

Social Marketing Models for Product-Based Reproductive Health Programs

A Comparative Analysis

Françoise Armand, MBA
March 2003



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ABSTRACT

Social marketing models for product-based reproductive health programs in developing countries typically have been defined according to the organization that manages them. This paper explores the major differences and similarities between two classic social marketing models: the NGO and manufacturer's models.

These approaches afford different levels of control over the marketing mix, a central component of the social marketing strategy, with resulting variations in expected program impact and sustainability. Each model in its classic interpretation presents advantages and limitations related to its reliance on donor funding and potential commercial-sector participation. The NGO-based model is potentially more effective in reaching low-income and hard-to-reach populations because it affords more flexibility over price and distribution, but it may be harder to sustain without continued donor funding. In contrast, the manufacturer's model comes with inherent product sustainability as it uses existing commercial brands, but this approach is limited in its ability to meet the needs of people outside the mainstream, middle-income population. Other approaches can be found in the developing world that do not conform to

either model, but rather borrow from both. Many social marketing programs have adopted context-specific approaches that include partial or total cost-recovery and income-generating activities and partnerships between NGOs and manufacturers. These hybrid models represent the next generation of social marketing programs and suggest a flexible approach to program design, using management style and combinations of the marketing mix to fit a specific context. Donors and implementing agencies are advised to take into account several key factors when designing social marketing programs, including project goals, cost considerations, market context, and the existence of potential commercial partners.

KEY WORDS

Social marketing, NGO, manufacturer's model, sustainability, contraceptives, Commercial Market Strategies project.

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COVER PHOTO

A condom outlet in Pakistan. Photo courtesy of Population Services International.

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OCCASIONAL PAPER SERIES
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1 Summary

SUMMARY

Social marketing is a methodology inspired by commercial marketing that has proven effective in changing behaviors and increasing access to needed health products. Social marketers combine product, price, place (distribution), and promotion to maximize use by specific population groups. This basic methodology is central to all social marketing programs, but its implementation varies from one project to another. This document provides a comparative analysis of product-based social marketing approaches, specifically, the so-called non-governmental organization (NGO) and manufacturer's models and increasingly common variations on these models. The analysis is followed by context-specific design guidelines for donors and implementing organizations.

BASIC APPROACHES

Social marketing models found in the developing world typically are defined by the organization that manages them. Indeed, management structure and organizational priorities can affect program outcomes and sustainability. Donor-funded NGO models are more likely to focus on achieving health impact and serving the poor because they do not need to secure minimum profit levels. Programs managed by NGOs also tend to have greater control over the full marketing mix as brands are often created and managed in-house, rather than by a commercial manufacturer. As a result, these programs have the ability to reach entirely new population groups because they offer the most flexibility in terms of branding, pricing, and distribution. The downside of this approach is its dependence on sustained donor funding and, in some cases, high operating costs. In contrast, the manufacturer's model comes with built-in product sustainability that may help ensure continued availability after donor funding is no longer obtainable. Products marketed through this type of intervention are sold at commercially viable prices through a manufacturer's existing distribution network. The trade-off of the manufacturer's model is its limited ability to meet the needs of people outside the mainstream population, such as low-income or hard-to-reach groups.

Many social marketing programs do not follow a rigid model, but rather a context-specific approach.

NGOs in Latin America, Asia, and even Africa have explored and implemented direct partnerships with commercial manufacturers; at least one manufacturer has invested in its own social marketing program. Increasingly, social marketing organizations respond to pressure for increased sustainability by developing income-generating activities that blur the line between the non-profit and commercial worlds. These hybrid models may represent the next generation of social marketing programs, if not a brand new approach to social marketing.

CHOOSING A MODEL

The choice of a social marketing model should be determined on a case-by-case basis, with emphasis on the following key factors:

COMPATIBILITY WITH PROJECT GOALS

Increased product access implies a high degree of control over product pricing and distribution, which may suggest an NGO-based intervention as the more appropriate model. Countries where moderately priced commercial brands and adequate distribution infrastructure exist, however, may offer good partnership possibilities along the lines of the manufacturer's model.

Programs focusing on communication are not particularly model sensitive, as promotional campaigns usually are supported by donor funds and subcontracted to local agencies. These campaigns are rarely sustainable in the absence of donor support (even when motivated commercial partners are involved) because prohibitions on brand-specific advertising and competing interests among commercial partners often require the continued presence of an implementing organization. Both models are good vehicles for behavior change, though the NGO model may be more suitable for reaching low-income or marginal populations.

Programs based on either model can make substantial contributions to long-term contraceptive security by targeting specific user groups. The NGO model can be used to wean people from free products with low-priced brands, whereas the manufacturer's model helps build value for commercial products among users who can pay unsubsidized prices.

COST CONSIDERATIONS

The cost-effectiveness of various social marketing models can be assessed only within a specific context. Purchasing power, local capacity, and commercial infrastructure are factors that influence the cost of social marketing programs, regardless of the model chosen, though the manufacturer's model will achieve substantial economies in the right context. The most expensive social marketing programs have been those using a "do-it-yourself" approach to distribution. That is because maintaining extensive sales staff and equipment for limited product ranges can drive up costs and fails to achieve economies of scale. Using commercial distributors and wholesalers tends to be the norm, however, in all but the least-developed countries, or those where a more targeted approach is needed. Communication activities account for a large portion of marketing costs; but creating, producing, and airing mass media campaigns does not come cheaper with a particular model. When a new product is to be introduced in a given country, adding this product to an existing program can achieve substantial economies of scale and reduce program costs, regardless of the model being used.

