217.44	2,325.00	63,963.90	2,112.12	6,699.47	2,610.27	222.60	92,150.80
Diciembre	<u>22,580.80</u>	<u>2,594.00</u>	<u>58,683.74</u>	<u>1,629.58</u>	<u>5,027.51</u>	<u>51,869.07</u>	<u>387.60</u>	<u>142,772.30</u>
TOTAL	<u>165,127.97</u>	<u>34,367.70</u>	<u>283,448.00</u>	<u>44,084.16</u>	<u>68,091.27</u>	<u>108,189.53</u>	<u>2,322.09</u>	<u>705,670.76</u>

DETALLE DE GASTOS MENSUALES DE 1985

1985	Sueldos Personal del Proyecto	Honorarios Profesiona- les	Publicidad y Promoción	Viajes y Transporta- ciones	Administra- ción Local	Gastos de Bodega y Reempaque	Gastos de Distribución	Total
Enero	4,229.30	725.00	0	250.00	1,362.03	0	0	6,566.33
Febrero	5,484.82	550.00	0	993.16	1,257.76	0	0	8,285.74
Marzo	5,255.62	400.00	3,153.66	868.16	4,812.41	455.27	0	14,945.12
Abril	5,370.22	850.00	242.50	250.00	7,072.34	1,553.80	0	15,338.86
Mayo	5,814.92	1,808.60	-0-	250.00	6,558.10	2,796.81	0	17,228.43
Junio	7,289.62	659.00	5,640.00	550.00	6,720.16	31,856.51	- 0 -	52,715.29
Julio	8,140.71	2,359.00	835.00	2,187.72	6,985.33	31,293.71	102.05	51,904.20
Agosto	8,606.98	526.14	8,033.30	2,455.32	4,947.49	4,153.38	1,878.52	30,601.13
Septiembre	10,080.70	7,864.18	7,864.18	2,206.40	1,917.19	6,775.16	970.96	30,264.59
Octubre	10,277.74	3,800.00	3,564.92	4,630.54	3,729.01	7,564.09	- 0 -	33,566.30
Noviembre	8,711.08	1,607.22	2,757.65	2,774.90	1,780.91	4,426.56	- 0 -	22,058.32
Diciembre	22,040.11	1,400.00	6,737.45	850.00	2,296.88	5,934.64	- 0 -	39,259.08
TOTAL	<u>101,301.82</u>	<u>15,134.96</u>	<u>38,829.34</u>	<u>18,266.00</u>	<u>49,439.61</u>	<u>96,809.93</u>	<u>2,951.98</u>	<u>322,733.39</u>

APPENDIX B
CASH FLOW ANALYSIS

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ANALYSIS OF CASH FLOW 1965

1965	SALARIES & FEES	I.E.C.	ADMIN & TRANSP.	WAREHOUSE REPAIRS & DISTRIBUTION	TOTAL COSTS	VALUE OF SALES	INCREMENTAL BENEFIT
JANUARY	\$4,934.30	\$0.00	\$1,612.03	\$0.00	\$6,546.33	\$0.00	(\$6,546.33)
FEBRUARY	\$5,034.82	\$0.00	\$2,250.92	\$0.00	\$7,285.74	\$0.00	(\$7,285.74)
MARCH	\$5,655.62	\$3,152.56	\$5,680.57	\$455.27	\$14,943.02	\$0.00	(\$14,943.02)
APRIL	\$6,220.22	\$242.50	\$7,322.34	\$1,553.60	\$15,338.66	\$0.00	(\$15,338.66)
MAY	\$7,623.52	\$0.00	\$6,820.10	\$2,755.81	\$17,209.43	\$0.00	(\$17,209.43)
JUNE	\$7,948.62	\$5,640.00	\$7,270.16	\$31,856.51	\$52,715.29	\$0.00	(\$52,715.29)
JULY	\$10,499.71	\$833.00	\$9,173.05	\$31,395.76	\$51,903.52	\$4,013.40	(\$47,890.12)
AUGUST	\$9,123.12	\$8,033.30	\$7,402.81	\$6,031.90	\$30,601.13	\$20,354.89	(\$10,246.24)
SEPTEMBER	\$17,944.80	\$7,864.10	\$4,123.59	\$7,746.12	\$37,678.61	\$12,663.36	(\$25,015.25)
OCTOBER	\$14,077.74	\$3,554.92	\$8,359.55	\$7,564.09	\$33,555.29	\$22,129.03	(\$11,426.26)
NOVEMBER	\$10,310.30	\$2,757.65	\$4,535.81	\$4,426.56	\$22,029.32	\$19,757.26	(\$2,272.06)
DECEMBER	\$23,440.11	\$6,737.45	\$3,146.80	\$5,934.64	\$39,259.00	\$19,310.62	(\$20,948.38)
	\$123,850.96	\$20,828.56	\$67,705.81	\$99,761.46	\$312,146.79	\$94,446.68	(\$217,700.11)

