Technologies for Primary Health Care

Occasional Operations Papers

Enlisting the Commercial Sector in Public Health

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INTRODUCTION

This Occasional Operations Paper is another in a series that the PRITECH Project, funded by the U.S. Agency for International Development, will be publishing periodically. The papers focus on programmatic experiences in the field and on lessons we have learned. The PRITECH Project has full-time field staff operating in country and regional offices in Africa, Asia, and Latin America. Our field staff, in collaboration with their national colleagues, have operational experiences and ideas to share with their colleagues through these papers. Although the experiences derive from a particular country situation, we hope that lessons learned can be useful to CDD program managers elsewhere.

We believe that, by sharing our experiences working with national CDD programs throughout the world since 1983, we may give you new ideas for your programs. We encourage you to let us know about your experiences. We hope that you find this series interesting and useful — and that you enjoy a sense of sharing in the many struggles and successes of CDD programs throughout the world.
LIMITATIONS OF PUBLIC SECTOR CDD EFFORTS

The vast majority of control of diarrheal disease (CDD) activities around the world have been organized within and continue to be implemented by the public sector. That the global CDD effort was structured in such a fashion is not surprising, because it followed conventional development models and used traditional public sector health networks. The public sector approach has realized considerable progress in certain areas, such as increasing public awareness of oral rehydration therapy (ORT) and effective use of ORT within public health facilities.\(^1\) Statistics from many countries show that public knowledge and awareness of ORT exceed 80 percent.

Public sector-only approaches are, however, constrained by two basic shortcomings. First, such public sector programs have structural limitations in extending CDD services to the general populace. The figure shows, for instance, that only a small percentage of people in India or the Philippines consult public sector health personnel for childhood diarrheal disease.

A very disturbing statistic that commonly emerges from developing countries is the consistently low rates of actual use of oral rehydration salts (ORS) in households during diarrheal episodes. Even in countries with general awareness levels of ORS over 80 percent, household ORS use rates are often considerably lower. According to the World Health Organization, ORS use rates do not exceed 21 percent.\(^2\) A significant gap between ORS awareness and use clearly has emerged throughout the developing world.

One reason that ORS use is so low is that current global demand is not fully met by supply. A common limitation of public sector health systems is the regular supply and distribution of needed medical supplies to all health facilities. This is particularly true for facilities at the primary health care level.

Second, public sector programs suffer from limitations in long-term sustainability. Such programs require regular infusions of financial support from governments

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\(^1\)ORT consists of fluid replacement, continued breastfeeding, and feeding.

and donors. CDD programs that strive to reach 100 percent of the population need large quantities of financial resources over long periods of time to be fully successful. The strain of sustaining these endeavors over time could be eased considerably if substantial CDD services were undertaken by the private sector on a self-financing, commercial basis. By allocating human, material, and financial resources to cost-effective production and marketing activities, private companies could help fill the gap between total consumer demand and what was currently produced by the public sector.

In several countries, experience has shown that the commercial sector can provide useful information on ORT and sell ORS at prices sufficient to provide the different links in the distribution chain with a profit incentive. Yet these prices are affordable to significant portions of the population. The long-term sustainable availability of ORS has been accomplished with the commercial sector's own funds, investing the major part of the finances required to launch ORS, and minimizing donor and host country financing.

If the full benefit of ORT and other diarrheal disease management practices is to be realized, other sectors providing primary health care services must also be enlisted to be active users and promoters of such practices. The commercial sector is one group that can be engaged to participate in the effort to promote, sell, and distribute ORS packets, as well as to provide information regarding home management of diarrheal diseases to a broad segment of the population.
PRITECH's COMMERCIAL SECTOR INITIATIVE

To address the limitations of a public sector-only approach, PRITECH embarked on an initiative to involve the commercial sector more widely in public health interventions. Specifically, PRITECH aimed to (1) complement the ongoing efforts of the national CDD program; (2) promote oral rehydration therapy, rather than just ORS; (3) develop a sustainable marketing model; (4) maximize ORS marketing potential, acting on both demand and supply; and (5) help prevent diarrheal incidence through breastfeeding and handwashing promotion.

