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Alternative Distribution Point (ADP) Operators' Training Participant's Manual



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ACRONYMS

ADP	Alternative Distribution Point
BnB	Botika ng Barangay
BHWs	Barangay Health Workers
DOH	Department of Health
FP-MCH	Family Planning-Maternal and Child Health
LGUs	Local Government Units
MNCHN	Maternal, Newborn, Child Health, and Nutrition
PPM	Private Practicing Midwives
SDM	Standard Days Method

INTRODUCTION

Consumers currently pay out-of-pocket for healthcare commodities, including family planning (FP) and maternal and child health (MCH) care products. While the development of a universal healthcare is ongoing, its enactment may lead to greater cooperation between the public and private sectors, increasing access to commodities and increasing the ability of alternative distribution points (ADPs) to meet the population's needs for these commodities.

The expansion of physical access points and affordability are two challenges that if addressed, can ensure uninterrupted supply while also providing consumers with more affordable choices.

ADPs were created to support the USAID's pro-poor strategy. The objective is to increase the capacity of community-based partners such as private practicing midwives (PPMs) and non-government organizations (NGOs) like the *Barangay Health Workers (BHWs) Federation*. In addition, ADPs targeted other local stakeholders such as *Botika ng Barangay (BnB)* operators, made up of multi-purpose cooperatives that provided married women of reproductive age (MWRA) with a wide range of family planning commodities to augment the existing supply gap in their communities, while sustaining their business operations as alternative sources of family planning supplies.

This participant's manual was developed based on the experiences of community health providers, particularly PPMs, aiming for a structured learning manual that illustrates the operations of local family planning supply networks. The manual uses past and present practices, and integrates market dynamics (pricing, sourcing options, and benefits) into the referral network.

PRISM2 developed this manual for project partners who have a continuing interest in the sustainable operations of ADPs in their birthing facilities, in existing BnBs, or in cooperatives. As such, the PRISM2 Service Delivery Network (SDN) framework was integrated into the ADP Operators Training module to teach participants the cycle of demand and supply for family planning services and products. This manual serves as the reference manual for participants of the ADP Operators Training.

This manual is made up of a six module sessions that takes into consideration ADPs in the context of service delivery to best complement the Department of Health's (DOH) Maternal, Newborn, Child Health, and Nutrition (MNCHN) Strategy, as recognized by public health sector partners and local government units as local health stewards.

MODULE SESSIONS

MODULE I

The Market Situation: Philippine Pharmaceutical Supply Chain, Community-Based Distribution and Alternative Distribution Points

This module provides an overview of the current pharmaceutical supply chain in the Philippines. Participants will learn about the main channels of distribution and the reasons behind the re-emergence of community-based distributors and pharmaceutical retailers in the supply chain.

These retailers, as community-based alternative sources of MNCHN supplies, are usually found to be functional *Botika ng Barangays* or BnBs (that have been granted a Special License to Operate by the Philippine Food and Drug Administration), cooperative-operated BnBs, PPMs with birthing clinics, and private hospitals.

This module is designed to enable participants to learn how community-based alternative distribution points (ADPs) can support and expand access to commodities for women referred within the Service Delivery Network at the community level.

Session Objectives

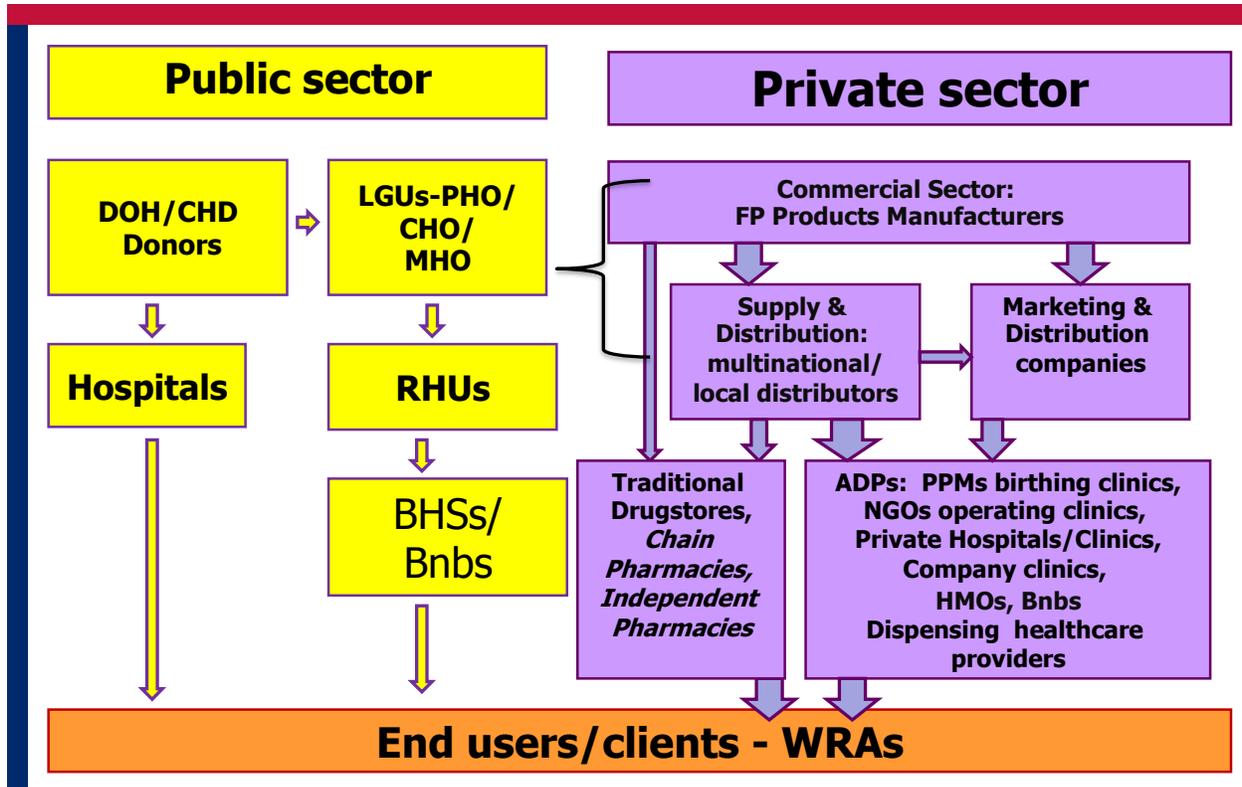
By the end of Module I, participants are expected to:

- Have a basic knowledge of how products are distributed to benefit women and children in the communities;
- Have a basic understanding about ADPs;
- Assess current operational capacity of their community-based ADPs (birthing clinics operated by PPMs, functional BnBs that are currently operated by private individuals such as BHWs in partnership with a midwife/doctor, NGOs, and cooperatives including those that are in cooperation with inter-local health zones (ILHZs) supported by public sector entities such as Provincial/Municipal/City Health Offices).

The Philippine Pharmaceutical Supply Chain

The following chart illustrates the main and alternative channels of distribution for family planning products in the country.

Contraceptives Supply Sources and Distribution Structure



Distribution Challenges in the Philippines

Distribution is an important activity in the integrated supply chain management of pharmaceutical products, including contraceptives. Various channels are generally responsible for the handling, storage and distribution of such products.

The storage, sale and distribution of family planning products are often carried out by various companies, institutions and individuals. The above illustration captures the scenario at the regions, where family planning supply comes from different resources – both public and private sectors – through different channels within the supply chain.

- Distributing pharmaceutical supplies in the Philippines is very challenging due to the geographical complexities and its susceptibility to natural disasters. Although there is one dominant distributor, Zuellig Philippines, the country has a very fragmented distribution system.
- Zuellig and its Metro Drug subsidiary pharmaceutical distribution market share is about 60%. Zuellig is currently involved in a public-private partnership with the DOH, whereby it covers the cost of vaccine supply, and doubles its support in the coming years. Zuellig has an integrated network of regional distribution centers in Metro Manila, Provincial Luzon, the Visayas, and Mindanao. These distribution centres are supplied by a national distribution centre.
- There were 5,583 distributors registered by the Food and Drug Authority in 2011, although it cannot be verified as to whether all of these are operational.
- The supply chain consists of distributors, self-distributing drugstore chains, manufacturers which distribute directly or through dedicated distribution divisions and a huge number of sub-distributors and wholesalers.

Systems Constraints

- The current issue being faced by self-distributing retail chains is their inability to effectively manage their inventory. They achieved higher margins as they diversified into consumer products; however they require more space to store larger boxes of goods. Unfortunately, many are unable to find the needed space to store free bonus goods supplied by manufacturers.
- Rising costs and lower prices are squeezing distribution margins. As a result, distributors are streamlining their businesses to become more cost-efficient, which sometimes cause a reduction in service levels which thereby negatively affect retailers.
- One company has secured agreements with several pharmaceutical companies as a distributor of FP-MCH products. It intends to expand its market by attracting new, medium-sized players. However, the presence of generic pharmacies has posed as a major challenge.

Policy Environment

- The development of a Universal Healthcare System will impact the next five years as it will pave the way for the private sector (e.g., pharmaceutical companies) to be increasingly willing to cooperate in existing drug access schemes. These schemes will enable the private sector to widen their client base/buyers. Opportunities to participate in this type of schemes are likely to emerge upon DOH's introduction of a new national drug policy. BnBs and PPMs are examples of emerging pharmaceutical retailers in the community. PPM-run birthing clinics that supply community needs of family planning products, procure them directly from their chosen suppliers. This is one example of possible opportunities that exists within the Philippine healthcare environment that can improve and increase access to MNCHN products.

Drug Availability in Relation to Other Key Regional Challenges Benchmarked with Nationwide Challenges on Accessing Health Care by Mothers

CHALLENGES	PHILIPPINES	CONCERNED REGION
Getting permission to go for treatment	8.4%	
Getting money for treatment	55.1%	
Distance to health facility	27.4%	
Having to take transport	26.5%	
Not wanting to go alone	19.8%	
Concern no female provider available	17.3%	
Concern no provider available	36.8%	
Concern no drugs available	47.2%	
At least one of the above challenges in accessing health care	74.6%	

Supply Gap: An Opportunity to Service Women in the Communities

This training will teach ADP operators about the current market for contraceptives. Despite the availability of these commodities in drugstores and in some public health facilities, a supply gap continues to exist throughout the country.

Why is this happening?

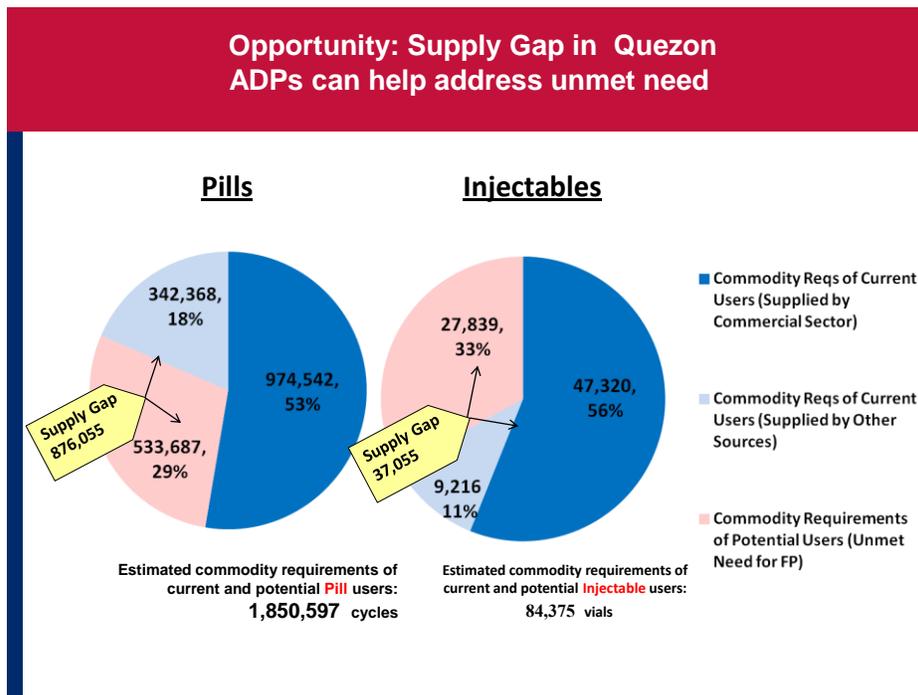
- Based on an industry audit conducted on the contraceptives market, chain pharmacies and independent retail drugstores have always been the traditional sources of family planning supplies. However, most of these sources are located in key urban centers. Often, therefore, women of reproductive age wanting to use family planning products cannot access them in communities outside these centers. These women usually end up as *dropouts* (current users that lost access to family planning products due to unavailability of supply when needed), unless they travel and spend for their transportation to buy their family planning supplies from these outlets that are located in the urban centers. Transportation money could have been used instead for the

purchase of their family planning products, had these been available in alternative distribution points.