MARKET CONTEXT

A country's level of economic development is a major factor in the success of a social marketing program, particularly if it is based on the manufacturer's model. It is also likely to influence other key determinants, such as commercial infrastructure, users' willingness and ability to pay, and the existence of potential commercial partners. In general, programs designed according to the manufacturer's model have been most successful in middle-income countries, whereas NGO-based programs have more impact (and are least likely to substitute for commercial suppliers) in the poorest countries. But other factors must be carefully considered before deciding on a particular model. Unfavorable government policies, which are often independent of the degree of development of a particular country, can jeopardize the impact of programs based on the manufacturer's model. In particular, market distortions created by untargeted public-sector programs can discourage commercial manufacturers from investing in family planning products.

EXISTENCE OF POTENTIAL PARTNERS

The manufacturer's model is dependent on the availability of motivated partners. For donor funds to be leveraged effectively, there must be enough commitment from commercial partners to sustain marketing activities during and beyond the project. Manufacturers vary in their assessment of social marketing. Some have expressed mixed feelings about past experiences, while those that did not participate in early projects have displayed interest in partnership opportunities. As a rule, some research is needed to assess the level of corporate commitment to family planning before deciding on a particular model. Failure to do this preparation may lead to unproductive partnerships or, in the case of a subsidized NGO-based program, unfair competition for commercial suppliers.

SUMMARY GUIDELINES

Using the analytical approach described above and lessons learned from past projects, this document identifies optimum conditions for NGO-based and partnership-based programs. These conditions serve as guidelines for assessing the chances that a particular program will be successful, though ideal conditions for either model may be difficult to find.

As programs similar to or inspired by the manufacturer's model need favorable conditions for commercial investment, these programs will do best in the following context:

- commercial suppliers and brands already exist in the market
- the potential for market growth is substantial if non-users are successfully recruited
- local and/or international manufacturers express genuine interest in a partnership
- free and highly subsidized products are not available or are adequately targeted (to the poor)
- the legal environment is conducive to commercial investment

- the target group can be reached through commercial distribution and communication channels
- the target group is willing to pay the lowest-possible commercial price

A manufacturer-based approach (provided that other conditions are favorable) is also the more sustainable option if long-term funding for a new NGO is unlikely, or if existing NGOs are facing a donor phase-out.

At the other end of the spectrum, the following conditions would create an unfavorable context or limited potential for commercial suppliers and may call for a subsidized, NGO-based intervention:

- product use is low, and commercial presence is limited
- sustained health impact among low-income or marginal groups is a primary objective
- increasing product access in non-traditional or hard-to-reach areas is a priority
- donor funding is sufficient, or other sources of funding can be found
- local commercial infrastructure is weak or does not reach the target group
- willingness and ability to pay are low among target users

Variations on these models include NGO-based programs with high cost-recovery or cross-subsidy activities and partnerships between non-profit and for-profit organizations. Certain combinations of market conditions might call for a hybrid approach. For example, a country with good commercial presence and infrastructure but insufficient market potential for a manufacturer-based program might be well served by a combined NGO/manufacturer approach.

Regardless of the initial model or design, a social marketing program should be allowed to evolve. Key factors, such as people's willingness to pay or

corporate interest in family planning, may change and create partnership opportunities that did not exist before. Consequently, the ability of a social marketing organization to tailor its approach to changing conditions may be more important than its allegiance to a particular model.

Maintaining realistic expectations when designing a social marketing program is an important determinant of success. As much as the commercial sector offers potential for sustainability, conditions must be right for private investments to be sustained, particularly after a donor phase-out. NGOs, on the other hand, cannot easily be made into profit centers while retaining their ability to adequately serve the neediest users. Consequently, project design and the selection of an implementing organization should be guided by a clear prioritization of donor goals.

2 Introduction

INTRODUCTION

In the developing world, social marketing usually refers to a donor-funded program designed to meet unmet demand for health products, making them accessible to needy populations, typically with the support of multimedia communication campaigns. Social marketing has been the subject of several books and many research papers, including “how to” guides designed to help non-profit organizations use marketing approaches to achieve a social outcome. Yet, few publications provide insight into the comparative advantages of different types or models of social marketing, particularly in the context of product-based reproductive health programs in developing countries. As the United States Agency for International Development’s (USAID) flagship private-sector project, Commercial Market Strategies (CMS) was asked to provide an overview of the most common approaches to product-based social marketing in the private sector, including the so-called NGO model, manufacturer’s model, and any combination or variation of the two. These approaches appear to have evolved as social marketing organizations tailored their strategies to context, organizational philosophy and capacity, funding levels, and partnership opportunities. This document focuses on the management and technical aspects of these de facto models and uses the conclusions of the comparative analysis to provide design guidelines for donors and implementers.

All social marketing programs have three things in common: a social goal, a methodology inspired by commercial marketing, and some dependency on donor funding. The effectiveness of these interventions depends largely on their ability to use marketing techniques in a way that generates the highest return on investment — in this case, the donor’s investment. While commercial marketing combines product features, pricing, distribution, and promotional activities to maximize profit, social marketing uses the same approach to maximize health impact. This approach is known as the marketing mix or the 4Ps (as in product, price, place, and promotion). It is used in this document to analyze and compare existing social marketing models. Because no assessment of social marketing approaches would be complete without addressing health impact and sustainability, this document includes a discussion of each model’s strengths and weaknesses with respect to these important issues.