PRITECH's Strategy

The criteria used to select suitable candidate countries for ORS commercialization activities included (1) countries with a commitment to and a policy endorsing the use of ORS as a home treatment remedy; (2) countries where privatization is a well-established approach supported by the government; (3) countries with a well-developed commercial sector; (4) countries with a sizeable consumer market potential where ORS can be considered an over-the-counter product, available without prescription; and (5) countries in which the USAID mission supported the commercialization effort.

PRITECH typically followed a methodology developed and refined through experience working with the commercial sector. The methodology began with a rapid assessment of the ORS market situation and the attitudes and practices of consumers, health providers, suppliers, and manufacturers. PRITECH then identified ORS needs, market and environmental constraints and opportunities, and the most suitable players for each market segment. Potential companies were not limited to the pharmaceutical industry, as food and beverage companies offer a much wider distribution channel. Findings from these assessments formed the basis of a preliminary ORS plan that incorporated the national CDD program objectives. PRITECH attempted to achieve these objectives by developing strategies ensuring the best market coverage. In collaboration with the CDD program and donor agencies, PRITECH selected and initiated the approach to the targeted companies.

To encourage the private sector to participate in CDD activities, PRITECH:

- Assesses the current commercial market and the potential for increased commercial sales (including market research).
- Identifies promising commercial sector players that can realize that potential.
- Designs a national ORS plan in coordination with the national CDD program.
- Approaches targeted commercial firms and seeks their involvement, both in terms of market potential and possible contributions to national public health objectives.
- Provides technical assistance in marketing according to each company's capacities and resources.
- Monitors and evaluates the public health impact of CDD activities undertaken by commercial firms.
PRITECH attached great importance to careful preparation of a presentation to the companies' decision makers. PRITECH developed a brochure — "Good Health, Good Business" — targeted to commercial companies that was used in the initial approach to decision makers. In some countries, PRITECH made its initial presentation to a group of companies; in others, presentations were made individually. Presentation of ORS market opportunities was tailored to each company's strengths. In addition, PRITECH strived to demonstrate that public health objectives could represent business opportunities. Typically, the solicited companies made their own marketing assessments and feasibility studies. If the company decision was favorable, PRITECH worked with the company as early in the planning process as possible.

Technical assistance offered by PRITECH aimed at strengthening the capacity of the companies in areas as varied as good manufacturing practices, quality control, market research, marketing planning, communication strategy, and material development. Throughout, PRITECH provided continuous guidance to ensure that the communication message was in line with the national CDD policy. PRITECH monitored the implementation of the ORS launch campaign and worked with the companies, the CDD program, and collaborating agencies in evaluating the impact of the intervention according to indicators incorporated into the companies' objectives.

Collaboration in Specific Countries

**Honduras.** The high awareness of oral rehydration therapy generated by a mass media campaign and the subsequent demand for ORS were not being met by a supply of a readily available, affordable ORS. In the private sector, only high-priced imported ORS was sold in pharmacies. The government felt there was a need for an ORS product accessible to the large rural population most in need of it.

In 1988, a PRITECH marketing expert worked with the HealthCom Project3 to identify and assist a pharmaceutical manufacturer to develop the ORS that the Ministry of Health wanted. An introductory marketing plan was developed jointly with the selected producer, Quimifar, in an effort to increase popular access to ORS. The marketing approach adopted by the company included a segmented marketing strategy that began with Hidrosol, a low-priced "popular" product, to be distributed in rural drug outlets and grocery stores. A higher-priced brand, distributed exclusively to pharmacies and promoted only to doctors, was expected to follow soon after the launch of the popular brand. The government agreed to continue mass advertising for the Ministry of Health's ORS brand, Litrosol, which generated a beneficial spin-off effect on the demand for the "popular" commercial brand, Hidrosol.