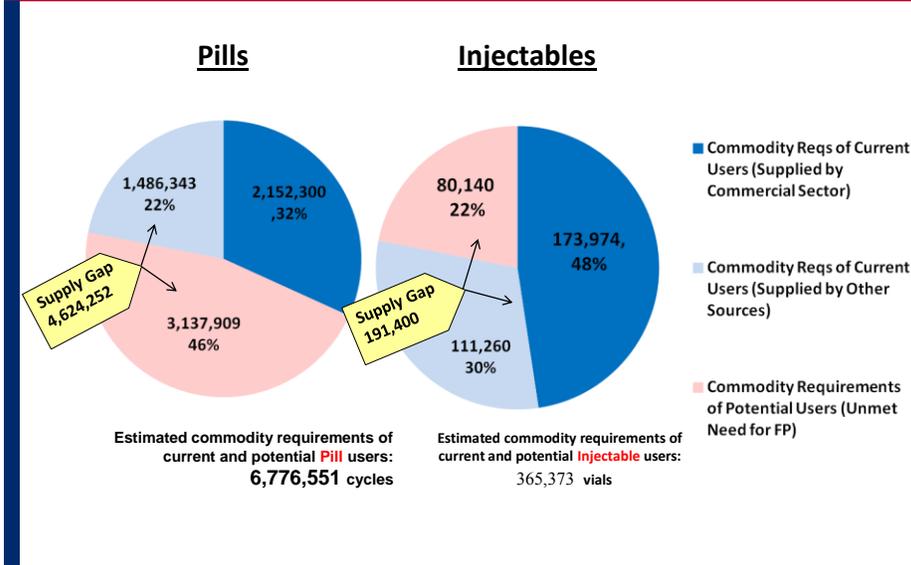
- Family planning products sold in traditional drugstores rarely reach communities who have a growing need for these products.
- Due to lack of sufficient budget, local government units (LGUs) are only able to supply/provide free family planning supplies to the indigent/the poorest communities.

So what about those potential and current users with the ability to pay for their family planning supplies but cannot access them in their communities? These existing family planning commodity requirement from the said market segments resulted in a continuing supply gap. This supply gap can be addressed by ADPs like PPM clinics and BnBs situated in different communities and regions.

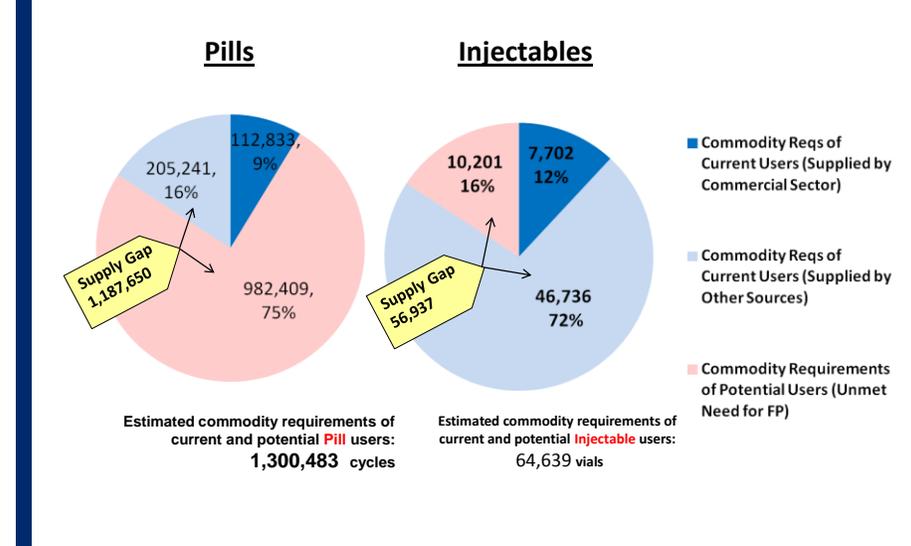
The following chart illustrates that there is an ongoing supply gap of contraceptives in communities throughout the regions brought about by: 1) a growing number of new users in recent years, and 2) re-supply requirements of the underserved.



Opportunity: Supply Gap in CALABARZON ADPs can help address unmet need



Opportunity: Supply Gap in Nueva Ecija ADPs can help address unmet need



Traditional drugstores that are often strategically located in urban centers are not able to serve all clients in the community.

Furthermore, not all clients who sought family planning services in their community health centers were able to gain free access of these supplies. In some instances, health center staff combines their resources to buy family planning products that they then sell to clinic clients. However, access to family planning

supplies, especially in hard to reach areas, is one of the ongoing challenges potential clients who are not part of the Communities Indigents Program face.

Because of constraints in access to FP-MCH supplies, users who are willing to pay often buy their supplies from alternative sources. In hard to reach communities, these alternative sources are often the BnBs, or NGOs.

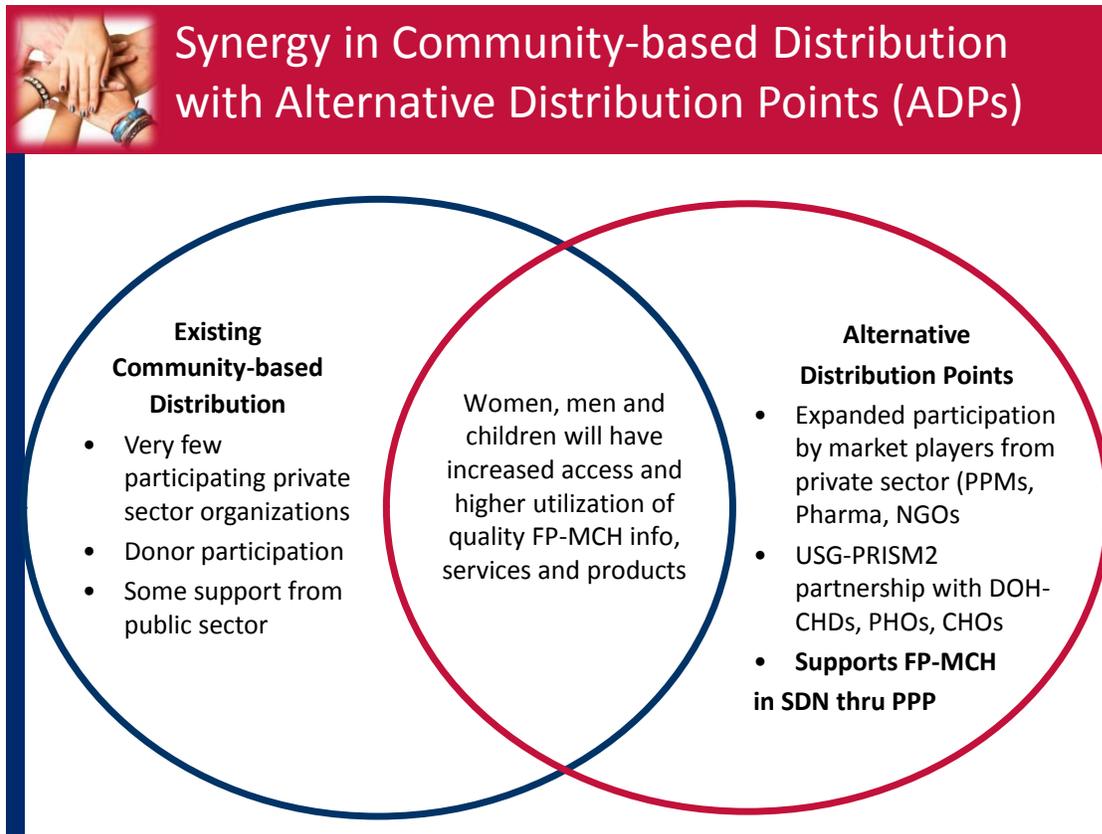
LGUs will need to increase their current budget and procurement of family planning products if the public sector wants to serve all women of reproductive age. Those with the capacity to pay will get their family planning products from alternative sources such as birthing clinics operated by private practice midwives, from hospitals with family planning clinics, or from functional community BnBs.

Functional BnBs, those with special license to operate, have done so in various cooperating environments, either with NGO networks or with cooperative networks, some benefitting from public sector support (i.e., priority access to procurement funds, co-operated by RHUs as part of the LGU's social enterprise or in implementing a cost recovery mechanism).

Worksheet 2: Mapping Exercise: List down the different sources of FP-MCH supplies in your community

Sources of FP-MCH Products in your Community	From whom do you regularly procure your FP-MCH supply?	What FP-MCH products do you buy? (pills, injectables, IUD, zinc, etc.)
Local hospitals		
Midwives groups/association?		
Pharmaceutical companies		
Wholesaler/Local suppliers/Local traders		
NGOs (i.e. FPOP, etc), Coops network		
HealthPlus, POPSHOP, etc		
USG-supported ACCESS-		

Synergies exist between co-operating partners to make use of and scale up existing resources within the community to distribute, deliver, and promote the use of information, services and products.



Alternative Distribution Points – The Key Difference

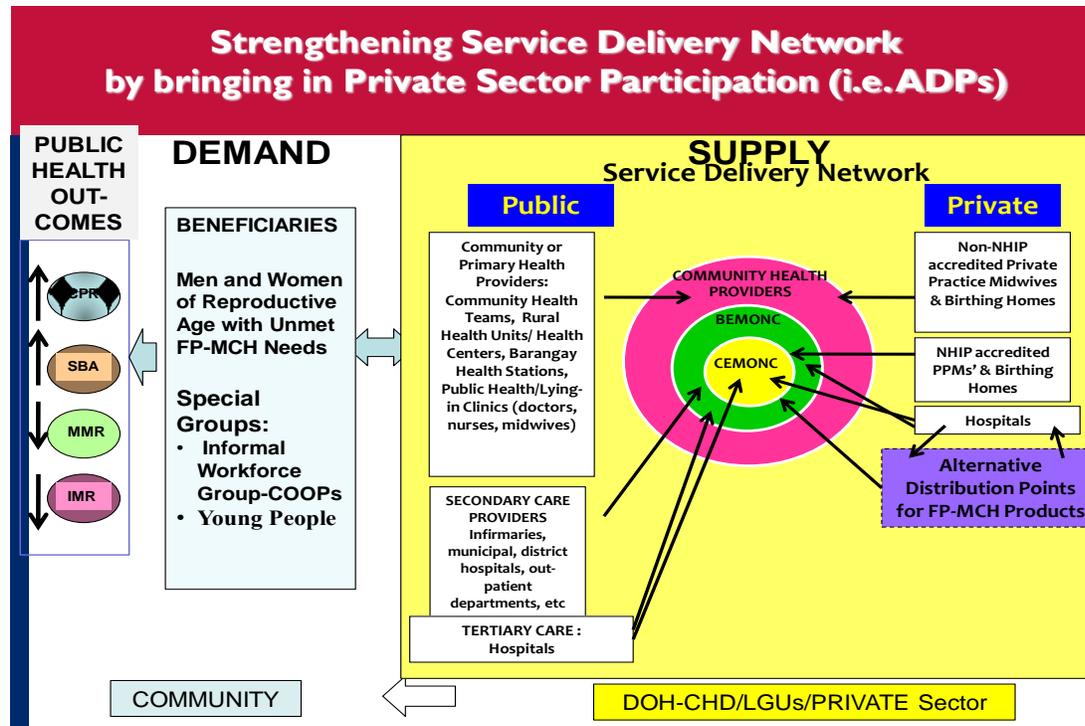
USAID’s Private Sector Mobilization for Family Health Project- Phase 2 (PRISM2) developed ADPs as a program strategy, by optimizing the different existing models and infrastructures of community distribution in the private sector, by collaborating with them, scaling up distribution/resupply practices and leveraging resources that can help strengthen public-private partnership towards improving total market availability and access of communities to FP-MCH information, products and services.