3 Technical Aspects of Social Marketing Models

TECHNICAL ASPECTS OF SOCIAL MARKETING MODELS

THE NGO MODEL

The NGO model traditionally has been implemented by organizations that were part of international networks — such as Population Services International (PSI), Marie Stopes International, and the International Planned Parenthood Federation (IPPF) — or that were unaffiliated — such as the Ghana Social Marketing Foundation (GSMF) or the Population and Community Development Association (PDA) in Thailand. These organizations were either developed for the purpose of implementing social marketing programs, or added product-based activities to an existing range of social programs.

NGO-based social marketing programs typically market their own brands, designed to meet the needs and wants of a specific target group. The entire marketing mix is geared toward maximizing the number of users in this target group, which may lead to strategies that make little sense from a commercial standpoint but are consistent with a social goal. For example, low prices may be necessary to make the product affordable to the poorest users and have a significant impact on overall contraceptive prevalence. For this reason, projects based on the NGO model often use donated products and sell them at prices that may only allow for the partial recovery of marketing and distribution costs. One might ask why

A condom brand for HIV prevention

PSI launched *Aphaw* condoms in 1998 to address the growing AIDS epidemic in Myanmar. The brand is targeted to low-



income, high-risk populations. To reach these groups, PSI developed a culturally appropriate brand name and packaging, low prices, a large in-house sales force, and intensive behavior-change communication campaigns.

Table 1. Countries where the NGO model has been implemented

Angola	Congo	Madagascar	Rwanda
Bangladesh	Cuba	Malawi	Senegal
Benin	Eritrea	Mali	Tanzania
Botswana	Ethiopia	Mozambique	Thailand
Burkina Faso	Haiti	Myanmar	Togo
Burundi	India	Namibia	Uganda
Cambodia	Indonesia	Nepal	Vietnam
Cameroon	Ivory Coast	Nigeria	Zambia
Central African Republic	Kenya	Pakistan	Zimbabwe
	Laos	Philippines	

NGOs even sell the products they market rather than give them away, as cost recovery is seldom a priority for these programs. Charging a price, however, is considered essential in social marketing because it increases a product's perceived value in the mind of the consumer and allows it to be marketed through widely accessible commercial channels. Thus, NGOs aim to price products in a way that increases access to the poorest users while providing a profit margin to wholesalers and retailers.

The NGO-based approach is common in countries with weak commercial systems or limited commercial presence. It is also the most commonly found model in the developing world (see Table 1), where contraceptives and other health products are often expensive and poorly distributed. In less-developed countries, the most effective intervention is to launch an affordably priced product in popular retail outlets, followed by a rapid distribution scale-up. Instead of relying on existing market forces to carry the product through commercial channels, many NGOs take the initiative by using teams of promoters and salespeople who directly call on retailers. Some programs also sell products through non-traditional outlets (such as bars or hotels) that may be harder to reach through commercial channels. Because of the focus on maximizing product access, the NGO model is sometimes referred to as the distribution model.

ADVANTAGES AND LIMITATIONS

This approach offers flexibility in all aspects of the marketing mix: Though an NGO must rely on

available commodities, it has full control over the product's brand name and packaging, price, distribution, and promotion. Because changing even one of the 4Ps results in a different marketing mix (and, therefore, may cater to a different consumer), the NGO-based model has the potential to reach entirely new target groups. Indeed, the combination of attractive packaging, lower prices, convenient outlets, and trendy promotional campaigns has gone a long way toward increasing condom use among traditionally under-served groups in many developing countries.

NGOs present other advantages for donor agencies, such as their experience in dealing with high-risk or needy audiences and their use of non-profit status to obtain exemptions from laws that prohibit advertising. In addition, some evidence also exists that the effort put into social marketing campaigns can have a positive impact on the sales of commercial products or, in less-developed countries, pave the way for new commercial suppliers.

Working with pill manufacturers in India

The *Goli ke Hamjoli* (Friends of the Pill) project developed by CMS in eight Indian states does not promote a specific brand, but aims instead for an overall increase in oral contraceptive sales. This program uses a combination of advertising, public relations, and provider detailing to reduce misconceptions about oral contraceptives and promote the benefits of this method.



The limitations of this model are related to its institutional and financial sustainability. It is often assumed that NGOs have a higher commitment to long-term health impact than for-profit companies but this advantage is moot if they lack the technical capacity and funds to sustain elaborate marketing programs. NGO-based interventions that rely on donated commodities and in-house marketing management are the least financially sustainable if donor funding is unlikely in the future. For this reason, many NGOs (especially those experiencing drastic reductions in donor support) are working to improve their institutional and financial sustainability through better governance and increased cost-recovery and income-generating activities. Other organizations address financial sustainability by increasing their donor base and — in the case of PSI — bridge funding, whereby the organization uses its unrestricted funds to cover procurement and distribution costs until a new donor is found.

Another limitation of the NGO-based model may be the absence of technical capacity or resources to develop promotional endeavors typically undertaken by pharmaceutical manufacturers, including medical detailing and other provider-directed activities. The lack of economies of scale realized by spreading the costs of these activities over large product portfolios may put NGOs at a disadvantage compared to the manufacturer's model (described in the next section). Finally, highly subsidized social marketing programs with no exit strategy do little to wean users from free or subsidized health products and may even crowd out potential or existing commercial suppliers in the more developed markets.

