Support to Contraceptive Social Marketing in the Philippines, *Performance and Prospects*

Final Report to USAID/Philippines

For Circulation to Stakeholders

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22 June 2005

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Recommended Citation

Connell, Peter, Cindi Cisek, and Joan Robertson. June 2005. *Support to Contraceptive Social Marketing in the Philippines, Performance and Prospects.* Bethesda, MD: Private Sector Partnerships-*One* project, Abt Associates Inc.

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Abbreviations

BCC	Behavior change communication
BnB	Botikas ng Barangay
CA	Cooperative Agreement
CPR	Contraceptive prevalence rate
CSR	Contraceptive self-reliance
CYP	Couple-year of protection
DHS	Demographic and Health Survey
DOH	Department of Health
GRP	Government of the Philippines
KfW	Kreditanstalt fur Wiederaufbau
LEAD	Local Enhancement and Development for Health (USAID project)
LGU	Local government unit
NGO	Non-governmental organization
PRISM	Private Sector Mobilization for Family Planning (USAID project)
TSAP	The Social Acceptance Project (USAID project)
USAID	United States Agency for International Development

Acknowledgments

The Team would like to thank Carina San Felix and Charito Remata-Redoblado of USAID/Philippines for all their hard work in preparing both the scope and logistics for our assessment and strategy development work. We are also grateful to our many interlocutors, and especially Terry Scott and all the staff of DKT Philippines, for spending much time and energy to assist our work. We also extend our warm appreciation to Jeanette Maano for handling all our logistical needs so smoothly and efficiently.

I. EXECUTIVE SUMMARY

A. Background

In 2003, USAID decided to phase out its remaining provision of contraceptive commodities to the public sector in the Philippines: condom supplies had stopped in 2002 and supplies of pills and injectables will be gradually withdrawn over the period 2004-2008. The phase-out is scheduled to coincide with implementation of a contraceptive self-reliance (CSR) policy in the Philippines which aims to diversify sources of both family planning services and commodities to the market, shift those who can afford to pay out of the public sector market but continue to protect those who need access to free products. Many USAID projects are assisting directly or indirectly with implementation of the policy. In July 2004, the Department of Health (DOH) issued an Administrative Order on the subject of contraceptive self-reliance, which describes a strategy to help local government units (LGUs) in coping with the phase-out. Given the decentralization policy for government services in general in the Philippines, there remains great uncertainty about how well the market will adjust to CSR – individual LGUs will doubtless react differently and the policy is too new for clear directions to have emerged yet. What is clear, however, is that an enormous market opportunity will be created over the next 3-5 years as up to 70% of contraceptive users currently being served by government change their sourcing habits.

In anticipation of the phase-out, USAID entered into a three-year $3.1 million Cooperative Agreement (CA) with DKT Philippines Inc commencing October 2002 to support social marketing of modern contraceptive methods. Under the terms of the CA, USAID has principally funded the marketing expenses associated with launching and growing two new DKT products: *Lady* pill, launched in April 2003, and *Depotrust* injectable, launched in August 2003. The commodity sourcing costs associated with both products are funded internally by DKT. Some USAID support was also initially provided to marketing of DKT's *Trust Classic* condom but this support ceased in February 2005.

DKT has been operating in the Philippines since 1990. It had a total income of P558 million ($10.1 million, including $5.6 million of donor support) in calendar 2004 and currently employs 46 staff directly, after outsourcing its sales and marketing operations in early 2005. Apart from *Lady*, *Depotrust* and *Trust Classic*, DKT has two other condom products (*Frenzy* and *Trust Premiere*) and one other pill (*Trust*). The *Trust* pill and the *Trust Classic* condom are the leaders in their respective markets and account for the bulk of DKT's sales revenue (around 80% in 2004). Kreditanstalt fur Wiederaufbau (KfW) has been DKT's principal donor since 1995, contributing over $20 million in two phases of support to date plus a further $14 million in the current third phase which ends in 2008. KfW has announced that it will not be extending its support beyond 2008.

In May 2005, USAID/Philippines commissioned an external team (hereafter 'the Team'), provided through the PSP-*One* project and USAID/Washington, to: evaluate DKT's performance to date under the current CA; propose a strategy for future support to social marketing in the Philippines. The Team's scope of work is contained in Annex A. The work was conducted over a two week period in late May 2005. Annex B contains a list of persons contacted by the Team.