The relevance of ADPs:

- You can make it sustainable by better understanding how to manage it.
- You can help meet the needs of women/families in your community by supplying them with their needed family planning products, thus helping increase your community’s access to a wide array of affordable FP-MCH products.

- Your ADP facilitates actual use of family planning methods in the community where women have opted to access these methods.
- You get to provide MNCHN products to referrals from other Service Delivery Network (SDN) partners.

Alternative Distribution Points in the Context of a Service Delivery Network (SDN)



Different health care providers and suppliers exist and operate within the MNCHN SDN to meet the varying needs of the communities they serve and ensure the continuum of care. USAID's PRISM2 project aimed to strengthen the SDN by integrating ADPs to increase availability, access, and utilization of FP-MCH products.

At the onset, the SDN has been in existence already (referral network) but is largely "public" in nature with the DOH-retained hospitals as the main referral point. Thus, the MNCHN manual of operations notes that health providers, professionals and facilities that already exist in the area shall be designated as part of the network. To strengthen the network, public and private health providers should be part of the SDN. Defining the SDN shall not be restricted within political boundaries of the province.

Collaboration across provinces is considered in order to serve priority populations better. The integration of the private sector (including ADPs into the SDN) can strengthen the SDN as it can help respond to the supply needs of men and women of reproductive age, the informal workforce groups, and the young people in the community.

Is your current start up supply point operations potentially a sustainable ADP?

Several cases of accreditable/accredited birthing clinic operated by PPMs, hospitals, functional BnBs have become alternative sources of supply in your respective communities.

There are a number of current users within your community who are not getting regular supplies from the rural health centers or *barangay* health stations. A good number are even willing to pay for their contraceptive supplies if only they had access to those products within their community. Getting them from the town center or the nearest city will take a lot of effort and additional costs. Because of these factors potential clients never materialize. They could have become your regular clients had you managed to keep supplying your birthing clinics or BnBs, providing more access points for women in your community and addressing their family planning commodity needs.

This training hopes to guide you through the basic start-up supply point (the entry point, where the entrepreneur/PPM with family planning supply, initiates operation of the ADP as a start up business), scaling up sustainable services as an alternative distribution point, and how to get additional source of revenue for your birthing clinic operations.

Community Distribution Models

A. Coastal communities-based distribution by PATH Foundation

The Building Actors and Leaders for Advancing Community Excellence in Development (BALANCED) Project is a results-oriented population, health and environment (PHE) technical leadership initiative awarded by the USAID Office of Population and Reproductive Health. The BALANCED Project, which is implemented by the University of Rhode Island's Coastal Resources Center (URI/CRC) and its partners, PATH Foundation Philippines Inc. (PFPI) and Conservation International (CI), promotes wider adoption and use of effective population, health, and environment (PHE) approaches worldwide.

Implemented with buy-in support from the USAID Philippines Office of Health to meet the unmet need for family planning services in targeted key marine biodiversity areas, BALANCED works where populations are identified as a threat to sustainable resource management.

"BALANCED Philippines" has been working towards:

- Improving access to family planning/reproductive health services in key bioregions;
- Increasing community awareness and support of family planning and conservation as a means to improve health, food security and natural resources; and
- Increasing policy makers' commitment to promote/support FP/RH services and integrated approaches

B. Family Planning Organization of the Philippines (FPOP)

FPOP is a national organization of professional and community-based volunteers (CBVs) working in 25 provinces across the country. They provide reproductive health services and inform and educate communities about Sexual and Reproductive Health Rights (SRHR), especially the poor, marginalized,

socially excluded and underserved. Currently, they operate 30 Community Health Care Clinics (CHCCs) that provide a range of reproductive health care services.

FPOP makes family planning contraceptives more readily available to everyone through their network of program volunteers or CBVs who conduct community organizing, information campaigns and contraceptives distribution in their respective communities.

C. LGU-based Distribution Through Health Plus Outlets

This is best represented by one successful model in Carmen, Bohol, where through the interlocal health zones, LGU and Health Plus partnership, resupplying paying customers have become sustainable distribution operations in the community.

Across regions, there is a handful number of the Health Plus Shop in a Shop (SIS) in LGUs implementing a cost-recovery mechanism. The Health Plus SIS facilities are set up within existing pharmacies or cooperatives offering family planning products.

D. Other social marketing sub-distribution franchisees

In 2005, DKT Philippines started a social franchising network with more than 300 POPSHOP clinics that ensured access to high-quality and affordable reproductive health products, services and information to nearly 50,000 couples in 2011. POPSHOP franchises set up family planning “corners” in government clinics that sought a sustainable way of offering products. POPSHOPS were also set up in clinics/birthing homes owned and operated by PPMs across regions. During this project, contraceptive security was the overriding goal; DKT helped them avoid stock-outs.

In 1995, the German and Philippine governments entered into a financial agreement to uplift the health conditions of the poor, one component of which was the distribution of drugs to poor Filipino households. The agreement included a cost recovery mechanism to make sure the program was self-sustaining. With support from KfW and the Department of Health, and technical assistance from GTZ, the National Pharmaceutical Foundation, a registered non-profit organization, implemented the program by franchising the distribution of quality HEALTH Plus products and services to qualified social entities. The franchise included guidance and supervision on the management and operating systems that go with product distribution.

To this day, there is a handful of HEALTH Plus outlets operated either by LGUs through the interlocal health zones, or co-operated by cooperatives, who consider the revenue gained from distribution as an added benefit for their network.

E. USG supported Access to Contraceptives and Commodities Thru Enhanced and Sustainable Systems (A.C.C.E.S.S.) Program

The A.C.C.E.S.S. project was implemented by Alphamed and its Health Source Alliance “to generate demand and to increase access to affordable and quality FP/MCH products, especially for the most needy populations and communities.”

The project was implemented in Year 2011 with the following objectives:

- Develop and implement an alternative distribution program that will lead to a sustainable local contraceptive supply system in the covered un-served and underserved communities.
- Work with LGUs and organizations (NGOs, BHW Federations, service providers' organizations, midwives, and other local suppliers) to facilitate the creation of a community-based distribution system.
- Expand access of WRAs (including young women) to information linked to contraceptive products, benefits, and use by working with pharmaceutical companies and relevant community-based organizations that can effectively respond to the communities' need for access.
- Strengthen local access in communities to commercial FP-MCH products in support of the DOH total market approach strategy by linking available contraceptives with MCH products, including 20mg Zinc sulphate for children's diarrhea at all possible access points.
- Partner with NGOs that can connect pill and injectable availability with other methods such as SDM beads, IUDs, and long acting-permanent methods (LA/PM) as part of an informed choice for WRAs at service delivery points in these communities.

F. BnBs as community-based alternative source of MNCHN supply:

- The Republic Act No. 6675 known as the Generics Act of 1988 allows for the distribution of generics under the condition that they are below priced and have passed quality approval from the Food and Drug Administration (FDA).
- The current generations (formula) of contraceptives are registered with the FDA and are considered high quality. Republic Act 6675 allowed for generics to be sold in non-traditional outlets, which as a result, motivated community-based distributors (CBDs) to enter the market.

Private sector entities such as networks of PHIC accredited and/or accreditable PPMs with birthing clinics, NGOs (e.g., IMAP), cooperatives operating Health-Plus-BnBs, and functional BnBs who source their commercial supplies from pharmaceutical companies, local traders and wholesalers in order to respond to the existing and growing needs of the community, strengthen existing distribution systems and are often community-based distributors/retailers.

Community-based distribution refers to collaborations between partners to engage, make use of, and scale up existing resources within the community to distribute and deliver products in combination with relevant information and services. The following attributes would define community-based distribution or ADP.



Attributes of Alternative Distribution Points in Relation to Community-based Distribution

Existing Community-based Distribution

- Limited participation of private sector organizations
- Donor participation
- Some support from public sector

Women, men and children will have increased access and higher utilization of quality FP-MCH info, services and products

Alternative Distribution Points

- Expanded participation by more market players from private sector (PPMs, pharma, NGOs, coops)
- USG-PRISM2 partnership with DOH-CHDs, PHOs, CHOs
- Supports FP-MCH in SDN thru PPP

MODULE 2**The Financial Perspective: Basic Financial Management**

Managing finances is a vital skill that is required for drugstore owners and operators. In fact, money is the lifeblood of every business. Start up ADP operators and birthing clinic owners with ADPs need to become familiar with the revenue side of the business. Sound financial management can mean additional sources of revenue for your business.

In this module we will discuss the Financial Perspective, particularly financial management, looking at basic financial statements.

Session Objectives

By the end of Module 2, the participants are expected to:

- Understand the importance of accurate, timely and updated financial records for good business management.
- Appreciate how accounting and financial information can be used in making informed decisions about their business.
- Understand how to read a balance sheet and how it relates to ADP business management
- Become familiar with the income statement and understand how to use it.
- Appreciate the value of cash flow and understand how to use a cash flow plan for their business planning.
- Efficiently keep simple financial records.

Critical Operating Activities

Pharmaceutical retailers like small independent drugstore owners have to develop, at least, basic financial management skills. Expecting others in the organization to manage the finances is asking for trouble. Basic financial management skills starts with cash management and bookkeeping, and from there goes onto generating financial statements (from bookkeeping journals) and analyzing those statements to fully understand the overall financial condition of the business.

Role of the Treasurer

- If the business is a corporation, financial management falls under the jurisdiction of the treasurer. However, for single proprietorship and other small businesses, like birthing clinics and BnBs, this is the responsibility of the midwife-owner or the BnB operator.
- Given that keeping track of finances is just one of the responsibilities of hospital administrators, birthing clinic owners or BnB operators, they might do well to retain the services of a bookkeeper or an accountant to help keep the books up-to-date. The hospital administrator, birthing clinic owner or BnB operator/manager can then check the books regularly, or even randomly, to analyze and check the accuracy of the financial data.
- There is a variety of accounting software available that can help keep track of financial records and generate financial statements and ratios for hospital administrators, birthing clinic owner, and BnB operators.
- Another important aspect of financial management is establishing a relationship with a microfinance organization or a multi-purpose cooperative that can be an immediate source of emergency funding at minimal interest during those times that the business is strapped for cash. However, one must ensure that financial back up services like these are not abused and should be accessed only in during emergency.

Managing a budget

A budget shows what you expect, or plan to spend (expenses), and earn (revenue), over a specific period of time. A budget determines whether the business is on track or not. Amounts are categorized according to types of business activities or accounts, e.g., telephone costs, sales of catalogs.

Different kinds of budgets

These include annual or operating budgets, cash budgets, project budgets and capital budgets (for major assets, such as equipment, buildings). Budgets are also useful for projecting how much money is needed for a major initiative; for example, buying a facility, hiring a new employee. The overall format of a budget is a record of planned income and planned expenses for a fixed period of time. They also help track whether you're on target or not.

Managing Cash Flow

The biggest challenge for hospital operations, midwife birthing clinics and BnBs is managing the cash flow. The owners or administrators must make sure that there is enough cash to pay current bills. Businesses can manage cash flow by examining a cash flow statement and cash flow projections. The cash flow statement includes net total cash received of total cash spent. Cash management looks primarily at actual cash transactions.

Managing Credit and Collection

This is probably the most critical aspect of financial management, and often the reason why businesses fail.

Budget Deviation Analysis

This is part of managing budgets. At the end of each month, there should be identification and analysis of budget deviations while the information is still fresh in the mind of those involved. A plan of action to manage deviations should be developed after the analysis.