THE MANUFACTURER'S MODEL

Social marketing programs designed according to this model are conducted in partnership with one or more commercial manufacturers of family planning products. The products marketed through these programs are selected from a manufacturer's portfolio and marketed through conventional commercial distribution and communication channels. Though these programs often are managed by the local affiliate of a social marketing organization (which may be a commercial firm itself or an NGO), the commercial partner retains control of branding, pricing, and distribution.

Table 2. Countries where the manufacturer's model has been implemented

Brazil	Jamaica	Morocco
Cameroon	Jordan	Pakistan
Dominican Republic	Kazakhstan	Peru
Egypt	Ukraine	Philippines
Haiti	Uzbekistan	Turkey
India	Mexico	Venezuela
Indonesia		

The manufacturer's model is based on a give-and-take approach: Commercial partners typically agree to reduce prices and increase distribution coverage, while the social marketing organization commits to a strong market-building program, such as a consumer-directed mass media campaign. For example, in the Dominican Republic, Schering agreed to cut the price of its cheapest oral contraceptive brand in half in exchange for USAID-supported mass media advertising. Because brand advertising for pharmaceutical products is prohibited in many countries, social marketing programs sometimes develop an "umbrella" logo that identifies the partners' brands at the point of sale and in the media. The combination of lower prices, increased availability, and targeted communication creates a marketing mix that is expected to attract large numbers of new users. In the long term, it is hoped that the resulting sales increase will encourage more investment by the manufacturers and allow for the phase-out of donor funding.

The first to adopt this model was the USAID-funded Social Marketing for Change (SOMARC) project, which developed partnerships with condom and hormonal contraceptive manufacturers in several countries, notably, Turkey, Indonesia, Morocco, Mexico, and Brazil (see Table 2). More recently, CMS used this approach to market hormonal contraceptives and oral re-hydration salts in India. The manufacturer's model appears to be increasingly popular in the context of malaria prevention: Both NetMarK — a net project managed by the Academy for Educational Development — and PSI/Tanzania have entered into partnerships with manufacturers to increase the distribution of commercial mosquito nets and promote their use in under-served areas.

ADVANTAGES AND LIMITATIONS

The main advantage of the manufacturer's model appears to be its inherent potential for sustainability, at least as far as product availability is concerned, independent of donor funding. Although manufacturers often have to reduce their prices to capture lower-income customers, these prices remain within a range that makes them financially sustainable — they allow for full cost recovery, as well as a profit margin.

The manufacturer's model also reduces the cost of creating and marketing a new brand for the project, thereby increasing the financial sustainability of the intervention. In addition, highly committed commercial partners may be willing to sustain market-building activities (defined as promotional efforts other than those needed to defend or grow market share) beyond the phase-out of donor funding. This appears to have been the case for the SOMARC condom program in Turkey and the CMS oral contraceptive program in Morocco. In those countries, partners continued to contribute a portion of their profits to mass media campaigns long after donor funding was discontinued.

Partnerships with manufacturers may not have a substantial impact on contraceptive prevalence or other quantifiable public health goals (especially in the poorest countries) as unmet need tends to be found among low-income groups that may not be able to afford commercial prices. Nevertheless, some partnerships can have a lasting effect on demand and supply, particularly in middle-income countries. For instance, demand kept growing, and new commercial condom brands appeared on the Jamaican market after a manufacturer-based social marketing program ended. Similarly, pharmaceutical companies in the Philippines continued investing in oral contraceptives, in spite of a less-than-favorable economic and political environment. The manufacturer's model is a good way to encourage private-sector expansion and a lesser reliance on donated or subsidized commodities, though changes may be slow to come.

The manufacturer's model has a mixed record in terms of programmatic sustainability, although the majority of brands introduced by now-graduated social marketing programs still are being marketed. Much has been said about the tendency of commercial partners to increase prices after donor funding

is phased out, but that is not the only threat to sustained impact. A commercial partner that is no longer subject to a contractual or good-faith agreement may not only increase prices, but also reduce distribution coverage, cut down on promotional activity, or discontinue products altogether. There are few examples of former commercial partners either increasing prices to levels that made them unaffordable to previous users, or discontinuing products. Many, however, ceased advertising and detailing activities after the end of the social marketing project (oral contraceptive programs in Turkey and Jordan, for example).

The sustainability of a partnership beyond graduation is directly related to its compatibility with long-term corporate objectives. Activities that temporarily boost sales volumes may not be economically sustainable for manufacturers, as most manufacturers would prefer to maximize profits by selling low volumes of high-priced products in easy-to-reach urban areas. That strategy not only keeps marketing costs down, but also makes the most of a demand that tends to be concentrated at the highest socioeconomic levels. In those countries where free or subsidized products are easily accessible to low- and middle-class users, manufacturers have even more incentives to sell a limited range of high-priced products to a well-off clientele. Therefore, the burden is on the social marketing project to meet enough demand among under-served groups to justify a permanent change of strategy by manufacturers. If the increase does not happen, the end of a partnership project may signal a shift in course, from a high-volume/low-price/high-investment strategy, to a low-volume/high-price/doing-nothing strategy with no deterioration (and a possible improvement) of the company's profit levels.

VARIATIONS AND HYBRID APPROACHES

Social marketing projects do not always abide by a particular model, and many have evolved in their approach. In fact, it may be increasingly difficult to find classic examples of NGO-based or manufacturer-based programs. For example, a growing number of NGO-based projects no longer rely on donated commodities, but instead procure their own products with revenues from sales. Some are now marketing brands that have achieved partial or full cost recovery.