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3 Communication and Marketing for Child Survival, a project sponsored by A.I.D., managed by the Academy for Educational Development.
Indonesia. The fielding of a PRITECH representative in Indonesia in 1991 facilitated the expansion of Indonesia's ORS production and marketing. Assistance has been provided to several ORS producers to optimize their market potential, expand distribution networks, and ensure accuracy of the promotional messages. A major consumer goods company was successfully enlisted to launch a generic handwashing campaign, along with the promotion of its soap, to prevent diarrhea.4

Jordan. The main local ORS producer, Al-Hikma, became disenchanted with the sales performance of its ORS despite the mass media campaign funded by UNICEF. In 1989, PRITECH provided short-term technical assistance that helped Al-Hikma revitalize the marketing of its ORS. This was accomplished by refocusing the company's ORS marketing strategy on its usual target audience — physicians and pharmacists — using the company's main marketing resource: its own detailing force. PRITECH helped develop the marketing plan and the detailing material. Now ORS is part of the company's regular detailing program.

Kenya. Due to the 1990 change in government regulations regarding the standard ORS packet size, half of the ORS producers dropped out of the market. In 1991, total production and importation of ORS was about 5 million packets, mostly purchased by donor agencies and distributed by the government. With donor agencies increasingly reluctant to continue the free supply of ORS, the government wanted to share the burden of supplying and distributing ORS with the commercial sector.

PRITECH assessed the market potential and researched the interest and ability of current and former ORS producers to mass market ORS nationwide. One company, Sterling-Health, stood out among the others for its advantageous capacities in production, quality control, mass distribution, and advertising. In coordination with UNICEF, PRITECH worked to persuade Sterling-Health to re-enter the ORS market. A market research study demonstrated to the company that there was an untapped market, especially in the rural areas, where Sterling-Health has a leading edge. Pooling resources from UNICEF, PRITECH, and Sterling-Health, an exhaustive marketing campaign was designed and advertising concepts pretested. The company is marshalling its resources to meet the anticipated launch of the new ORS brand in July 1993. In addition, PRITECH has worked with a major soap-producing company in East Africa to incorporate handwashing messages in its soap promotion campaign.

Madagascar. In 1988, UNICEF established a production line, Odiva, with an annual capacity of 1 million ORS packets within the government drug distribution facility. UNICEF also supplied the facility with enough free raw material for the estimated production of the first two years. To date, most of the Odiva packets have been channelled through the public health system, which absorbed only 300,000 to 500,000 packets a year.

4Lucia Ferraz-Tabor, Mobilizing the Private Sector for Public Health in Indonesia, PRITECH occasional paper, Arlington, VA, Management Sciences for Health PRITECH Project, 1993.
In 1992, with some promotion efforts, the private sector purchased 100,000 packets for sale in pharmacies and nongovernmental health facilities. However, the proceeds from the commercial sales to the private sector were not sufficient to provide Odiva with the financial returns needed to recover the operating costs of its production.

As part of the new policy towards privatization, the government now wants to shift Odiva production to the private sector. In late 1992, PRITECH assessed the commercial market, identified potential players, and developed options that would allow the government to attract the commercial sector, while gradually phasing-out from ORS production. The option selected by the government consists of first implementing an intensive promotional campaign aimed at generating ORS demand from both retailers and consumers, in order to prime the market and make it more attractive to potential partners.

**Mali and Niger.** Prior to 1989, ORS was not available outside of public distribution channels in Mali and Niger. In 1989 and 1990, PRITECH provided training and technical assistance to develop commercial marketing capacity within the parastatal pharmaceutical companies that produce ORS. This new marketing function has allowed the parastatals to distribute and promote their ORS more effectively within the small but growing private sector. Areas of marketing assistance included planning, market research, distribution, promotion, merchandising, and sales training.

**Mexico.** Despite significant progress in ORT awareness, there are large unmet ORS needs mainly among middle- and lower-income groups in rural areas. ORS sales in the private sector were dominated by high-priced liquid brands, available mostly in pharmacies in the urban areas. There were no ORS packets in the rural retail outlets. Of the local ORS packet manufacturers who produced for the government tender, none had the capacity to market ORS in any significant way.