Preventing staff theft and fraud

We are quick to trust other people and take them at face value. However, theft and fraud can quickly erode a business' financial standing. A hospital administrator/owner, birthing clinic owner/manager, or BnB operator should put safeguards in place to prevent staff from committing theft or fraud and uphold integrity in the business.

The Operating Budget

Below are six suggested steps on how to create an operating budget:

1. **Start with a Zero-Based Budget.** Start the next year's budget with a conservative number. Not one from the previous year and add a certain percentage on top. Give managers budget authority and responsibility so that there is ownership and accountability at every level.
2. **Direct Labor must be a constant.** Labor must make up a comfortable share of the whole budget. This can be based on industry standards, if available. The percentage share of labor to total sales must be kept constant, so that in the event of lower sales, decisions can be made whether or not to lay-off employees in order to maintain the bottom line. Layoffs are painful, but the decision must be made and action taken sooner rather than later. When considering expanding your business, a hospital administrator/owner, birthing clinic owner, or BnB operator can also think of "seasonal" staff even when sales have not yet picked up.
3. **Outsourcing.** Another way of minimizing labor costs is to look to the community and charitable institutions which provide "temps" for businesses. The hospital administrator, birthing clinic owner, BnB operator contributes to charity, while also getting additional labor at a lower cost.

4. **Control Shrinkage.** Another expense to watch out for is inventory. “Shrinkage” is defined as inventory recorded on a company’s books but not on hand, due to theft, loss or accounting error. But since this inventory has a cost, this then equates to a loss for the business. Clinic managers and BnB operators should see to it that loss from internal and external theft is minimized or prevented.
5. **Cost of Administrative Personnel.** As business owners/managers, you should realize that labor costs do not only entail salaries. There are additional administrative costs like benefits, leaves and other government requirements.
6. **Set specific benchmarks and measure progress.** Part of managing financials is ensuring that sales targets are met. Benchmarks and mechanisms for measuring targets should be put in place. Incentives might be used to achieve targets (do not forget to put this in the budget!), but if goals are not met there should also be action plans to ensure that financials do not suffer.

Cash Flow Management

Cash flow refers to the movement of cash into and out of a business. Companies should prepare a monthly cash flow projection in order to anticipate and prepare for cash needs.

1. **Positive Cash Flow = Cash Inflow > Outflow.** A positive cash flow is a sign of financial health, but is by no means the only one.
2. **Negative Cash Flow = Cash Outflow > Inflow.** Reasons for negative cash flow include:
 - Too much or obsolete inventory: Efforts must be made to turn “sleeping money” into cash, even if this means selling inventory at a loss. As mentioned earlier, the BnB owner/operators must think twice before re-stocking these products.
 - Poor collections on accounts receivable: Accounts receivable represents “lost” cash to the company that has not been realized. If possible, the drugstore owner should personally monitor collections on a regular basis and ensure that accounts do not extend beyond the cycle of accounts receivable.
3. **Good cash management involves:**
 - Knowing when, where, and how your cash needs will occur
 - Knowing the best sources for meeting additional cash needs
 - Being prepared to meet these needs when they occur, by maintaining good relationships with your network of suppliers and/or creditors

4. Developing a cash flow projection:

- Short-term (weekly, monthly) to help manage daily cash.
- Long-term (annual, 3-5 times a year) projections to help develop the necessary capital strategy to meet business needs.
- Historical cash flow statements to understand how money has been used in the past.

See next page for a sample **Cash Flow Plan**.

Managing Credit and Collection

An important element in managing credit and collection is consistency, and consistency is built upon systems and processes. What is needed, however, is for your ADP operation to establish, and actively implement, some basic processes.

1. **Decide up-front who gets credit and who doesn't.** Determine your payment policy before you make a sale. This includes how will you be paid, will you require payment in advance, or a down payment of some percentage of the final total? Will you extend credit to some customers? If you're going to extend credit, make sure you have some criteria in place to determine who gets the privilege of your pay later for MNCHN supplies scheme. When you extend credit you're actually providing an interest-free loan to your customer. Develop a profile of the type of customer that deserves a credit from your hospital, birthing clinic or BnB.
2. **Practice proper documentation in receiving orders.** Never accept a verbal order even from a good customer. Always document transactions in writing. Text orders are good as they have a date and time. Save that text order. Do respond in writing with a restatement of the order, the price you will be charging, and your full terms and conditions. Have the customer sign-off, again, in writing. Then, keep all the documentation until you are paid in full. Using modern technology, like email can work, but make sure you have a method of storing them so you can find them quickly.

Sample Cash Flow Plan

	Month 1	Month 2	Month 3	Month 4
A. BEGINNING BALANCE	PI,500	PI1,450	PI,500	PI0,230
B. CASH IN:				
Cash In from owner				
Cash In from debtors	9,000	9,000		
Loan		36,000		
Cash In from services	37,000	3 2,500	50,000	50,000
Cash In from sales	4,500	3,100	8,000	8,000
C. TOTAL CASH IN (A+B)	52,000	92,050	59,500	68,230
CASH OUT:				
Cash Out for Investment		50,000		
Cash Out for Labor	30,000	30,000	34,000	34,000
Cash Out for Materials	10,550	10,550	10,550	10,550
Cash Out for Operations				
Loan Repayment- Principal			3,000	3,000
Loan Repayment- Interest			720	720
D. TOTAL CASH OUT	40,550	90,550	48,270	48,270
E. CASH END OF MONTH (Total Cash In- Total Cash out) {C-D}	11,450	1,500	11,230	29,960
F. FUNDS FOR FAMILY	-	-	(1, 000)	(1, 000)
G. CASH END OF MONTH (after family expenses, becomes beginning for the next month) {E-F}	PI 1,450	PI,500	PI0,230	19,960
NOTE: This table represents real inflows and outflows taking place to and from your ENTIRE business.				

3. **Be sure your customer clearly understands your terms of sale.** Make sure that you include your terms on all communications sent to the customer, not just on the invoice.
4. **Send invoices on a fixed schedule,** either on the same day of each month, or immediately after the service is performed. Be consistent. If your customers know when to expect your collection billing each month (i.e., when your ADP is servicing LGUs or cooperatives), they will be better prepared and more likely to pay on time.

5. **Develop a good relationship with your customers.** Communicate with your customers regularly and develop a regular routine of “staying in touch.” Call customers after their orders are delivered or services are performed to ensure they are satisfied. After you send the invoice, give them another call to see if they got it, if the invoice is accurate, and when they plan to pay. It is very important to keep notes of these conversations for future reference. Equally important is handling any problems with the product, service provided, or the invoice ASAP. It's great for customer relations, and you will find that taking care of these issues as they occur is typically easier, and more efficient than trying to re-capture information and connect with persons involved at a later date.
6. **Monitor your customer's payment habits.** Look specifically for irregular payment patterns and requests for extended payments. If you use credit reports, set up a schedule for updating the reports at least annually. Be prepared to adjust the terms or retract the extension of credit if anything in the customer's history raises a red flag.
7. **Follow-up on delinquencies immediately.** In general, the probability of collecting on a past due account drops significantly over time. If possible, contact the customer as soon as the account goes past due to find out what happened. Ask for a specific date when they will send payment. If they reply that “the check is in the mail,” ask for the check number. You might also suggest they send payment overnight, or offer to send a courier to pick up the payment. Their response to such suggestions will give you a good idea of how serious they are about paying.
8. **Gradually adjust payment reminders/demands.** Prepare a set of letters that become increasingly firm (or phone scripts if you have the manpower to make personal calls). Send these letters out at regular intervals, every week or two weeks. The first letter might be a simple reminder of your terms and the missed due date, requesting they contact you if there is an issue. The second might alert them to the overdue interest accruing (if you charge such interest), and suggest that all future services will be stopped until payment is made. The third or fourth call should demand payment be made in full by a specific date, and outline what action you will take – for instance, placing the account with a collection agency – if you do not hear from them. (Remember, if you threaten a specific action, you must follow-through, otherwise you will lose leverage and credibility.)
9. **Be professional.** All forms of communications, including emails, should include the name (or even logo), address and contact information of your hospital, birthing clinic, or BnB. Proofread everything carefully, looking for typos and grammar mistakes. Also, read all communications to the customer out loud before sending them. This is a great way to ensure the correspondence is clear and says what you intended for it to say. Keep all written and verbal contacts calm and business-like. Your customers will take you seriously if they view you as professional.
10. **If all else fails, hire a collection agent.** Make sure, however, that you have exhausted all other efforts to collect from your customer. See to it that, as much as possible, relationships stay intact.

These processes do not guarantee that you will never encounter a delinquent account. But keeping these in mind and making these a consistent part of your receivables management process will allow you to minimize your receivables and help your business achieve long term success.

Budget Deviation Analysis

The budget deviation analysis can help in detecting how well you are tracking your plans, how much to budget for the future, and upcoming problems in spending. A budget deviation analysis report might include the columns and titles below:

Planned for Month	Actual for Month	Difference (Planned Minus Actual)	% Deviation (Difference x 100)

Preventing Employee Theft and Fraud

- Screen prospective staff. Verify your applicant's residential address. Require a National Bureau of Investigation, Police, and Barangay clearance. Ask for and validate a recommendation letter.
- Institute a checks and balance system. Spread responsibilities and accountability among employees, especially those handling cash and inventory.
- Make sure inventory records are always updated. If possible, take inventory daily and reconcile the inventory count with the cash on hand for that day.
- Be present in your place of business. Check and familiarize records constantly.
- Keep checkbooks and other valuable business documents in a safe and locked place.
- Have written and well-defined responsibilities/job description for each employee.
- Theft is a crime of opportunity! Do not provide such opportunity to your staff. Uphold integrity and honesty in the workplace.
- Do not sign checks to pay a vendor or supplier without the necessary attachments (i.e., products invoice, purchaser order copy, delivery statement). Before signing, make sure that the attached documents are marked with "paid."
- Minimize payments done in cash. Check payments are easier to monitor and are less susceptible to fraud.
- Always start and end your day with an inventory count. The count difference between the start of the day and the end of the day should equal the sale for the day in the cash box.
- All bank accounts must be reconciled every month.

Basic Financial Statements: You Can Take These to the Bank!

The two most important financial statements for a business are the Profit and Loss Statement (P&L) and the Balance Sheet. These are the two statements that banks require drugstore owners who approach them for a loan. These two statements hold the information that will show the financial health of the business, as well as how the owners managed their operations during the past year(s).

At the end of each month, a company should be able to generate a P&L statement, especially if they use accounting software. As an entrepreneur, you should be familiar with the numbers and understand when the business is doing well and when it is not. Are gross profits high enough? Are sales growing steadily? How about profit? It might be shrinking while sales are increasing.

A Profit and Loss Statement (P&L) has the following general format:

GROSS SALES

LESS: Returns

= Net Sales

LESS: Cost of Goods (Direct Costs)

= Gross Profit

LESS: General and Admin Costs

= Net Profit (Before Tax)

- You should know where sales are coming from. A good tip is to find out specifically what products (pills/injectables/IUD?) or services (prenatal/birth delivery/newborn screening) contribute to more than 5% to your revenue. Consequently, look at the cost of goods for each item and project the sales volume to break-even for each item.
- Look at percentages. What percentage of sales is being spent on marketing and promotion? What is the share of personnel salaries sales?
- The gross profit margin is what is left after the business pays out the cost of goods. This is the amount that can be used to pay for operating expenses. Knowing the business' gross profit margin and keeping percentages of expenses under control allows a drugstore owner to budget for profit.
- Direct costs, the cost of goods, should remain the same even as company revenues increase. For the drugstore industry, this is relatively straightforward unlike the manufacturing industry. For example, cost of goods might vary depending on cost of raw materials and labor directly attributed to the product.
- On the other hand, overhead (or indirect) costs should be maintained at a constant level, which means that as sales or revenue goes up, the percentage of overhead expenses should go down. ADP operators as a business owners need to bring down overhead costs to a manageable level and logically work towards getting more sales to be more liquid and profitable.
- Most businesses are seasonal. A hospital administrator, birthing clinic owner, or BnB operator should be aware of his/her business' seasonality, which he/she can assess by comparing financial results against the same period of time the previous year or previous quarter.
- If it is available, the owner/operator/manager should also compare his/her business percentages with industry averages to give him/her a clearer idea of where his/her business stands.
- Little things can add up to big ones. Consider the cost of cell phones (presumably for marketing efforts) and paper (for printing advertisements) and how it potentially increase expenses. Watch over the small expenses in the business

- Loan payments may not appear in the monthly statements except for interest expenses, but this amount will show up in the Balance Sheet as a liability. The drugstore owner should be aware of how this affects the overall picture of his/her business.
- Depreciation expenses also do not show up in monthly statements, but are added to the annual report as a tax-deductible expense. However, bankers look at depreciation as a non-cash item and make adjustments in order to allow the business owner to get a loan.
- The owner/manager/operator should also consider replacement costs and make a budget for when equipment breaks down or becomes obsolete.