B. Assessment of DKT's Progress

Development of the Contraceptive Market

The Team concludes that DKT has contributed well to a fundamental objective of any social marketing program – growing the contraceptives market. The condom market in the Philippines has grown at around 7.5% per annum since 1990 when DKT launched what is now its *Trust Classic* condom brand. Population growth and contraceptive prevalence rate (CPR) growth together would suggest an underlying market growth rate of a little over 3% per annum in the same period. While DKT has clearly taken share from both the commercial sector and particularly from government, the success of its *Trust Classic* brand (now dominating the market with a 70% share) also seems to have caused the market to grow some 4-5% per annum faster than it would have otherwise. The picture in pills is similar: DKT's *Trust* brand now accounts for over a third of the entire market and is the single largest product by far. The pill market has also grown much faster than population and CPR would suggest (over 8% per annum). By contrast, the injectables market – where social marketing has not been very active to date, since *Depotrust* was only launched in late 2003 – has grown much more slowly (less than 3% per annum since 1998). This seems to reinforce the conclusion of DKT's impact on market growth.

Performance of the USAID-supported Project

DKT's performance on its USAID-funded project has however been less impressive. First, it will miss most of its volume targets substantially – *Depotrust* and *Lady* seem unlikely to exceed 15% and 36% of their respective end-of-project (ie September 2005) targets. Volume sales of the *Trust Classic* condom in designated high-risk zones of the country look likely to be over 10 million pieces – a 130% increase over 2001 levels, compared with a target increase of just 75%. DKT's total CYP (couple-year protection) performance across all products will probably be only 65% of target by end-of-project. The reasons for this poor performance seem to include: the three-year project timeframe was always too short for establishing new socially marketed products; conceptualisation of the *Lady* product changed radically just before the project started and remains blurred; the targets were ambitious by any standard in any market; the targets for *Lady* assumed KfW might be withdrawing support from *Trust* earlier than is now anticipated.

Second, DKT's performance on marketing and selling has been mixed. A highly advantageous sourcing contract for both the *Trust* and *Lady* pills has transformed the economics of the products and probably DKT as a whole – and so represents a major success in recent years. However, promotion of both the pill and injectable products has been dogged by regulatory constraints on what is acceptable in the Philippines for ethical products, and so many of the ambitious promotional plans in the original proposal have not been implemented. DKT is currently focussing its promotion on detailing to public sector midwives. This seems appropriate since the public sector is still the dominant force in both the pill and injectable markets and midwives seem to be the most influential provider in the method choice decisions of clients. The research basis for this and other marketing decisions seems sound, although we note that DKT's formative research directed to client behavior change is relatively weak. Indeed, the Team feels that the whole direct-to-consumer side of promotion – normally a benefit of social marketing – has been neglected as DKT increasingly emulates the commercial sector in focussing on providers. Outreach seems to have been adequate in the past but is now threatened by current organizational changes within DKT.

Both the sales and marketing functions have recently been outsourced by DKT – a wrenching organizational adjustment that was being played out during our assessment. The Team saw these changes being implemented quite well in Quezon City but poorly in Pangasinan province, suggesting that performance deteriorates in relation to distance from Manila (where the outsourced organizations seem to have most of their experience). Even before these changes, sales outlet coverage was relatively modest for a social marketing program – *Lady* is believed to reach roughly 3,100 outlets and *Depotrust* around 1,100. These are estimated to be about a quarter of what a strong national distributor can achieve and about one eighth of the theoretical national total of all outlets.

Prospects for Sustainability

The modest performance of the USAID-funded project – even though USAID is a much smaller donor to DKT than KfW – raises inevitable questions about DKT's sustainability. This is an important future USAID concern given DKT's high market shares and past contribution to growing the overall market. The Team's conclusion is that the outlook is in fact quite promising. Market sustainability is clearly established already: DKT is a major player who would be greatly missed. Managerial sustainability remains a question mark: a recent organizational development review, which gave rise in part to the outsourcing decision, contained some fairly critical views on the managerial and organizational capabilities within DKT today. However, to the extent that outsourcing was an urgent response to the need for true sustainability in the face of donor withdrawal – as opposed to a solution to friction between the sales and marketing functions – it can be interpreted as a sign of management's determination to succeed.