PRITECH undertook an exhaustive market analysis to identify potential ORS marketers that could reach the under-served rural areas. In order to measure the market potential and highlight its attractiveness to potential marketers, PRITECH conducted three market research studies on consumers' and shopkeepers' attitudes toward ORS and on ORS price sensitivity. Results of the studies were presented to selected companies, which in turn made their own assessments. This led to a short list of two companies that PRITECH is encouraging to produce ORS.

**Pakistan.** In Pakistan, PRITECH found a huge ORS production capacity among seven ORS producers, yet latent demand from households was not being met. Over an eighteen-month period, PRITECH helped to develop a national ORS marketing plan (involving seven ORS manufacturers) that identified key issues for harnessing both government and private sector resources in a national CDD effort. PRITECH forged a partnership between the government and the private sector that created incentives for outreach distribution and synergistic advertising efforts. The government agreed to accelerate generic ORS advertising, while the companies, through promotion of their own brands, capitalized on
the existing awareness and translated it into product sales. PRITECH stimulated ORS producers to increase their marketing efforts by upgrading their marketing and selling skills through training workshops. It provided individual technical assistance to the partner companies, helping each one develop a specific marketing plan and a promotion campaign according to its resources.\(^5\)

Zambia. ORS supply, including local ORS production and imported donations, was insufficient to meet annual demand, which was estimated at 8 million packets. In 1991, a local subsidiary of Cadbury-Schweppes, a beverage company with a wide distribution network, produced and launched Oresa, an orange-flavored brand of ORS. Being unfamiliar with marketing health products, the company requested and received assistance from PRITECH on how best to utilize its nationwide consumer goods distribution network to market ORS packets effectively. PRITECH helped develop an appropriate marketing plan and identified the need to implement good manufacturing practices and quality control standards.\(^6\)

Regional Approach

Because the market structure of individual Asian countries was similar but progress in ORS marketing across the region was uneven, PRITECH conducted a regional workshop for selected ORS manufacturers in Asia called "Expanding ORS Marketing to New Horizons." The conference, which was the first international ORS marketing workshop of its kind, brought together senior executives from Asian pharmaceutical companies that produce ORS to discuss current issues and new developments in ORS marketing. Marketing executives from sixteen companies from India, Indonesia, Pakistan, the Philippines, Sri Lanka, and Thailand, representing 15 percent of estimated worldwide ORS production, attended the workshop.

The workshop's objective was to exchange ideas and experiences on new strategies aimed at expanding ORS beyond the usual urban areas. The participants made the most of this unique opportunity by discussing genuine problems, experiences, and ideas with their corporate peers. Many acquired new skills and techniques such as development of rural marketing strategies, while others fine-tuned their existing marketing plans and strategies. Other participants came away assured that their marketing strategies were correct. The

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participants left the meeting with renewed enthusiasm and a commitment to increase the use of oral rehydration therapy through improved marketing of ORS.\(^7\)

**IMPACT**

*Sustainability*

The principal benefit of PRITECH's social marketing approach is that the commercial sector activities undertaken will be self-sustainable in the future. PRITECH has not subsidized any product costs or promotion costs except in rare specific cases where initial co-funding is appropriate. The project stimulated companies to invest in new or expanded ORS marketing efforts using their own resources, harnessing their existing marketing and sales capabilities, and reaping the benefits of increased sales. PRITECH's approach has aimed at identifying market opportunities and developing strategies jointly with the companies to exploit these opportunities in the most cost-effective way possible according to each company's resources. The momentum generated by PRITECH is maintained by individual companies and fueled by continued interest from the major donor agencies.

*Promotion of ORT, Rather than ORS Alone*

Since the PRITECH commercial sector initiative began, the trend toward treating diarrhea with oral rehydration therapy has accelerated in many countries where PRITECH has worked. The companies that have collaborated with PRITECH now promote the correct home treatment for diarrhea, including continued feeding and breastfeeding, instead of just their ORS brand. Often their promotion also includes preventive measures such as hygiene practices and continued breastfeeding.