A Balance Sheet looks like this:

ASSETS		LIABILITIES	
Current Assets		Current Liabilities	
Cash in Bank	P2,000	Short-term Borrowings	4,100
Accounts Receivable	2,000	Accounts Payable	
Interest-bearing Deposits		Income Tax Payable	
Inventory	3,750	Other Current Liabilities	
Supplies	3,500		
Other Current Assets			
A. Sub-total Current Assets	11,250	C. Subtotal Current Liabilities	4,100
Non-Current Assets		Long-term liabilities	
Equipment (cost) (Less: Accumulated Depreciation)		Long term Debt	
Net Fixed Assets and Equipment Building(s)	165,000	Other Liabilities	
Land		D. Sub-total long-term liabilities	0
Other Assets		E. TOTAL LIABILITIES (C + D)	4,100
B. Sub-total Non-Current Assets	165,000	EQUITY	
		Contributions from owner	30,000
		Previous years' accumulated profit/loss	127,150
		Current year profit/loss	30,000
		Withdrawals for personal use	(15,000)
		TOTAL EQUITY	172,150
TOTAL ASSETS (A + B)	P176,250	TOTAL LIABILITIES + EQUITY (E + F)	P176,250

The balance sheets show the assets and liabilities and the net equity of the business. The net equity shows the ability of the company to continue services. The buildup of net equity is a good for your business.

For Balance Sheets, all expenses that will be paid out or received within 12 months are considered short-term, and the rest are considered long-term.

As a business owner, you should look at the balance sheet and consider the following:

- Identify and analyze trends, particularly in the area of receivables and payables. If industry averages are available, compare the business figures with the industry average as well.
- Is the receivables cycle lengthening? This is one area that should be closely monitored and managed.
- Can receivables be collected more aggressively?
- Are some debts uncollectable?
- Has the business been delaying payables to forestall an inevitable cash shortage?
- Consider costs associated with replacing equipment that may soon become obsolete or will need replacement

MODULE 3**The Growth Perspective: Growing Your Business in the Community**

Marketing is the lifeblood of any business and so is it for your ADPs. Whether your business is big or small, marketing plays an important part in increasing revenues, furthering growth, and more importantly, delighting clients and customers.

You will learn the importance of knowing your market and determining who is buying and why they are buying. However, you must keep in mind that in any business, there are others who are presently or will eventually offer the same type of products or services.

All participants will be introduced to the “Marketing Mix” concept. This emphasizes offering the right combination of the five basic Ps in Marketing (i.e. Product, Price, People, Promotion and Place) that can be helpful to ensure your ADP business is sustainable.

This is an interactive session and will include both lectures from the speaker(s) and short presentations from the audience. Participants will be expected to have put together a draft marketing plan by the end of the program.

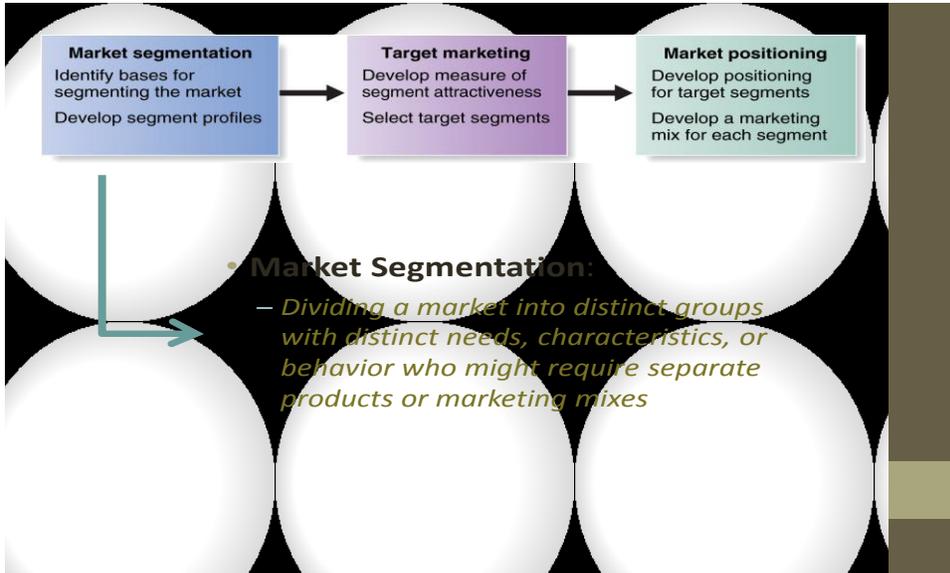
Session Objectives

By the end of this session, participants are expected to:

- Appreciate the importance of marketing for business success
- Know the internal and external factors that can affect their business
- Determine product mix for their ADPs
- Understand the basic Ps of marketing that can be helpful to their ADPs

Marketing is about managing profitable client relationships

- By attracting new clients
- By retaining and growing current clients base



In segmenting your markets, you need to scan, or profile who can be your potential customers. Will they just come from your immediate proximity (your barangay/village?) or would you like to get more from the community where there are companies, cooperatives, women vendors? Will you have just married women of reproductive age?

As a birthing clinic owner, you may want to offer your services to industries that are more at risk/susceptible to unwanted pregnancies. Are there clients from the health centers who earlier opted for SDM beads, but decided to shift to pills or injectables as a result of informed choice?

The 5Ps of Marketing

A lot of entrepreneur thinks that marketing is just advertising, but in reality, marketing is a broader discipline. One of the more popular ways of understanding the full marketing concept is through understanding the 5 P's of Marketing.



Products

As a midwife, your primary business revolves around deliveries. Therefore your main products are birth delivery services with other support products/services such as pre-natal check up, and newborn screening, among others.

As an ADP, you may sell a variety of family planning products such as pills, injectables and other related products that you aim to market to your clients, and can contribute as additional source of business revenue for you.

Price

Pricing is the most flexible element of the marketing mix. In order to set prices for your clinic services and FP-MCH products, you must first know the costs that you incur. These costs are made up of the purchase price of the commodities and a portion of your general operating costs such as rent, utilities, and salaries of your staff, your salary and your time.



While you can easily decide what price to offer to your clients, there are however, common pricing mistakes that you can commit. For instance, some PPMs quickly reduced the price of their family planning supply stocks just to get instant sale from a client who for example opted for pills. Without considering her purchase price, cost of delivery and profit, they end up at a loss.

When pricing is based on costs, you are more margin conscious/profit-oriented. This is pricing based on costs, not customer value. But if your

pricing takes into consideration factors such as creating more customer value, then you will think of ways on how best to come up with a very reasonable pricing scheme that can delight your customers (e.g., 10% discount for timely payment or pricing your products/services not individually but as a complete health package). These are some of the many ways that can make your customers feel that you have understood their need and value them as important part of your business.

Pricing Strategies

- Penetration strategy – a market entry tool

Example: You want to easily capture a good share of new clients and you price your services lower than your competitor or have a flexible pricing, according to season or type of customer.

- Competition-based - focused solely on how much the competition is charging to strive to beat their pricing

Example: You want to promptly sell the recently delivered injectables in your clinic, so upon learning the nearby clinic's pricing of 5% discount, you decide to beat your competition by offering a 10% discount, or with a small price mark up that goes with free administration service, not offered by your competition.

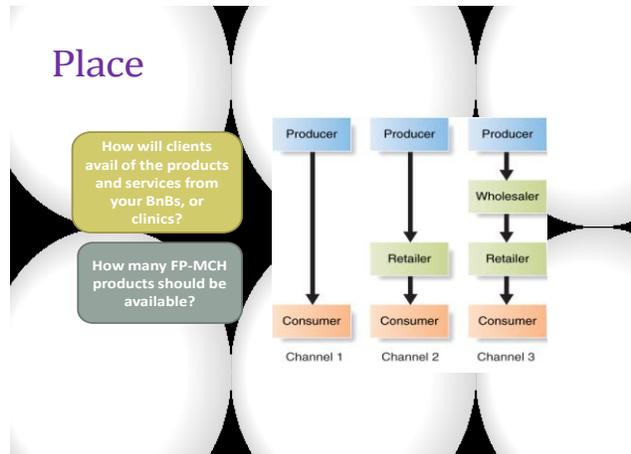
- Promotional pricing – up selling (taking a loss on first sales to gain new customers)

Example: You want the whole community to know that your new clinic branch just opened in the locality. So as part of your promotion, you offer free starter dose of multivitamins for every pre-natal check up as your promotional pricing for your clinic services and ADP products.

- Premium pricing – believing that high quality comes at a cost

Example: Knowing that you are the only clinic in the community that also stocks up on family planning supplies, you decide to mark up your stocks of progestin only pills at 20% more than the similar product available in the town center, where going there will cost clients from within the community, additional transportation cost.

Confident that your offered product can benefit the growing number of breastfeeding women in your community, your premium pricing is justified as you include it as part of your clinic's health package that goes with pre-natal, FAMILY PLANNING counseling and other quality services.



Place

Either as the registered owner of your birthing clinic or as a support staff who wants later to open your own clinic, one of the first things you need to decide on is where your business will be located if you plan to open another clinic, or if you are just about to start operating your very first clinic.

In considering your place of business, you must consider if you will rent or construct your own clinic.

In deciding on where to base your business, you must also consider the costs of the various locations, your ability to attract clients in that location, the suitability of such location for your patients.

Department of Health and PhilHealth accreditation standards should be considered in setting up or expanding your clinic as a place of business.

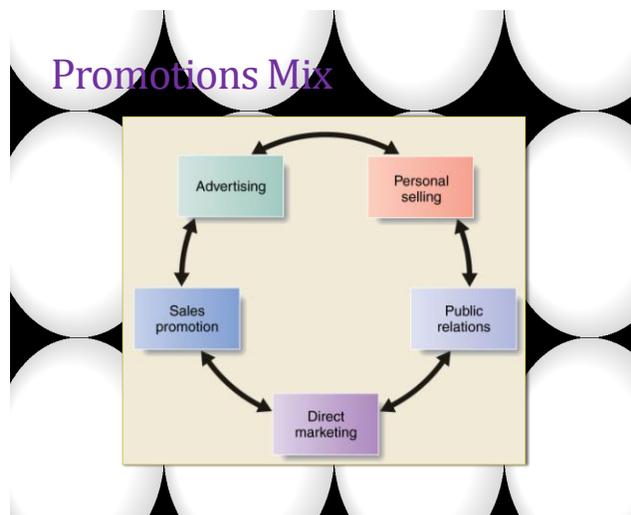
As an ADP Operator, which places can be your source of supply? Are they directly sourced from the place of producers (or manufacturers) or from the place of a wholesaler who can give better discount by buying in volume from his warehouse. As an ADP Operator, your place of business is where you retail your family planning supply from where consumers/clients will source them.



Promotion

To best relate to the six customer readiness stages, you can check out if:

1. Your customers know about your birthing clinic/ADP in the community.
2. They know about the products and services you offer.
3. They would prefer your clinic/ADP's products and services over that of others and would come back for their next purchase.