Financial sustainability will be helped by outsourcing – the outsourced organizations *do* seem to offer a lower cost structure. The analysis which DKT has done of the financial sustainability of its two USAID-supported products is not compelling, both because volume growth projections seem high in the light of market projections and because a new product – an up-market pill that USAID is unlikely to want to support – was included in the analysis. However, the organization-wide sustainability projections seem more reasonable. Volume projections imply that DKT needs to capture 66% of the pill users migrating away from free product as phase-out of donations proceeds and a tiny share of the injectable migrants. This is probably at the upper end of the range of its capabilities for pill revenues but we also conclude that cost projections are also probably on the high side – so the overall projection seems reasonable.

If the projections do in fact come true then DKT will go into deficit when KfW's support ends in 2008 but it has enough reserves to enable it to survive the probable 4-6 years of declining deficits that will follow, allowing it to emerge fully sustainable in 2013-2015. This sustainability outlook leads the Team to conclude that further USAID support to DKT is not required or therefore justifiable beyond the end of the current project.

C. Future USAID Support to Contraceptive Social Marketing

Vision of the Contraceptives Market in 2008

The Team's first step in determining USAID's future strategy for social marketing has been to

assess what the contraceptives market is likely to look like in 2008 on current trends and assuming no remedial actions. In the public sector, we expect that the impact of donor phase-out will be highly visible. Some LGUs will have started buying commodities for free distribution, some for distribution at cost recovery, some for both purposes – and some will have done nothing and effectively dropped out of contraceptive provision. A few new suppliers of commodities will have entered the market to take advantage of LGU procurements. Free product will still be reliably available for those in need in some LGUs. Some attempts at accurate market segmentation will be under way in a few LGUs but substantial numbers of current recipients of free product will have anyway started to migrate to the socially marketed and commercial sectors under the duress of increasing supply shortages in the public sector. The number of referrals out of the public sector – mostly to pharmacies with prescriptions but also to private providers – will have risen significantly as a result.

In the social marketing sector, DKT will remain the substantial player as it approaches the end of its KfW funding and its two main products – *Trust* pill and *Trust Classic* condom – will remain market leaders. *Lady* pill will either have taken off or been withdrawn once its contribution to organization-wide sustainability has been proven. Both *Trust* and *Lady* will have risen in price by about a third. We find *Depotrust*'s future hard to predict at this point. DKT will have started supplying unbranded product on a small scale to LGUs for free distribution.

In the commercial market, we do not expect much change. Commercial suppliers will continue to crowd mostly at the top end of the market for pills and will remain inhibited from entering the mid-price segment of the market by DKT's dominant presence beneath them.

Gaps That Need Filling

If the vision outlined above proves accurate, then USAID will need to work actively to fill at least six major gaps if the whole CSR strategy in the Philippines is to succeed:

- Promoting family planning services and methods – Not enough is being done today in direct-to-consumer promotion of the concepts and methods in family planning. The dominant social marketing player is not very active in behavior change and the one USAID project tasked with such work (The Social Acceptance Project – TSAP) will end in 2006.
- Multiple procurement alternatives for the public sector – Only DKT currently seems poised to serve LGUs' procurement needs for free distribution and only DKT products seem suited on cost grounds to serve any public sector needs for cost-recovery products. Such a prospective DKT monopoly is unhealthy, although it may not eventuate since DKT admits to being at best lukewarm about tackling such a difficult new market segment.
- Market segmentation methods – The LEAD Project has started work on this but has far to go. Few LGUs yet seem to have caught on to the need, let alone the process, for segmentation.
- Participation by commercial sector products – Both the middle-priced and low-priced segments of the contraceptives market are lightly covered at present, leaving an unhealthy skewing of the market toward the upper price band. Introducing a second social marketing organization at the bottom end makes little sense since sustainability would arise as a major issue for the donor – but encouraging more activity in the middle is overdue, especially since DKT's products are moving slowly in that direction.

- Improving geographic access – DKT is reaching around 13,000 traditional outlets with its core products but many fewer with *Lady* and *Depotrust*. DKT seems to match the best commercial performance but this still leaves 40% of the potential outlets uncovered by any player and these will mostly be in areas where potential users need to be recruited if the market is to be further expanded.
- Role of private service providers – The family planning services market remains dominated by the public sector. More attention will be needed to expanding commercial and NGO (non-governmental organization) sector participation, if only to increase the choices available to users who formerly received free service in the public sector.