*Easing of Regulatory Constraints*

In countries where ORS distribution was limited by regulations to pharmacies only, PRITECH lobbied the drug regulatory authority to remove the product from the restrictive drug list. ORS can now be found in grocery shops in many rural areas where there is no pharmacy.

PRITECH also acted to eliminate disincentives for ORS manufacturing by requesting a tax exemption on imported ingredients and packaging material from the government finance authorities. This exemption allowed the ORS manufacturers to produce at a lesser cost, thus freeing additional funds for distribution and promotion expenses.

In addition, PRITECH worked closely with national CDD programs to restrict the availability and use of antidiarrheal drugs, especially for pediatric use. Antidiarrheal drugs are useless for treating most childhood diarrhea and can be dangerous as well. Many countries have banned the use of these drugs in government health facilities; some have also extended the ban to sales by the commercial sector.

Expanding ORS availability through Alternative Distribution Channels

Most ORS manufacturers are pharmaceutical companies used to distributing their drugs through pharmacies. However, pharmacies are seldom located in rural areas, where the need for ORS is considerable. PRITECH has been working with current manufacturers to broaden their distribution networks and to identify additional distribution systems that increase the availability of ORS through a wide range of retail outlets. In some instances, PRITECH acted as a broker between an ORS manufacturer and a consumer goods company to foster a partnership aimed at broadening the distribution and thus the availability of ORS to those who need it.
LESSONS LEARNED

We need to enlist the commercial sector.
The commercial sector is an established force in health care services. Increasingly, with the privatization trend as a means to alleviate the burden from the public sector, the commercial sector is assuming a larger share of health care delivery.

The commercial sector needs guidance.
If left alone, the commercial sector could potentially conflict with the public health policy. Even among well-intentioned ORS producers, promotion of a commercial ORS brand was often incorrect, promoting conflicting practices. Examples abound of ORS promotional material that advised the withdrawal of food during diarrhea, recommended use of specific infant formulas and bottlefeeding, or legitimized the use of antidiarrheals through copromotion with ORS.

Private sector involvement can take many shapes.
With appropriate guidance, the private sector can be involved not only in marketing of products, but also in health education and promotion of preventive measures.

We can motivate the commercial sector through different means.
There are several ways to motivate commercial companies to get involved in controlling diarrheal disease. Although profit is a major motivating factor, it is not the only one. Enhancing the company image is another powerful motivation, especially with well-established companies. Marketing and helping disseminate a life-saving product for children such as ORS reflects well on the company image. Many decision makers are increasingly sensitive to the social environment and want to play the role of good corporate citizens in their communities. Recognition of these good deeds by international organizations or associations can reinforce such behaviors.

A catalyst such as PRITECH is necessary.
To leverage the strengths of the current and potential players, a catalyst, understanding the systems and motivation of each, is needed to sensitize, guide, steer, and mobilize the different resources in a synergistic way. PRITECH has found that a contributing factor for success in mobilizing the commercial sector is the presence of a motivated resident advisor who can provide follow-up to short-term technical assistance and keep the targeted companies interested.

We should ensure the support of opinion leaders and other influencers.
The support of leading physicians and national medical and pediatric associations can be invaluable in encouraging physicians to prescribe ORS.
The image of ORS must be upgraded.
Identification of ORS as a public health product has hindered commercialization. Because of the way in which ORS was introduced to most developing countries, ORS quickly became identified as a public sector product by the commercial pharmaceutical market. Prospective manufacturers were given exact specifications by the ministry of health or the donor organizations for producing ORS. Then they bid on tenders to produce the amounts of ORS needed to operate government programs. Many firms that produced ORS in the developing world therefore did not have the same product control over ORS as they would over a product in their regular product line. Essentially, marketing and distribution decisions for ORS rested in the hands of the public sector. Attempts to mold the image of ORS in the minds of consumers through the mass media also lay in the domain of the public sector.