Promotion

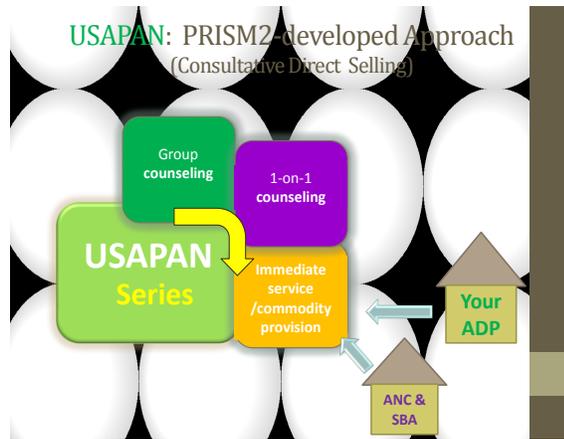
The purpose of promotion is to get people to know what your services/products are, what they can use it for, to make them really want your products/services and to let them know that you have it and that they can buy it from you.

Promotion can range from talking to clients (personal selling, direct marketing), when they come to your clinic/ADP or placing an advertisement on the local radio or television (if feasible).

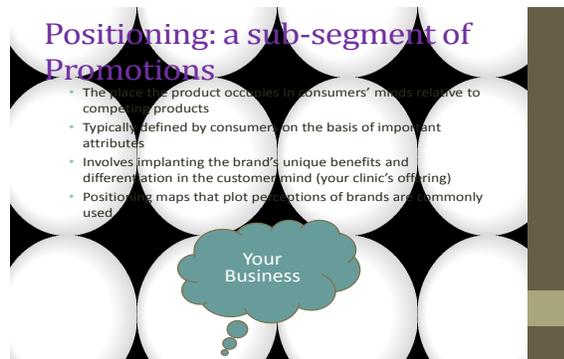
You conduct sales promotion in a company by providing free blood pressure tests to employees and giving out promotional materials about your clinic's products and services at the same time.



Usapan (Conversations) is a PRISM2 group counseling approach that can serve as a marketing tool and can help you generate more demand for family planning products and services.

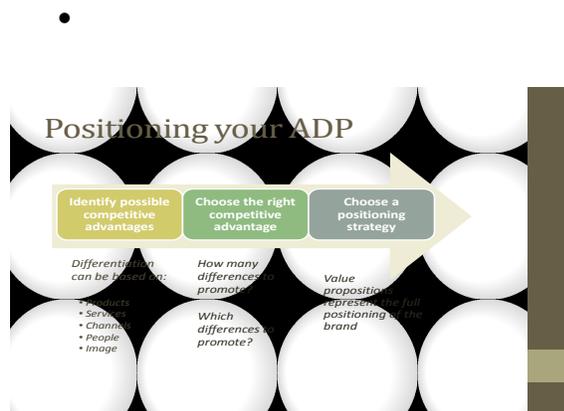


Conducting *Usapan* in your clinic is also a good way of promotion as you generate demand by attracting new clients/users to avail of your family planning services and products once they have chosen from among the method mix you have informed them about.



Positioning

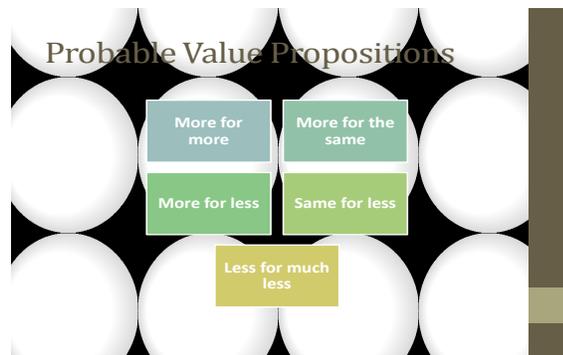
During the plenary sessions, share your ideas on how to position your birthing clinic in the community. Share your BnB's positioning strategy to the community



In order for your clinic/ADP to be more visible among women in your locality, you can position it in a manner that potential customers will easily associate it with.

Position your services as family-oriented, caring and reliable along with the affordable family planning services and products that you offer in your clinic/ADP.

Distinguish your clinic from competition; Promote your services in Parents-Teachers Association, the local chamber of commerce and in community service centers to expand your network.



Come up with your clinic's value proposition such as:

- PhilHealth Accredited! Tara na (Come), Ere na! (Give birth here) Libre Pa (For free)
- Open 24 Hours Paanakan



People

This is the most important 'P' in Marketing

To whom are you marketing?

- Clinic clients
- BnB customers
- Cooperative members

Who is helping you spread the word about your business?

- your clients
- barangay health workers
- community health teams
- SDN referral partners

Marketing Terminologies:

Customers	People that your ADPs will be serving (i.e., Married Women of Reproductive Age, Current Users)
Demand	Refers to the people who want to purchase MNCHN products from your clinic's/co-ops' ADP
Differentiation	Marketing concept that helps you think how services and products in your ADPs are different from the others who are in the same business
Market	Refers to the people in and near your community who may be your potential customers
Market Size	Refers to the number of customers that your ADP can potentially reach with your MNCHN products and services.
Place	Refers to where your ADP is located
Price	The amount that you are charging for products and services in your ADPs
Products	These are the items (MNCHN commodities) that you purchase for re-sale in your practice
Product Mix	Refers to the concept of combining products and services together to make your ADP more attractive to potential customers.
Promotion	Refers to communicating your message about your ADP business.
Marketing Mix	Combining the right set of Products, Price, and Promotions in your ADP Location

Worksheet 3: Marketing Mix

	YOU	YOUR COMPETITOR
Product		
Place		
Price		
Promotion		
People		

MODULE 4 | The Customer Perspective: Client

Having decided to engage in business, it is safe to assume that you possess skills in dealing with the people whom you will meet daily. These are your neighbors, other residents in your community, and others who seek you out for some reason. But meeting people doesn't automatically mean business. You have to convert people into customers. Satisfied customers become clients. They come back to you for more business transactions. Dissatisfied customers leave and go elsewhere and you don't want this to happen.

This module will answer two questions that are important for the sustainability of your business:

- How do you turn the everyday people that you meet into customers?
- How do you get ordinary customers to become long-term clients?

The module is divided into three topics:

1. Choosing the right staff to engage customers
2. The Essentials of Consultative Selling Skills
3. Clients – Cooperatives, rural health units referred clients, hospital referral

Session Objectives

By the end of this session, the participants shall be able to:

- Demonstrate their understanding of the importance of seeing their business practices from the customers' perspectives
- List opportunities to make their clients feel special and want to come back for other services
- Develop a list of steps for delighting prospective clients and long-standing clients

Choosing the Right Staff to Engage Customers

It is important that your staff are good natured and well-trained in handling your clients. The right staff combined with effective customer service training, will ensure good relationships with clients and satisfied customers. Poor customer service upsets business operations.

Here are five qualities to look for when selecting staff for your business:

- Lively and with a bright disposition
- Loyal to your business and with a strong sense of responsibility
- Confident and assertive
- Good communication skills
- Respectful and modest

Very good staff and customers relations can be enhanced through staff trainings. New staff needs to be familiar with the products you sell in order to provide customers with correct recommendations about products and services that meet their needs. Staff should also be client-centered, actively listening to and attending to the needs of the customers, and creating positive interactions.

Essentials of Consultative Selling Skills

Consultative selling refers to the process of understanding client's needs and providing the products and services that meet those needs. In other words, you and your staff have to strive to make your outlet to be a solution-shop to meet the needs of your clients.

This process requires the application of interpersonal communication skills:

I. Establishing rapport.

- Welcome clients with warm greetings
- Do active listening
- Summarize client needs
- Discuss options with clients
- Offer a responsive package

Delighting the Client (Cooperatives, RHU-referred Clients and Hospital Referral)

As ADPs, your clients will be referred by RHUs, cooperatives, hospital, as well as walk-in clients. Each client has a distinct need. Each transaction is unique even if the order is the same.

The supplier-client relationship has elements similar to that of a romantic relationship. Each romantic relationship is unique but there are some common elements. Lovers need attention and loyalty from each other; they have to meet each other's needs and communicate with each other even when they're not together. All lovers undergo moments of misunderstanding and disagreements. These moments have to be handled with care, lest the relationship flounders.

Below are tips to help you keep your clients satisfied and coming back for additional services.

1. Give them your undivided attention when they are in your outlet. Just like a friend, your customers will feel neglected if you do other things while talking to them.
 - Welcome clients with a warm greeting
 - Drop all other activities (phone calls, emails, etc.) during a client discussion.
 - Conduct discussions with clients privately if you sense that the upcoming transaction needs confidentiality.
2. Only offer the products that meet your client's needs. Never lie to your client or sell a product that will not benefit your client.
3. If you don't have the product that a client needs, extend help by offering to help get it from a reliable source by contacting your network of suppliers and fellow ADPs.
4. Follow-up. Your transaction does not really end after you make a sale. You want your client to return for their future needs. Follow-up calls can make your clients feel that you really care for them. This will help build loyalty to you and your business. If clients are loyal to you, they will come back to your business even if they have an opportunity to purchase somewhere else.
5. Give discounts or free samples to long-term clients in recognition of their loyalty to you. For example, you can give out your business card with a handwritten time-bound (3-months, 6-months) discount rate at the back.
6. Make long-term clients your "business partner." This does not mean letting clients become co-investors. Rather, it means giving incentives to clients who make referrals to others who then become your new clients. Satisfied clients often recommend you when they encounter other people who have similar business needs. Reward clients who refer your business with gifts and incentives to motivate them to continue making referrals. As more clients are referred, the incentive increases.
7. Handle complaints with care. No matter how careful you run your business, there will be occasions when you or your staff makes mistakes and results in client complaints. An angry client will attract the attention of other customers. As much as possible, try to isolate the situation by discussing and settling complaints privately.
 - Listen and try to understand the nature of the complaint. Ask questions to get more details. Clarify the issue by asking specific questions regarding the complaint.
 - Calmly restate, in your own words, your understanding of the complaint.
 - Even if the complaint is not valid, do not argue with the client. Instead, acknowledge the complaint and ask if you can offer other products or services as a solution.
 - Example: "We are sorry that you're not happy with this product, would you like us to discuss possible solutions to this?"

- Possible solutions you can offer:
 - If you or your staff committed a mistake, offer to correct it immediately. Example: Wrong products given or quantity is less than what was paid for. Solution: give the correct product or quantity.
 - If product is defective, retrieve it and replace with the right product that is in good condition.

If you are able to establish long-term business relationships through the concept of “delighting your clients” you will have a successful and sustainable business. Your clients will return to you for their future business and may even recommend you to others.

MODULE 5**The Internal Business Process Perspective: Ensuring Everything is in Order**

The purpose of this module is to gain an understanding of the operations of a start up pharmaceutical retail business and learn about the key business processes critical to the business success.

It is crucial as a drug distributor, to ensure that you provide the Food and Drug Authority (FDA) with approved quality MNCHN products to clients who opt to buy from your ADP.

This business process encompasses logistical requirements such as procurement, inventory management, stockroom/warehouse management and physical delivery.

Module 5 hopes to provide you with advice using the logistical, management and operational experiences from a company who started as a small drugstore and has steadily grown and is now worth over 2 billion pesos. It also has its own product brands including an expanded FP-MCH products portfolio.

Session Objectives

By the end of this session, the participants are expected to:

- Appreciate the importance of logistics management, basic procurement, inventory management, and stockroom/warehouse management and be able to apply it to their community-based ADP business.

Inventory Management

The goal of inventory management is to strike a balance between the cost of inventory and the risk of stock-outs. Too much inventory is an unprofitable investment tying up your resources. On the other hand, too little stocks may lead to lost sales.

The challenge of good inventory management is to accurately forecast business needs. Forecasts use historical sales data of drug items, i.e., MNCHN products in addition to expected future sales. Your forecasts need to be reviewed with current inventory records.

Procurement for Pharmaceutical Retailers

Procurement is defined as the act of buying goods or services. The process includes preparation and processing of business needs, as well as filing the final receipt and approval of payment. It often involves:

- Purchase planning
- Standards determination
- Supplier research and selection
- Value analysis
- Financing
- Price negotiation
- Making the purchase
- Inventory control

Procurement is often part of a drugstore owner's strategy because the ability to purchase certain products will determine if the operation will continue. A business will not survive if its cost of procuring products is greater than the profit it makes by selling those products.