Strategy and Recommendations for USAID

The Team sees a need for a future USAID CSR strategy with three main themes: maximize client choice, including a good range of products in all price segments, dense geographical coverage and plenty of private providers to dilute the public sector's dominance; continue to protect free distribution; strengthen demand creation. With these three themes in mind, we have six main recommendations:

- Consolidate public sector procurements – This will need to tackle directly the need to pool orders (possibly at provincial level) to make the average order quantity more attractive to potential new suppliers; managing procurements through a third-party to maximise transparency and finding ways to alleviate government's slow payment practices would be major bonuses.
- Increase the commercial sector's role in public procurements – This should focus on procurements for free distribution, since the poor are most at risk during the phase-out. We doubt many of the existing commercial players will be interested so a group of mostly new players – possibly local manufacturers and importers – will need to be created and encouraged to tackle the new market opportunity presented by phase-out.
- Improve referrals of clients out of the public sector – The chances of prescriptions actually being filled or referrals to a new private provider actually taking place need to be maximised, if phase-out is not to increase drop-outs from family planning. A combination of health systems strengthening and operations research is needed.
- Assist the market to understand segmentation better – Both LGUs and the commercial sector can benefit if economic segmentation is both understood and applied rationally. Existing segmentation data needs disseminating and/or updating and a reliable but simple segmentation process needs to be developed.
- Expand the commercial sector's role in family planning services – There is already ongoing work through the Well Family Midwives Partnerships and PRISM's workplace efforts; DKT's franchising model could be extended to the private sector. The focus here is on coordinating these existing efforts more tightly.
- Improve market development planning and coordination – The various players in the contraceptives market talk different languages and lack common purpose or a good understanding of each other's processes and objectives. There is a need to bring them closer together through better communication and increased opportunities for working in tandem.

II. OVERVIEW OF CONTRACEPTIVE SELF-RELIANCE IN THE PHILIPPINES

A. Phase-out of USAID's Contraceptive Supply

In 1999 the Government of the Philippines (GRP) developed a contraceptive independence initiative to begin to move the country to a more sustainable level of family planning service provision, including contraceptive supply. Within this broader initiative, in 2002 USAID developed a CSR strategy to foster the country's ability to sustain quality and affordable family planning services and commodities, within the context of an increasing population and growing contraceptive prevalence rate. At the core of this strategy is a gradual phase-out of USAID's donated contraceptives from 2002 to 2008. This phase-out is supported by increased USAID assistance to the GRP to develop capacities to ensure sustainable family planning programs, which includes focusing public sector resources on the poor, increasing the roles of the private and NGO sectors, and providing greater access and choice of family planning services.

According to the 2003 Demographic and Health Survey (DHS), the modern method CPR was 33.4%, unmet need for family planning 17% and the population growing at 2.4% per year. To reach those with unmet need, CPR levels need to rise to 69%. Providing services to an increasing population as well as reaching those with unmet need requires an ever-increasing supply of contraceptives. At the same time, the Philippines has been almost totally dependent upon donors for the supply of contraceptives, with approximately 80% of public sector supplies coming from USAID alone. With the vagaries of donor support, this level of dependence upon one source of supply puts the country in a vulnerable position – especially when there are no indications that donors will increase support to meet the increasing demand for contraceptives.

Another constraint is the dominance of the public sector in provision of free services and supplies, with 67% of users of family planning utilizing the public sector. Of these clients, 60% were from the three highest standard of living quintiles [USAID/Commercial Market Strategies Project, 2003]. The outcome is that free services and supplies in the public sector have limited the growth of private and NGO services that would respond to those who are able to pay, and are using resources the public sector could use to reach the poor and underserved.

The phase-out plan covers condoms, oral contraceptives and injectables. Intra-uterine devices are not included at this time because there are currently no commercial market sources. Condoms were phased out in 2002. The DOH's schedule for phasing out orals and injectables is shown in Figure 1. The CSR strategy originally called for the central government to begin to procure contraceptives for provision to the poorest populations, while the private sector would be deliberately fostered to serve those able to pay. However, with a change in national leadership, the central government is no longer planning to procure contraceptives to replace donated supplies. So, with the Philippines in the process of decentralization and with more decision-making and budgetary resources going to provincial and municipal LGUs, implementation of CSR is now primarily focused at the LGU level.