Developing cross-subsidy products

GSMF earned praise for its efforts to increase its financial sustainability through a variety of income-generating activities. In 2001, GSMF developed a commercially sustainable



condom brand, *Aganzi*, with a loan from the Summa Foundation. The brand generated a profit within a year and is helping to support other social marketing products.

Distribution is increasingly subcontracted to the same agents used by commercial suppliers, and portfolios have been expanded to include profit-generating brands. On the manufacturer side, partnerships have become more complex, like the Redplan Salud Midwives Network managed by the Catalyst Consortium in Peru. This multiple partnership (including two pharmaceutical companies, a local NGO, and a network of local midwives) focuses on increasing access to family planning products and services in rural areas. This program essentially is trying to expand supply and meet demand in areas not typically served by the commercial sector through unconventional sales networks.

Many NGOs are developing their own entrepreneurial capacity to increase financial and institutional sustainability. The Salvadoran Demographic Association (ADS) in El Salvador and the Federacion Mexicana de Asociaciones Privadas (FEMAP) Foundation in Mexico have invested in pharmaceutical chains and use some of the profits to fund their social marketing activities; GSMF in Ghana is considering a similar venture. Some NGO-based projects have developed in-house capacity in sales and marketing that enables them to seek profit-making partnerships. For example, the PSI affiliate in Pakistan recently entered into an agreement with Organon to sell and market its entire line of contraceptives (see Table 3).

In a different twist on the manufacturer's model, a commercial supplier may choose to approach social

marketing as a new business venture, rather than passively waiting for partnership opportunities. A recent example is the participation of a German condom manufacturer, Condomi AG, in donor-funded programs in Africa. In addition to building production facilities in South Africa and Kenya, the company uses its creative capacity to develop customized condoms and design consumer campaigns that promote family planning and safe sex. The company is publicizing its brand of self-sustaining social marketing as the latest form of corporate involvement in social causes. This program is also an effective way for the company to access donor funding through its association with NGOs.

ADVANTAGES AND LIMITATIONS

Whether it is manufacturers establishing their own social marketing program or NGOs looking for their income-generating opportunities, new approaches keep blurring the lines between the commercial and non-profit worlds. The obvious advantage of a combined approach is that in the right context, a program that combines elements of the NGO and manufacturer's models might compensate for each model's drawbacks. For example, NGOs that sell commercially sustainable brands do not have to worry about depending on donated commodities. As long as their target users can afford these brands, NGOs can use donor funds to sustain other aspects of their social marketing programs, such as communication activities. Some NGOs have developed portfolios that include both subsidized and commercially sustainable products. In this case, the higher-priced brands can help subsidize social products and services.

This approach can be an improvement on the classic manufacturer's model because its long-term impact is likely to be greater than that of a program managed by an implementing organization destined to leave after graduation. ADS in El Salvador and PDA in Thailand are often cited as organizations that have successfully integrated commercially sustainable products and services without losing their social focus.

On the other hand, the opposite scenario should be considered: Marketing commercially sustainable products requires time and resources. NGOs that market products for a profit (through a commercial partnership or simply by purchasing and over-brand-

Table 3. Countries where hybrid approaches have been implemented

Argentina	Egypt	Moldova
Bolivia	El Salvador	Pakistan
Bulgaria	Guatemala	Peru
Chile	Ghana	Romania
China	Honduras	South Africa
Colombia	Latvia	Sri Lanka
Costa Rica	Lithuania	Thailand
Dominican Republic	Malaysia	Zimbabwe
Estonia	Mexico	

When NGOs partner with manufacturers

Social marketing organizations affiliated with the IPPF have benefited for years from agreements negotiated between IPPF and Schering AG, a German contraceptive manufacturer. Through this global partnership, IPPF affiliates can access commodities at preferential prices for their social programs, as well as generate income from the sale of commercial brands. This collaboration has been long-lasting because it is mutually beneficial: Schering products are promoted and sold through efficient clinic networks and outreach programs, and affiliated NGOs access preferential prices through global contract negotiations.



ing commodities) may lose sight of their social mission, gradually increasing prices or dedicating more resources to profitable products until they are no longer serving the most vulnerable users. In other cases, NGOs may end up substituting for commercial suppliers without ever achieving financial sustainability. As a result, donors may have to support the organization indefinitely to ensure sustained contraceptive supply. The key disadvantage of a hybrid approach is its complexity. Managing for-profit and donor-dependent programs within the same organization poses great challenges in terms of staffing, organizational culture, marketing, and cost accounting. This approach probably should be reserved for established NGOs with substantial technical capacity and a combined record of successful business ventures and proven social impact.

4 Choosing a Social Marketing Model

CHOOSING A SOCIAL MARKETING MODEL

COMPATIBILITY WITH PROJECT GOALS

Project goals should drive the decision to choose one approach over another. A social marketing intervention can help achieve the following broad objectives:

INCREASING PRODUCT ACCESS

Access (defined as affordability and availability) is influenced by product pricing and distribution. Because the NGO model affords the greatest degree of control over these elements of the marketing mix, it is often the approach chosen for this type of objective, especially if the project is targeting the poor. If affordable commercial brands already exist and distribution channels are adequate, however, then it may be more effective to develop a manufacturer-based approach that has increased product availability as its key objective.