Competition from antidiarrheal drugs should be addressed.
Current market profiles indicate that commercial ORS faces stiff competition from antidiarrheals, antibiotics, motility inhibitors, and intestinal adsorbents. Many of these products hold leading positions within the marketplaces of developing countries.

Most prescriptions for diarrhea cases include at least one antidiarrheal and one antibacterial. Some prescriptions also include ORS, but few consist only of ORS. When they write prescriptions for diarrhea, private health care professionals may well be influenced by product image (the more medicinal and technically advanced the better), and by their own perceptions of what patients expect (specialized drugs and stopping the diarrhea). Regulatory measures restricting the use of antidiarrheals in children should go in tandem with an educational effort on the benefits of ORT.

In addition, antibiotics and antidiarrheals are commonly sold at a retail price level considerably higher than that of ORS, but which consumers seem willing to pay. The potential profit margin differential between antidiarrheals and ORS favors the former. Another advantage antidiarrheals enjoy is the control and flexibility that manufacturers have in deciding the course of product life. The formulation, package design, brand name, and product image are all variables over which the manufacturers can exercise control. Greater freedom to respond flexibly to market forces is valued by commercial firms.

Companies should not be denied the use of their marketing tools for ORS.
In a competitive environment, companies thrive by identifying a market segment and then increasing their market share in this segment. This technique is called segmentation and targeting. A company can choose to compete in one or in several segments, basing its decision on its own resources and on the market needs. Once the segments have been targeted, the company allocates its resources to the four major elements of the marketing mix: product, price, place, and promotion (the four "P"s), balancing each ingredient according to the market response. ORS should benefit from the application of these
marketing tools, if it is to stand any chance of success, and not be controlled in its presentation, price, distribution, and promotion.

**Companies should be allowed to differentiate their products.**
This is particularly true for over-the-counter pharmaceuticals in which some technical edge (such as the classic "new and improved" claim) can be used to advantage over the competition and win the allegiance of the consumer. The standard, low-tech image that ORS has initially acquired hampers the ability of commercial ORS suppliers to employ this differential marketing technique. To differentiate their ORS brand and make it more attractive, some manufacturers of commercial ORS have added color and flavorings to the ORS ingredients. Others have toyed with the size, packaging or presentation form. However, very few have had any coherent product strategy.

**The continuing low retail price allowed for commercial ORS constitutes a very real marketing constraint.**
Conventional marketing guidelines for setting prices for consumer products suggest that prices should do more than just cover production and packaging costs. In addition, price-setting must take into account the price of competing products as well as what price levels may do to product image in the minds of consumers (the higher the price, the better the quality; the lower the price, the lower the quality). Price is often perceived by health planners to be a barrier to ORS use by the poor; thus, price controls serve to keep ORS inexpensive.

Consequently, the greatest potential for making ORS commercially viable in this low-profit environment is to achieve high-volume unit sales. Achieving such high-volume sales is not likely in many developing countries if retail sales are limited to pharmacies and drug seller outlets. Higher volume unit sales might be possible if consumer ORS were distributed and made available as an over-the-counter product in consumer goods shops that sell common, everyday products like matches, soap, or aspirin.

**One element of consumer demand for diarrheal products is the desire of caretakers to stop or shorten the diarrheal episode in children.**
Suppliers of commercial antidiarrheal products try, in part, to meet that consumer demand. Indeed, stopping diarrhea is a major criterion of consumers in their assessment of the efficacy of diarrheal products. To date, ORS has been unable to meet this aspect of consumer demand. Attempts have been made to convince consumers that ORS is effective and that they should not expect diarrhea episodes to be shortened. Nevertheless, the consumer demand to stop or shorten diarrheal episodes appears to remain a significant unsatisfied need in many developing as well as developed countries. There is a need for product development and research where the public and private sectors can collaborate, for instance by accelerating the research on cereal-based ORS and on other treatment alternatives that have the potential for satisfying this demand.