USAID's portfolio of technical assistance is structured to provide support to the GRP in carrying out the CSR strategy, including:

Figure 1: DOH's Schedule for Phasing Out Hormonal Commodities

	Oral Contraceptives		Injectables	
Year	Donations	% Market Covered	Donations	% Market Covered
2004	10,552,000	93	Full supply	100
2005	6,632,000	59	1,169,000	82
2006	2,609,000	23	845,000	59
2007	689,000	6	330,000	23
2008	0	0	67,000	5
2009	0	0	0	0

- DKT to support social marketing of low-cost oral and injectable contraceptives.
- DELIVER Project to work with DOH to manage the phase-out of free commodities and work with LGUs to manage decentralized logistics systems.
- FriendlyCare Foundation and the Well Family Midwife Clinic Partnerships to increase services for those who can pay.
- LEAD for Health to strengthen systems for improving the capacity of LGUs to provide services, especially to the poorest, for family planning, tuberculosis management and control, maternal and child health, and HIV/AIDS.
- PRISM to increase the private sector role in the provision of services and commodities.
- TSAP to focus on advocacy and policy change to improve the environment for family planning.

B. Government of Philippines Contraceptive Self-reliance Plans

The unwillingness of the central government to purchase contraceptives has resulted in a complex and problematic implementation of CSR. Rather than one national entity forecasting, procuring and distributing contraceptives through established systems, there will be hundreds of LGUs attempting to carry this out – many without assistance. Not only does this mean that the opportunity for more favorable pricing for large quantities is lost but it may also lead to some LGUs being unable to obtain and provide contraceptives. However, this does present a market opportunity to both private providers and contraceptive suppliers, as those able to pay look for options outside the public sector.

The transition from public sector dominance to a more balanced mix is being helped by the public-private partnerships that have emerged, some planned and some opportunistic. At the national level, the DOH is facilitating increasing contraceptive supply available through the NGO and commercial sectors, while implementing a plan to cope with decreasing donor supplies by aiming supplies that do exist at the poor and underserved segments of the market.

Increasing contraceptive supply is being facilitated by revisions to the regulations governing the Botikas ng Barangay (BnB), to increase their numbers and reduce the regulatory burden. The BnB are small retail outlets run by communities, NGOs or LGUs in areas not served by the commercial sector. Because they reach underserved communities, the GRP has promulgated licensing that allows handling and sale of a limited number of prescription drugs, as well as access to preferential government financing and drug supply systems. The objective of the DOH order is to improve the availability and accessibility of essential drugs using the BnB.

Contraceptives can be included in the BnB product mix.

The DOH has developed and publicized a plan (Administrative Order No 158, s.2004) for the public sector distribution of donor-supplied contraceptives as they are phased out. Rather than reduce all LGU receipts of donations equally, those LGUs with lower incidence of poverty will have an accelerated phase-out, while those with a high incidence of poverty will have a longer phase-out. The phase-out for the richest LGUs started the last quarter of 2004 and will be completed by early 2006. The poorest LGUs will continue to receive some commodities through 2007 for orals and 2008 for injectables. The plan also calls for encouragement of and cooperation with the private sector to increase supply.

At the LGU level, there are three options: they can use budget to procure commodities and provide them free to all; they can segment the market and only provide free contraceptives to the poor; or they can provide no supplies, relying on the commercial sector. There are opportunities for the private sector in all of these scenarios and some of the LGUs are trying to encourage the private sector to help ease the transition for clients. These include DKT's franchising scheme, where DKT products are sold in clinics with the revenues used to buy more products. In some cases public sector midwives are purchasing contraceptives through trade outlets and selling to clients in the clinics. In others, clinics are referring to private service providers and pharmacies.

The LGUs that are setting aside budget and procuring contraceptives are facing the biggest challenges, particularly if they only plan to give free contraceptives to the poor. There is no standard system for market segmentation and there is little to no ability for LGUs to adequately carry out segmentation. With limited ability to do forecasting, procurement is based upon the amount of funds available, which may not be the amount needed to serve all those in need, or may not be the appropriate method mix. The procurements that involve transparent bidding processes are very price sensitive and there have been no bidders, or no bidders with low priced products. Because of the number of LGUs, the average procurement size is small, making it harder for LGUs to get preferential pricing for large quantities.

The smooth transition requires capacity building and systems to be developed at the LGUs, regardless of the option they elect. However, all of these challenges also offer openings for social marketing interventions.

III. ASSESSMENT OF DKT'S PROGRESS

A. Development of the Contraceptive Market 1990-2005

DKT entered the condom, oral contraceptive and injectable contraceptive markets in 1990, 1993 and 2003 respectively. Over the period 1990-2003, population growth in the Philippines averaged around 2.5% per annum, while the CPR for modern methods rose from 21.6% in 1988 to 33.4% in 2003. The underlying growth rate of the contraceptive market over the period has therefore been around 3.25% per annum: 2.5 percentage points from population growth and an additional three quarters of a percentage point per annum from CPR.