ANALYSIS OF CASH FLOW 1966

1966	SALARIES & FEES	I.E.C.	ADMIN & TRANSP.	WAREHOUSE REPAIRS & DISTRIBUTION	TOTAL COSTS	VALUE OF SALES	INCREMENTAL BENEFIT
JANUARY	\$18,712.16	\$1,488.95	\$7,529.34	\$1,168.38	\$28,898.83	\$16,884.31	(\$14,606.44)
FEBRUARY	\$17,285.83	\$2,828.68	\$9,888.32	\$2,279.82	\$32,282.65	\$15,855.26	(\$15,606.71)
MARCH	\$14,772.39	\$5,814.85	\$9,852.32	\$1,868.85	\$32,308.41	\$27,387.14	(\$5,119.68)
APRIL	\$12,669.46	\$13,929.78	\$18,463.93	\$13,381.88	\$58,445.05	\$33,616.99	(\$16,827.18)
MAY	\$17,839.52	\$8,991.58	\$9,141.48	\$1,448.65	\$37,421.23	\$27,637.56	(\$9,576.88)
JUNE	\$18,272.97	\$8,433.58	\$13,896.54	\$19,283.34	\$59,886.43	\$21,287.87	(\$38,599.88)
JULY	\$18,222.86	\$16,354.26	\$18,788.32	\$1,538.82	\$44,904.26	\$28,223.84	(\$19,192.42)
AUGUST	\$17,458.56	\$23,163.31	\$8,245.13	\$3,966.35	\$52,833.35	\$28,353.85	(\$24,479.51)
SEPTEMBER	\$17,876.38	\$44,539.41	\$6,966.18	\$5,715.62	\$75,097.59	\$29,888.88	(\$46,097.51)
OCTOBER	\$12,669.18	\$34,496.64	\$18,793.27	\$5,596.82	\$63,555.91	\$16,775.68	(\$46,780.23)
NOVEMBER	\$16,542.44	\$63,963.98	\$8,811.59	\$2,832.87	\$92,150.88	\$32,634.24	(\$59,516.56)
DECEMBER	\$25,174.88	\$58,683.74	\$6,657.89	\$2,256.67	\$142,773.18	\$28,318.74	(\$122,453.56)
	\$199,495.67	\$283,488.84	\$112,145.43	\$118,511.62	\$705,641.56	\$296,785.68	(\$408,855.88)

ANALYSIS OF CASH FLOW 1987

1987	SALARIES & FEES	I.E.C.	ADMIN & TRANSP.	WAREHOUSE REPAIRS & DISTRIBUTION	TOTAL COSTS	VALUE OF SALES	INCREMENTAL BENEFIT
JANUARY	\$14,585.47	\$37,932.33	\$14,255.18	\$1,659.62	\$68,422.62	\$31,121.15	(\$37,292.37)
FEBRUARY	\$15,622.45	\$45,382.43	\$5,815.00	\$27,314.44	\$93,132.32	\$22,757.03	(\$72,373.24)
MARCH	\$15,632.00	\$38,200.00	\$9,028.00	\$5,500.00	\$68,328.00	\$27,748.03	(\$40,587.97)
APRIL	\$16,050.00	\$35,000.00	\$9,026.00	\$5,620.00	\$65,676.00	\$26,900.00	(\$38,776.00)
MAY	\$15,600.00	\$50,000.00	\$8,900.00	\$6,600.00	\$81,300.00	\$26,850.00	(\$54,450.00)
JUNE	\$16,600.00	\$50,000.00	\$8,760.00	\$7,200.00	\$82,560.00	\$23,450.00	(\$57,110.00)
JULY	\$16,600.00	\$55,000.00	\$8,775.00	\$7,450.00	\$87,825.00	\$27,775.00	(\$60,050.00)
AUGUST	\$16,600.00	\$50,000.00	\$9,060.00	\$6,900.00	\$90,560.00	\$27,500.00	(\$63,060.00)
SEPTEMBER	\$16,600.00	\$54,000.00	\$8,962.00	\$6,500.00	\$86,062.00	\$28,750.00	(\$57,312.00)
OCTOBER	\$16,600.00	\$55,000.00	\$8,760.00	\$6,000.00	\$87,160.00	\$27,750.00	(\$59,410.00)
NOVEMBER	\$16,600.00	\$60,000.00	\$8,570.00	\$6,900.00	\$92,070.00	\$28,085.00	(\$63,985.00)
DECEMBER	\$23,600.00	\$40,000.00	\$8,875.00	\$6,750.00	\$79,225.00	\$23,900.00	(\$55,325.00)
	\$221,057.92	\$578,312.76	\$189,794.18	\$95,365.05	\$984,529.84	\$324,508.06	(\$659,941.58)