SATISFYING UNMET NEED FOR HEALTH PRODUCTS

Programs designed to identify and satisfy unmet need for a product suggest that communication (promotion) is the key intervention. Because communication activities usually are donor funded and subcontracted to advertising agencies, either model would be appropriate. Indeed, the manufacturer's and NGO models have good track records in the behavior-change area. It has been argued that only NGO-based interventions have the flexibility to create brands designed for a specific audience, which may play a significant role in a behavior-change strategy. More research may be needed, however, to assess the role of the brand as a vehicle of behavior-change messages.

INCREASING THE PRIVATE-SECTOR SHARE OF THE CONTRACEPTIVE MARKET

This goal calls for strategies that direct users away from free products and toward commercially distributed ones. Social marketing organizations are private-sector suppliers that typically use commercial channels to distribute and promote their products. Therefore, a donor might support the introduction of a partially subsidized product through an NGO-based program to wean users from free products.

These users may be graduated to commercially sustainable brands through a manufacturer-based program. Donors in the more-developed countries may opt directly for the manufacturer's model if conditions are appropriate.

BETTER TARGETING OF DONOR FUNDING

Appropriate segmentation and targeting help to optimize the use of donor funds. By developing the right marketing mix, social marketing programs can ensure that the bulk of their customers come from the intended socio-demographic group and avoid competing with other suppliers for the same user group. The social marketing model can make a difference in this area. NGO-based programs using subsidized products are best suited to reach low-income consumers, and their coverage of rural areas may be better than that of commercial suppliers. On the other hand, programs based on the manufacturer's model can target middle- and upper-income users who do not need subsidized products.

COST CONSIDERATIONS

The social marketing literature provides limited comparative research about the relative cost-effectiveness of different social marketing models, which is typically expressed in terms of cost for couple year of protection (CYP).¹ Individual organizations, however, routinely monitor and analyze their cost per CYP. A report published by The Futures Group in 1998 indicates that the average cost per CYP of SOMARC programs decreased from \$8.78 in 1992 to \$5.31 in 1996, as more programs based on the manufacturer's model were introduced. Individual countries, however, reflected widely different costs per CYP, ranging from \$2.05 in Turkey to \$47.00 in Senegal. This difference illustrates the difficulty of comparing models that have been applied in different contexts. Programs based on the manufacturer's model are rarely an option in poor countries, and a model that does not leverage as much commercial capacity as possible in middle-income countries is not a good use of donor funds. It follows that the number of

1 CYP: A measure representing the total number of years of contraceptive protection provided by a method. CYP is calculated by taking the number of units sold of a particular method and dividing that number by the number of units needed to protect a couple for one year.

countries where the two classic models might overlap is not high and that comparative analyses should really take place in context, rather than in the abstract.

Variations on a particular model can be applied to increase a project's cost-effectiveness. The costliest aspects of a social marketing project typically are project staff, mass media communication, and distribution. The cost of developing and airing a campaign is unlikely to vary much unless a project develops an in-house production capacity, as PSI did in the Ivory Coast. Commodities procurement and distribution, on the other hand, are areas where economies of scale can be achieved through competitive bidding, working with an established distributor, and (if applicable) forming a partnership with a manufacturer that can help absorb these costs. Indeed, the most expensive social marketing programs are those relying on donated products and taking a do-it-yourself approach to distribution, which makes them only suitable for well-funded countries or those where no alternative exists, such as Burundi or Eritrea. At the other end of the spectrum are graduated partnership programs that are almost entirely funded by pharmaceutical partners, such as the CMS/Morocco oral contraceptive project.

Cost-saving opportunities are much greater in countries where existing commercial infrastructure can be leveraged. As an example, the PSI project in Pakistan keeps net cost per CYP at a low \$3.94 (based on 2001 data), partly by using an efficient local network of distributors and wholesalers. In contrast, PSI/Mozambique, which operates in a less-developed environment, is a more expensive project to run, with a net cost per CYP of \$23.66. The latter is also typical of an NGO-based intervention seeking to achieve long-term impact through intensive behavior-change activities that account for a large part of its operating costs. A PSI study published in 1998 also indicated that NGO-based social marketing programs become more cost-effective over time, as mass consumption is achieved.

Cost-effectiveness can be a factor in the decision-making process if the choice is between adding a new product/activity to an existing one and starting a new program with a different implementing organization. PSI statistics, for instance, show a clear reduction of cost per CYP as countries add new products and activities to their portfolio, which may account for the organization's capacity to attract a wide range of

international donors. If an existing social marketing project offers opportunities for leveraging capacity, it may not be cost-effective to contract with a new organization that uses a different approach. The USAID mission in the Philippines recently chose to introduce a new oral contraceptive through a donor-supported NGO, rather than a commercial partnership, in part because marketing costs could be kept low by adding the brand to an existing project.

MARKET CONTEXT

ECONOMIC DEVELOPMENT

Regardless of desired outcomes and funding levels, approaches that involve partnering with commercial manufacturers or distributors are unlikely to succeed in countries that offer little market potential for unsubsidized products. Market potential is partly related to per-capita income and other indicators of development. All SOMARC programs based on the manufacturer's model have been implemented in middle-income countries.² The most successful programs (in terms of their impact on supply and demand) reportedly have taken place in countries with a gross national product (GNP) per capita well above \$3,000 (Mexico and Turkey) or large consumer markets (Brazil and India). In contrast, commercial partnerships in lower-income countries have had mixed results, either because the commercial partner failed to support program activities (as in Zimbabwe), or demand did not grow sufficiently (as in the Philippines).