Things to consider before making a purchase:

- What supplies do I need to stock in my drugstore?
- Who will be my supplier(s)?
- What are the requirements for my business to become accredited by a supplier?
- Did I get the best offer or deal? (Discounts, payment term, fast delivery, etc.).

Handling stock deliveries:

- Review the products enumerated in the invoice. Make sure that these are the exact products that you ordered.
- Make sure that the boxes/packages delivered are properly sealed.
- Check the quality of packaging and the expiration dates indicated.
- Make sure that any deals or discounts are noted on the invoice and are complied with.
- All payments must be done only after checking all delivered items.
- Request for an official receipt after payment.

Stockroom Management

What is a stockroom?

It is where extra supplies are stored until they are needed. This room is a key part of the supply chain, controlling the movement and storage of products.

Tips on how to maintain a stockroom:

- The stockroom must be accessible, ideally located adjacent to the drugstore.
- The space must be spacious enough to store the extra supplies and allow for enough room for movement.
- The stockroom must be clean, dry and secured from pests like rats, cockroaches and other insects that may damage or contaminate the stocks.
- The stockroom must be well ventilated and well lighted. Ideally, the room temperature should not exceed 25 degree Celsius or as suggested by the FDA.
- There must be elevated storage racks or cabinets where stocks can be are placed.
- Organize your stocks (i.e., by type of medication) for easy access and inventory.
- Practice the FDA's "First Expiry, First Out" (FIFO) method to avoid losses from expiring or expired products.

What is an Inventory?

Inventory is the amount of stock or merchandise that is available for sale to clients.

- **Adequate Inventory** is generally defined as basic stock + safety stock (housed in the stockroom)
- **Basic Stock** is the amount of inventory carried to meet the average demand
- **Safety Stock** is the amount of inventory carried to account for fluctuation in demand and order cycles

Recommendations for Efficient Inventory Management

- Conduct regular inventory checks (if possible, every month) to adjust to seasonal dispensing trends.
- Assign a point person to manage slow moving stock.
- Know your supplier's return policy.
- Build a good relationship with patient-customers. Patient-customers can guide you on buying trends. (How many women in your community who use the pills are repeat customers?)
- Maintain good business relations with your suppliers. They can assist you with your safety stocks and order cycle.
- Set up an ordering system. Limit the size of orders if there has been no demand for a product to keep your inventory costs down.

- Maintain stocks of basic/essential drugs like pills, paracetamol, cough and cold remedies, and antibiotics.
- To avoid pilferage, secure a place in your ADP where you can keep expensive medicines.
- Do regular research on product movement, average demand, cost, sales and profit for a particular product.

MODULE 6**The Sustainability Perspective: Sustaining Your ADPs through Understanding of Basic Financial Analysis of Your Business Operations**

This session will teach the participants the concept of sustainability and its relationship to business and social development. Discussions will lead participants to identify replicable business practices to sustain ADPs and/or businesses.

This session will provide a detailed discussion on basic financial processes, and the adoption of systematic, efficient, and effective mechanisms for ADPs to scale up and sustain their operations.

Session Objectives

By the end of this session, the participants are expected to:

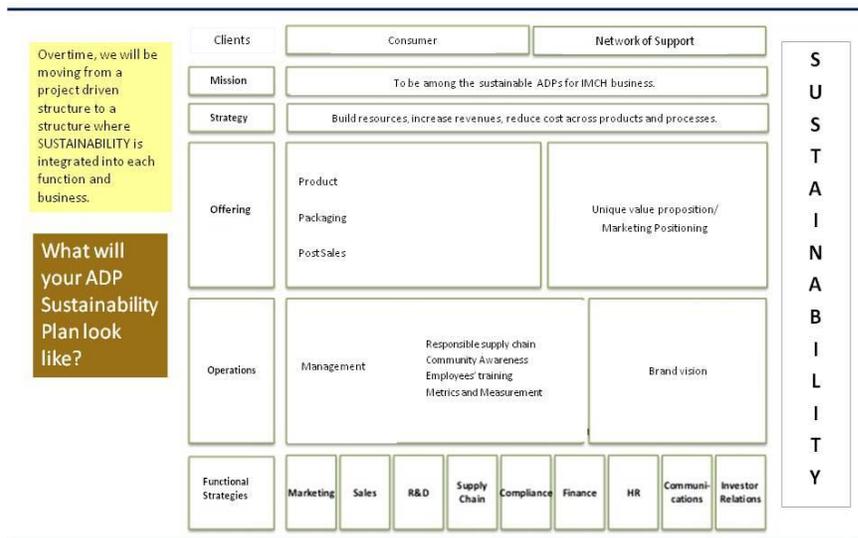
- Understand the concept and elements of sustainability.
- Understand basic financial analysis to scale up and sustain ADPs.
- Adopt systematic and sustainable approaches for ADP business operations.

I. Introduction of the Concept of Sustainability

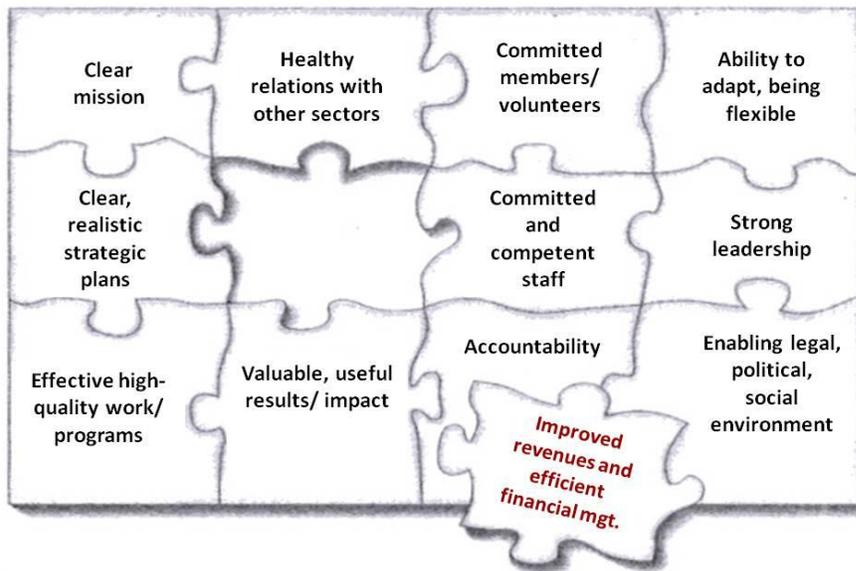
Sustainability means that ADPs (i.e., PPMs in their birthing clinics or community-based BnBs) are able to generate a steady income from the resupply of family planning products, such that their operations contribute to the sustainability of their business.

As a business consideration, the following sustainability checklist needs to be considered by ADPs in line with public-private partnership (PPP) in a local context:

1. Will public and private partners (in the PPP) continue to get involved activities that widen the availability of contraceptives in the market and continue to meet users' needs and preference (in formulation and pricing) through ADPs?
2. Has the local PPP made it operationally viable and easy for private sector organizations to participate in LGU's social economic enterprise as one of the approaches in scaling up ADPs?
3. How can local PPPs use more of the available public sector resources to leverage for the increased private sector participation in the SDN where ADPs can be integrated?
4. What actions have the local PPPs taken to help fast track policies necessary to sustain ADPs?



Sustainability Puzzle Pieces



Operationalizing a Sustainability Plan Requires ADPs to do “Profit Analysis”

The goal of having sustainable business is profit: ways to lower the break-even point.

Decreasing direct costs will increase the gross margin. Be more diligent about purchasing materials, controlling inventory, and increasing labor productivity through cost-effective scheduling or adding more efficient technology.

There are many approaches to cost effective scheduling with the aid of available tools, including planners, calendars, paper-based organizers, personal digital assistant, and integrated software suites like MS Outlook.

The scheduling tool that is best for you depends on your situation, the current structure of your clinic/ADP and your budget. Cost-effective scheduling takes into consideration efficient time management of your clinic supplies delivery from local suppliers such that it does not affect your daily busy clinic services provision to your clients. Cost-effective scheduling accounts for time required to update your inventory in your stockroom, so you are able to view the correct level of detail in an appropriate span of time and guided by your next ordering/purchase schedule.

Scheduling is best done on a regular basis, e.g., at the start of every week or month. Go through the following steps in preparing your schedule:

1. Identify a specific time allotted for ADP operations management.
2. Devise action plans (i.e., monitoring your clinic sales, updating your inventory)

3. If you have employees/staff, allot time for dealing with operational issues encountered and for coaching and supervision. Allot a time to communicate with your staff and key people that are involved in your business.

Profit Analysis or (Cost-Volume-Profit Analysis)

Cost-Volume-Profit (CVP) Analysis is a way to examine the relationship between your fixed and variable costs, your volume (in terms of units or in terms of pesos), and your profits.

CVP analysis uses these tools:

- Break-even analysis: tells you the number of sales required to break even under different price scenarios
- Contribution margin analysis: compares the profitability of different products, lines, and services you offer
- Operating leverage: examines the degree to which your business uses fixed costs, i.e., as sales increase profits increase, as sales decrease profits decrease.

Break-even Analysis

The break-even point is that at which income and expenses are exactly equal. The business has not made a profit or a loss, but you have recovered all business expenses.

Another way of looking at it is that, at the break-even point, each unit of family planning products you have sold has paid for itself (cost of goods sold or variable costs) and contributed a share toward the total operating expenses (fixed costs or overheads) for the period.

The break-even analysis is critical for any business owner, because you will know exactly when you begin to make a profit. The break-even point is the lowest limit when determining profit margins. You will know how low a price you can offer, and the effects of discounting on your net profit.

You can calculate the break even for any period of time – a year, quarter, month, week, day – just make sure all three estimates relate to the same time period.

The formula used to calculate the number of units for break-even is:

$$\text{Number of units} = \frac{\text{total fixed costs}}{(\text{unit selling price} - \text{variable unit cost})}$$

The formula used to calculate the value in Pesos for break-even is:

$$\text{Peso value} = \frac{\text{total fixed costs}}{1 - (\text{total variable costs} \div \text{total sales})}$$

Fixed Costs

Fixed costs are paid whether or not you make any family planning products sales or sales of your clinic services, and are also known as business expenses, overheads, outgoings or operating expenses. Fixed costs do not vary in proportion to sales.

Variable Costs

Variable costs vary directly with the volume of clinic services and ADP's products sales and are also known as the cost of goods sold (COGS), cost of sales, or direct costs of sales.

Semi-variable

Some costs are semi-variable, that is, they contain both a fixed component and a variable component. Semi-variable costs can be incurred without sales, but are affected by volumes of trade. For example, telephone charges have a fixed line rental component and a call charge component that will increase with increased sales.

For all practical purposes, a small business won't divide these semi-variable costs into fixed and variable components. Exactly how the cost is classified is not critical, but it will impact on your break-even analysis. If you underestimate the variable costs (cost of goods sold) you will underestimate your break-even point.

Contribution Margin

BnB-Bagong Gamot ADP		
Income Statement		
For Year Ending December 31, 2012		
Sales	462,452	
Less Variable Costs:		
Cost of Goods Sold	230,934	
Sales Commissions	58,852	
Delivery Charges	13,984	
<i>Total Variable Costs</i>	303,770	
Contribution Margin	158,682	34%
Less: Fixed Costs:		
Advertising	1,850	
Depreciation	13,250	
Insurance	5,400	
Payroll Taxes	8,200	
Rent	9,600	
Utilities	17,801	

Wages	40,000	
Total Fixed Costs	96,101	
Net Operating Income	62,581	

Which product contributes the most to margin?

	Line A	Line B	Line C
Sales	120,400	202,050	140,002
Less Variable Costs:			
Cost of Goods Sold	70,030	100,900	60,004
Sales Commissions	18,802	40,050	0
Delivery Charges	900	8,084	5,000
Total Variable Costs	89,732	149,034	65,004
Contribution Margin	30,668 (25%)	53,016 (26%)	74,998 (54%)

Pricing for Profit = Sustainable Business for your Alternative Distribution Point

Understanding Competitive Pricing

- Is your product sold in high volume?
- Are there other drugstores in your area?
- Are your hours convenient for your customers?
- Do you customize your products in such a way that they are distinctive?
- Do you offer free delivery or a liberal return policy?
- How do you compare to your competitors in terms of quality and service?