DOC ID: CASHFLW2

IPROFASA SOCIAL MARKETING PROJECT
ANALYSIS OF PROJECTED COSTS AND INCREMENTAL BENEFITS
1986-1993

YEAR	(1)	(2)	(3)	(4)	(5)	D. F. 12%	PRESENT WORTH 12%
	TOTAL COSTS *	TOTAL SALES 10%	REVENUE ** SALES 20%	INCREMENTAL BENEFIT *** AT 10%	20%		
1986	\$785,641.00	\$322,222.00	\$322,222.00	(\$485,641.00)	(\$485,641.00)	0.893	(\$362,227.41)
1987	\$748,923.05	\$332,222.00	\$352,222.00	(\$418,523.05)	(\$368,523.05)	0.797	(\$323,595.67)
1988	\$777,969.20	\$353,222.00	\$432,222.00	(\$414,569.20)	(\$345,969.20)	0.712	(\$246,332.07)
1989	\$816,667.66	\$399,322.00	\$518,422.00	(\$417,567.66)	(\$298,467.66)	0.636	(\$169,825.43)
1990	\$857,711.05	\$439,232.00	\$622,222.00	(\$418,431.05)	(\$235,631.05)	0.567	(\$133,622.82)
1991	\$900,596.68	\$483,153.00	\$746,456.00	(\$417,442.68)	(\$154,122.68)	0.507	(\$78,129.82)
1992	\$945,626.43		\$895,795.20		(\$49,831.23)	0.452	(\$22,523.72)
1993	\$992,907.75		\$1,074,951.24		\$82,046.49	0.404	\$33,146.78

* Assume 5% Annual Increase. Cost of contraceptives, CIF Guatemala and TA not included

** Total Sales Revenue at 10%/20% Annual Increase

*** Columns 4 and 5 reflect incremental benefits at 10% and 20% annual increase in sales revenues

APPENDIX C
DOCUMENTS REVIEWED

DOCUMENTS REVIEWED

1. Quarterly Reports of Resident Advisor, From December, 1984, to December, 1986.
2. Resumen Historial de IPROFASA.
3. Family Planning and Maternal/Child Health Survey Guatemala 1983. APROFAM & CAC.
4. Perspectivas para la Planificacion Familiar en Areas Rurales de Guatemala - El Centro de Estudios de la Comunidad y La Familia - University of Chicago, 1978.
5. Guatemala: Los Efectos de La Poblacion sobre el Desarrollo Social y Economico. The Futures Group.
6. Origin de Las Compras Centroamerica, Guatemala, 1986. Asserta Centroamericana, S.A.
7. Estados Financieros y Opinion de las Auditores de 1981, 82, 83, 84, 85, 86. Tuncho Granados & Asociados, Representantes de Deloitte Haskings & Sells.
8. Manual de Sistema de Informacion, IPROFASA.
9. Manual de Normas y Procedimientos Administrativos, IPROFASA, 1984.
10. Manual de Normas y Procedimientos Contables, IPROFASA, 1984.
11. Manual de Normas y Procedimientos de Creditos y Cobranzas.
12. Manual Interno de Departamento de Ventas, IPROFASA.

APPENDIX D
I PROFASA PERSONNEL LIST

PERSONAL DE IPROPASA

Consejo de Administracion

Dr. Rodolfo MacDonald Kanter
Lic. Mario Coll Solares
Lic. Ricardo Diaz Gutierrez
Sr. Luis Felipe Valenzuela

President
Secretario
Tesorero
Vocal

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Sr. Jorge Mario Ortega Moran
Srita. Lucrecia Castellanos Polanco
Sr. Cesar A. Tejada Lemus

Gerente General
Secretaria
Conserje-Mensajero

Gerencia de Ventas

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Sra. Olga de Solis
Sr. Emilio Aldana
Sr. Edgar Ponce
Sr. Javier Arriola
Sr. Erick Molina

Gernete de Ventas
Secretaria
Vendedor
Vendedor
Vendedor
Visitador Medico

Departamento de Contabilidad

Sr. Luis Alfonso Robles
Srita. Aracely Chamale
Srita. Alm Dolores Osorio

Contador General
Secretaria
Auxiliar Contable

Departamento de Creditos y Cobros

Sr. Augusto Aguilar Melgar
Sra. Judith Ramos Pleites

Jefe de Creditos y
Cobros
Secretaria

Bodega

Sr. Jorge Luis Garcia
Sr. Marco Tulio Gonzalez

Encargado de Bodega
Repartidor