POLICY ENVIRONMENT

Government policies and laws can encourage commercial investment, but in the contraceptive field, they often have the opposite effect. Most countries prohibit advertising for ethical products, such as pills and injectables, and, sometimes, for condoms as well. Many impose price controls intended to make contraceptive products affordable to the poorest; however, such controls also make them unprofitable for the private sector and effectively discourage investment. Some require cumbersome testing and registering procedures for new formulas that delay or

2 Defined by the World Bank as countries with a GNP per capita between \$761 and \$9,360.

prevent the introduction of the latest contraceptive products. In this context, the manufacturer's model is hardly sustainable beyond graduation from donor funding because the chances that manufacturers will continue to invest in the program are slim.

Another policy that impacts the private sector is the provision of free products through the public sector. Programs in Turkey, Morocco, the Philippines, and Jordan were (and still are) negatively affected by the untargeted distribution of free products and services through public-sector clinics. Often, manufacturers have to compete with free public-sector products and subsidized brands marketed through NGO-based social marketing projects. Clearly, having too many suppliers competing for a still undeveloped market can only lead to crowding out the commercial sector. In this situation, identifying unmet need is more important than increasing supply; the focus needs to be on informing potential users, not putting more products on the market.

COMMERCIAL INFRASTRUCTURE

Commercial suppliers typically neglect rural and sparsely populated areas. This trend is often reflected in poor distribution systems and a limited retail base outside urban areas. Manufacturers and distributors often will not invest in the kind of staffing or equipment that may be needed to maximize access to social marketing products. In this case, an NGO-based approach that can develop special delivery systems for hard-to-reach and non-traditional areas may be preferable to a less-flexible commercial partnership.

Achieving financial sustainability may be incompatible with a rural focus, unless other activities help cross-subsidize this activity — as is the case for ADS or the Honduras Family Planning Association (ASHONPLAFA). In many villages and rural communities, the potential market for contraceptives may simply be too small to induce wholesalers and retailers to carry these products, hence requiring non-traditional forms of distribution that are not easily scaled-up or sustained.

WILLINGNESS TO PAY

The willingness of people in the target population to pay commercially viable prices is central to the decision to adopt one model of social marketing over another. Most social marketing programs attempt to

increase product use among the lower socioeconomic class, which in some cases requires low consumer prices. The NGO model allows for the greatest flexibility in pricing because it does not require full cost recovery. Even when commodities are purchased rather than donated, the portion of cost covered by the selling price rarely exceeds commodity and distribution costs. A commercially viable product, which is central to the manufacturer's model, needs to cover all direct costs, a fraction of the company's fixed costs, and a profit margin for the manufacturer.

In many instances, manufacturers that considered partnering with social marketing organizations have found it impossible to lower their prices enough to make them affordable to the target group. In Senegal, the CMS project attempted to launch a new pill by partnering with Wyeth Ayerst, but was unable to reach an agreement on pricing. The project then opted for a subsidized-type approach using donated commodities. Some pharmaceutical representatives believe that partnerships are limited in what they can accomplish because pill makers cannot lower their prices enough to make products accessible to low-income users. Clearly, knowing what prices people are willing — and not just able — to pay helps determine the maximum retail price that the target market can bear. This information, in turn, will suggest what approach is most likely to succeed. Assessing willingness to pay can be done using several techniques documented in the social marketing and research literature.

SUPPLY AND DEMAND

Finally, supply and demand considerations should be an integral part of the decision when choosing a social marketing approach. Years of supply-driven interventions have fueled the perception that no social marketing program is complete without commodities. Yet, in many countries (particularly middle-income countries), limited product access is not a major barrier to use. Unmet need often calls for complex behavior-change campaigns, rather than supply-driven strategies requiring large donor investments in procurement, packaging, and brand advertising. It is conceivable to explore partnerships with manufacturers as a way to sustain product access while devoting the bulk of donor funding to education and communication activities. This approach is particularly well suited for the more-developed economies of Latin America and Eastern Europe.

EXISTENCE OF POTENTIAL PARTNERS

Without motivated partners, interventions based on the manufacturer's model cannot succeed. Early partnerships implemented by SOMARC tended to involve major international pharmaceutical suppliers, such as Schering AG, Wyeth Ayerst, and Organon. These companies have learned from past experiences and have developed their own strategies and policies with respect to social marketing programs. In some cases, manufacturers may be eager to renew existing partnerships because they are satisfied with the impact of social marketing on their overall business (as in Morocco for oral contraceptives). In other cases, they may be unwilling to lower prices or invest in a program because the sales increases they expected (perhaps naively) from earlier social marketing programs never materialized. The CMS project has observed that by and large, manufacturers are still interested in participating in social marketing programs, but are no longer willing to relinquish their control over prices or promotional campaigns. On the other hand, new potential partners are coming forward as more commercial suppliers become aware of social marketing. For example, local manufacturers of contraceptives operating in Asia and Latin America have expressed interest in participating in donor-funded social marketing programs.

Some preliminary research and discussions with potential partners is needed before choosing a social marketing model. Why opt for an approach that commits donors to years of commodities donations and risks discouraging private-sector investment if affordable commercial brands already exist? Sometimes demand has grown enough to trigger the interest of commercial suppliers. In this case, a manufacturer-based social marketing program can help sustain it.