By understanding how gross profit can be generated from operating an ADP, a simple exercise below is suggested for the participants to consider the following:

Sales Income – this refers to your revenue generated from the sales of family planning products

Fixed Cost – your expenses incurred to operate your ADP

Gross Profit – profit after deducting investment/cost of goods

By doing this simple exercise, we would like the participants to be conscious of the need to generate profit – profit being a key component to ADP sustainability.

Exercise: Your business is selling 1,000 tabs of paracetamol/month

1,000 cycles of Famila 28 pills @ Php 41.00 each = Php41,000 2 boxes of condom @ Php35 each	
Sales Income 1,000 cycles of Famila 28 pills @ Php41.00 each: Php 41,000.00 2 boxes (x 24 condoms)@ Php35.00 each: 1,680.00	Php 41, 680.00
Less: Fixed Cost Electricity: Php1,000.00 ADP staff salary: 5,000.00 Other direct cost 1,000.00	Php 7,000.00
Gross Profit	Php 34,600.00

With a 20% increase in sales volume:

20% increase to above sales income generated additional Php8,336.00		
	Sales Income	Php 50,016
	Less: Fixed Cost	Php 7,000
	Gross Profit	Php 43,016

Developing Pricing

- Establish your ADP's pricing strategy at the onset:
 - Low priced pills/injectables?
 - FP-MCH products tied with clinic services?
- Provide better quality products and services than your competition
- Offer frequent customers a discount on clinic services

Tips on Managing Supply and Demand

- Make sure you stock up on fast moving FP-MCH products
- Niche products may produce higher margins, but is there demand for them in your community?
- Added value for added price
- Try text-orders from your network of community health teams and BHWs from their catchment areas
- Account for all of your costs (i.e., hidden costs)
- Learn how to establish FP-MCH product mark-ups by asking your supplier to guide you
- Set goals for your ADP's profit margins!

10 Questions you should not be afraid to ask in starting your way towards sustainability

As the owner of an ADP business, you should take into consideration the following:

1. Are you supplying the women in your community with their pills, injectables, IUDs?
2. Is the demand for FAMILY PLANNING products increasing?
3. Is your hospital/birthing clinic/ BnB community-based ADP accessible to the community?
4. Is your inventory constantly replenished (stocks are sold before they expire)?
5. Do you have an existing collection system for client's credit?
6. Are your personal expenses mixed up with your operational expenses?
7. Are you starting to think of expanding your business to more populous areas in your community?
8. Do you regularly monitor your business expenses?
9. Have you been aiming for a higher turnover of MNCHN products in your ADP?
10. Do you have a good relationship with your suppliers? Are you given discounts without you asking?

ANNEXES

ANNEX A**SPECIAL MODULE FOR BOTIKA NG BARANGAYS (BnBs)****Professionalizing Operators in their Management of BnBs as Alternative Distribution Points (ADPs)****Session Description**

This session aims to impart to the participants the realities and guidance in managing business operations of their BnBs so as alternative sources of MNCHN supply (including contraceptives) in communities where they operate, they can generate more demand and steady revenue to be more sustainable.

Session Objectives

By the end of this 6-module session, the participants are expected to:

- Know the background and potential of BnBs.
- Learn the value of efficient logistics management to aid in their operations.
- Effectively market their BnBs, product mixes and services among Service Delivery Network partners

Discussion Proper

Module 1	Market Situation
	<ul style="list-style-type: none"> • Objective, Vision and Mission – A Quick Refresher • Legal Mandate • R.A. 6675 – Generics Act • DOH AO special issuance in Mindanao – Its Impact on Local Access to Resupply for Women • Main Channels of Distribution in the Philippines • Range of Oral Contraceptives as user’s top of mind choice for their resupply • BnBs as partners in the Service Delivery Network
Module 2	Basic Financial Management (with Cash Flow Management workshop)
Module 3	Growing your Business as ADPs in Your Community
Module 4	Customer Perspective: Romancing the Client (with a Case Study of a BnB)
Module 5	Basics in Procurement, Inventory Management, Stockroom/Warehousing)
Module 6	Sustainability <ul style="list-style-type: none"> • Sharing Success story of a PPM-ADP operating in community • Workshop in Sustainability Planning

ANNEX B

SPECIAL MODULE ON STANDARD DAYS METHOD (SDM)

The Standard Days Method

SDM is a simple fertility awareness-based method. It helps a woman know her fertile days by counting the days of her cycle. It identifies 8-19 of the cycle as fertile. It helps a couple avoid unplanned pregnancy by knowing when to abstain. It can also be used to achieve a pregnancy.

Module Description

In this module we will discuss the unmet family planning needs; fertility awareness; use and benefits of SDM; and the cycle beads.

Session Objectives

By the end of the session, the participants are expected to:

- Understand the need to be Informed Choice and Voluntarism compliant, so the SDM will be discussed to complement earlier discussion on modern methods mix
- Appreciate the current statistics on unmet family planning needs and illustrate the roles of ADPs in Reproductive Health Development Goals
- Explain human fertility, including menstrual phases
- Explain the SDM, its use and benefits
- Demonstrate how to promote the SDM and the cycle bead

Natural Family Planning Reproductive Health Development Goals

- Republic Act 10354 or an Act Providing For a National Policy on Responsible Parenthood and Reproductive Health.
- *“The State shall respect individuals’ preferences and choice of family planning methods that are in accordance with their religious convictions and cultural beliefs, taking into consideration the State’s obligations under various human rights in the Philippine Constitution”*

Section 5.03 Reproductive Health Care Services at Barangay Health Stations.

Family planning information and services which shall include, as a first priority, making women of reproductive age fully aware of their respective cycles to make them aware of when fertilization is highly probable, as well as highly improbable. The provision of information on fertility cycles includes information on the full range of modern family planning methods.

Modern Methods of Family Planning

Refers to safe, effective, non-abortifacient and legal methods or health products, whether natural or artificial, that are registered with the FDA (as applicable), to plan pregnancy. Modern natural methods include Billings Ovulation or Cervical Mucus Method, Basal Body Temperature, Symptothermal Method, Standard Days Method, and Lactation Amenorrhea Method (LAM).

Fertility Awareness

Basic information on human fertility provides the answer to the following questions:

- What are the vital parts of the body involved? (the brain, breast for women, and the reproductive system. (Also mention the function of the heart that helps decide whether to have sexual intercourse)
- When is the onset of fertility for both male and female?
- When does fertility end for male?
- What are the different phases of menstrual cycle?

Phases of Menstrual Cycle

Phase 1: Menstrual Phase

- Starts on the first day of menses
- Vaginal bleeding is observed
- Wet feeling due to bleeding
- Bleeding comes from the shedding of the uterine lining which indicates there is no pregnancy
- Includes all days of menstrual bleeding (usually 4-6 days)
- Menstrual bleeding is normal and healthy.

Phase 2: Pre-Ovulatory

- Bleeding has stopped.
- When menstruation stops, the feeling is dry as no cervical mucus is felt or seen
- Egg cells begin to develop
- Follicles around the developing egg cells produce the hormone estrogen
- Estrogen helps prepare the body for pregnancy:
 - Lining of the uterus starts to thicken
 - Basal body temperature stays low
 - Sticky and pasty cervical mucus is produced and forms a plug which prevents the entry of sperms
- This is a relatively infertile phase

Phase 3: Ovulatory

- The mucus plug is dislodged
- Woman feels wet - cervical mucus becomes watery, stretchy, slippery and clear
- One mature egg is released from the ovary and stays in the fallopian tube for about 24 hours
- The uterine lining continues to thicken
- Basal body temperature starts to rise
- This is the fertile phase of the menstrual cycle.

Phase 4: Post-Ovulatory

This phase covers about 10-16 days which stays constant whether the cycle is short, average, or long.

Charting the days of the month each cycle will provide the best knowledge around your cycle. On your ovulation chart, the length of the phase will soon emerge as a distinct number of days.

For each woman, these days are fairly consistent from cycle to cycle. Once the days have been monitored for a few months, a pattern will emerge showing if the days are between 10 to 16 days, indicating a good luteal phase length.

Unfortunately if the length of the third phase in the cycle is found to be 10 days or less, there may be reason to be concerned. The luteal phase primary function is for the buildup of the hormone progesterone, to support and sustain conception when it takes place.

Women who have a short third phase will have difficulty in conceiving. If the phase is 10 days or less, there are insufficient days to allow enough progesterone build up. The lack of progesterone build up is necessary for the endometrium lining the uterus.

The endometrium lining needs to be in perfect condition and thickness for sustaining a healthy pregnancy.

A short third phase in the cycle is a serious condition, which will require treatment. Monitoring and charting the days in each cycle will identify the days in the luteal phase. If this is found to be less than 12 days, it is best to seek the advice of a nutritional expert, a homeopath or a doctor, for a treatment recommendation.

Should you already be under treatment for infertility, the patterns available from charting, as recommended on conception calendar will be an important bit of information to take with you to discuss with your doctor.

- No egg is present
- Women experience post-ovulation vaginal dryness. It is the sensation that comes with a lack of the normal secretions and/or thinning of the skin in the vagina.
- Cervical mucus may or may not be seen at all or if there is any mucus, it is sticky, cloudy, crumbly or pasty
- Basal body temperature rises and stays high
- This phase is absolutely infertile.

Standard Days Method

The Standard Days Method (SDM) is based on the woman's menstrual cycle. It identifies cycle days 8-19 as the woman's fertile period. It works for women whose menstrual cycle ranges between 26-32 days. Colored beads are used to help the woman keep track of her fertile and infertile days.

It is used with CycleBeads®, a color-coded string of beads to help a woman track her cycle days, know when she is fertile, monitor her cycle length, serve as teaching tool for easy learning, and a communication tool between the couple.

Why try a new natural method of family planning?

- Simple, natural methods of family planning are in demand.
- There is low use of existing natural methods.
- There is high use of some kinds of periodic abstinence and withdrawal.
- There is little knowledge of fertility.
- SDM has all the advantages of natural methods, but with: a) no side effects, b) no need of costly or imported commodities, c) promotes couple communication, and d) involves both the husband and the wife.

What are the scientific bases for the Standard Days Method?

- Biological factors that determine a woman's period: timing of ovulation; maximum life span of a sperm cell, which is 5 days inside the woman's reproductive tract on fertile days; and life span of the egg, which is 24 hours.
- Probability of pregnancy during the fertile period is high.
- Intercourse on other days of the cycle outside the fertile period is essentially zero (Wilcox, 2008).
- For the average woman, this fertile period falls completely within days 8 to 19 of the cycle. By average woman, we mean a woman whose cycle ranges between 26 to 32 days.

SDM Cycle Beads Promotion and Pricing

What is the necklace?

- Aid to memory
- A necklace of color coded beads with a movable rubber marker to help the woman track her cycle days
- Helps her remember whether the days are fertile or infertile
- An effective tool for the woman to know when she is fertile; for the couple to communicate on fertility management; and a teaching tool for the worker in counseling her client.

What are the Promotional Aspects of SDM?

- Underscores responsibility to one's family and society in general
- demands responsible sexual behavior
- Requires joint effort from the couple
- Effective/Reliable (effective/reliable)
- Ease of use
- No side effects
- Improved couple sexual relationships
- More family time

What are the communication strategies for SDM?

- IEC materials such as brochures, flyers, posters, DVDs for distribution to ADPs
- Pricing of cycle beads of the Institute of Reproductive Health Philippines (IRHP)
- Acquisition cost per cyclebead from IRHP at Php88.00 per piece
- Delivery freight, varies, depending on the volume of order and the mode of shipment
- Suggested Retail Price is at Php150.00 per cyclebeads
- Terms of Payment - 30 days from delivery of beads
- Payment Scheme – Bank Payment or through IRHP's Field Coordinators.