5 Guidelines for Donors and Implementing Organizations

GUIDELINES FOR DONORS AND IMPLEMENTING ORGANIZATIONS

MATCHING THE CONTEXT

According to the criteria described in the previous section (objectives, context, funding, available partners, and willingness to pay), a manufacturer-based approach works best in a market where conditions are favorable to contraceptive manufacturers and project goals are compatible with corporate interests. Such a market would present the following (ideal) characteristics:

- commercial suppliers and brands already exist
- the potential for market growth is substantial if targeted users are successfully recruited
- local and/or international manufacturers express genuine interest in a partnership
- free and highly subsidized products are not available or are adequately targeted (to the poor)
- the legal environment is conducive to commercial investment
- the target group can be reached through commercial distribution and communication channels
- the target group is willing to pay the lowest-possible commercial price

This approach is recommended especially if long-term funding for NGO-based activities is unlikely, as products marketed by a self-sustained commercial entity have a better chance of remaining on the market after funding is phased out.

Conversely, a distribution-, or NGO-based, intervention is recommended when conditions are not favorable to contraceptive manufacturers, and the project aims to serve population groups that are beyond the scope of the commercial sector. This includes countries with the following characteristics:

- product use is low, and commercial presence is limited

- sustained health impact among low-income or marginal groups is a primary objective
- increasing product access in non-traditional or hard-to-reach areas is a priority
- donor funding is sufficient, or other sources of funding can be found
- local commercial infrastructure is weak or does not reach the target group
- willingness and ability to pay are demonstrably low among target users

Either approach can be used (subject to the conditions highlighted above) if the project's primary goal is to create users for social marketing products and change social attitudes toward contraceptive use. Regardless of the model chosen, substantial funding is needed to develop a wide range of activities known as behavior-change communication (BCC).

Hybrid approaches may run the gamut from NGO-based programs with high cost-recovery and cross-subsidy activities to partnerships between non-profit and for-profit organizations. These approaches are worth considering in countries with a combination of elements that both favor and discourage commercial investment in family planning products. The following example lists conditions that together might call for a hybrid approach:

- commercial suppliers and brands already exist in the market
- the target group is willing to pay the lowest-possible commercial price
- demand is concentrated at the highest socio-economic levels and in urban areas
- the target group requires targeted activities, for example, HIV prevention
- established NGOs can be found as potential partners
- funding is available for communication activities

In this case, a local NGO might be chosen to develop sustained behavior-change programs supported by donor funds while a commercial supplier ensures product supply and distribution. The NGO may complement the manufacturer's conventional distribution channels by visiting non-traditional outlets, training providers, or working with high-risk or marginalized groups. The social marketing initiative also might benefit from other services provided by the NGO, such as clinic-based family planning services that are more affordable than those offered in the commercial sector. This benefit is one of the advantages of the ongoing partnership between IPPF and Schering in several Latin American countries.

TAKING A FLEXIBLE APPROACH

Because market contexts vary from one country to another and evolve, a social marketing project should be tailored to local conditions. There are not just two models from which to choose, but many different variations of two prevailing philosophies. Consequently, donors and implementing organizations should base their approach on solid population and market research.

A project designed according to a particular model also should be allowed to evolve, particularly when environmental conditions change. NGOs have been motivated to explore new approaches not just when donor funding is no longer available, but also when profit-making opportunities arise. Not only can these occasions be triggered by overall economic improvement, but they can also reflect increased and more sophisticated demand resulting from years of value-building social marketing campaigns. Increases in demand, as well as reported changes in ability and willingness to pay, constitute important turning points for social marketing organizations as they may signal opportunities for improved cost recovery and other sustainability-enhancing strategies.

MAINTAINING REALISTIC EXPECTATIONS

The NGO-based and the manufacturer's models sometimes have been saddled with unrealistic expectations. For example, NGOs are often expected to increase their financial sustainability to levels that are

incompatible with their social mission or technical capacity. Indeed, many attempts by NGOs at developing cross-subsidy products have failed to generate the expected revenue. At least one project designed with full financial sustainability as a key objective had to be completely redesigned mid-course to reflect conflicting market realities. In addition, attempts to increase cost recovery have led to price increases that have been blamed for a programmatic shift from low-income to middle-income users in some countries.

Likewise, manufacturer-based projects sometimes are judged unrealistically on their ability to recruit low-income users and sustain costly communication activities after graduation. The perception that manufacturer-based projects are more sustainable might have led some donors to phase out funding prematurely in the hope that manufacturers would sustain these activities on their own. Clearly, social marketing is more than just putting products on the market and promoting a brand name. Successful interventions often require intensive provider training, BCC, advocacy work, and policy-related efforts at a level of investment that simply may be incompatible with the realities of the for-profit world.

Perhaps most important, no social marketing approach can do it all — namely, make products accessible to all socioeconomic groups, ensure sustained supply and communication activities far into the future, build institutional sustainability while avoiding crowding out commercial brands, and allow for quick graduation from donor funding. Just as marketing was built on the principle of selective targeting, choosing a social marketing approach and its implementing organization should reflect a clear prioritization of donor goals.

EXPLORING NEW APPROACHES

Social marketing models traditionally have been identified by the entity that manages them, hence the terms "NGO" and "manufacturer." An examination of a range of social marketing projects, however, suggests that this distinction alone does not adequately describe the wide array of approaches used in the field. This document attempted to clarify similarities and distinctions between two well-known models, as well as some reported variations on these models. More exploration is needed to identify

approaches that make full use of the remarkable variety of options offered by the marketing mix, as well as ever-expanding partnership opportunities between the non-profit and commercial sectors.

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