Modern method mix has been fairly stable in recent years:

Figure 2: Modern Method Mix, 1993-2003 (%)
(current use by currently married women)

Method	1993	1998	2003
Pill	8.5	9.9	13.2
Injectable	0.1	2.4	3.1
Male condom	1.0	1.6	1.9
Female sterilization	11.9	10.3	10.5
IUD	3.0	3.7	4.1
Other	0.4	0.3	0.6
Total Modern	***24.9***	***28.2***	***33.4***
Total Traditional	***15.1***	***18.3***	***15.5***
Total CPR	***40.0***	***46.5***	***48.9***

Sources: National Demographic Survey, 1993; National Demographic and Health Surveys, 1998 and 2003

Pills and injectables are both relatively large and have gained share since 1993, although largely at the expense of traditional methods in the last five years.

Condoms

The condom market is estimated to have grown from 14.8 million pieces in 1990 to 38.5 million pieces in 2003. The Team tends to discount the 2004 data since it seems very likely (from data on *all* methods) that the public sector market is under-reported that year. We understand that this may have resulted from a sharp slow-down in distribution of all products to public sector outlets in 2004, while DOH determined an equitable allocation system to deal with phase-out of donated commodities.

There has been a clear downward trend in public sector distributions to clients dating from the mid-1990s, with DKT the prime beneficiary. The public sector accounted for 71% of the condom market when DKT launched its *Trust Classic* condom in 1990 – but had only a 17% share in 2003, by which time DKT accounted for 70% of the market. Supplies of donated condoms from USAID ceased in 2002: the government's volume dropped by almost 2 million pieces between 2001 and 2002, while DKT's volume rose by almost 5 million pieces the same year.

DKT's volume in 2002 is affected by the take-off of its second condom brand (*Frenzy*) that had been launched during 2001. *Frenzy* actually seems to have taken up much of the slack caused by the decline in government volume. Meanwhile, the volume attributable to the commercial market has grown modestly over the years but at nothing like the market growth rate that is being fuelled by DKT's success with *Trust Classic*; as a result, the commercial sector's share halved over the period.

The overall volume growth in the market for condoms over the last 15 years has averaged 7.6% per annum, well above the underlying growth rate based on population and CPR. Although the condom market is complicated by non-contraceptive uses, it seems fairly clear that DKT's marketing activities have contributed to at least part of this additional growth.

Pills

The picture in the pill market is similar to that for condoms. DKT had a pill product in the market from 1993 but, since it launched its new *Trust* pill in 1997, the market has grown at 8.3% per annum – well above the 3% threshold. The public sector supply is as yet unaffected by phase-out of donated product and has remained relatively stable at around 10-11 million cycles for almost a decade. The commercial sector has also been stable at around 2.2-2.3 million cycles per annum since the late 1990s when *Trust* started to become a serious player. Whereas the government accounted for 88% of the pill market in the mid-1990s, the success of *Trust* had reduced that share to 51% in 2003 (we have again discounted 2004 data) – by which time *Trust* accounted for 37% of the market. The commercial sector has successfully held on to its 11% market share of volume throughout, although its value share has actually increased with the introduction of more high-priced products in recent years.

As with condoms, DKT's pill products have taken share from the public sector … but while still growing the market overall. DKT's new *Lady* pill (launched in 2003) has not had the same impact that *Frenzy* enjoyed in the condom market but it is still clear that social marketing activities overall have helped to expand the pill market.

Injectables

DKT only recently entered the injectables market, with its *Depotrust* brand in August 2003, and the public sector remains the dominant player. While *Depotrust* appears to be already out-selling all commercial brands combined, it is still too early to detect any major market impact – since the commercial sector has traditionally only accounted for 2-3% of the market and the public sector the other 95+%. This is a market that has not yet seen any major impact of social marketing and has grown at just 2.9% per annum since 1998: a sharp contrast to condoms and pills. The Team sees this further confirming the favourable actual and potential impact on market growth attributable to social marketing in the Philippines.

B. Performance of the USAID-supported Project to Date

1. Sales Performance vs Targets

Although DKT as an organisation has enjoyed considerable success with its products in the

Philippines, its USAID-funded project has been less successful. The CA with USAID came into effect on 1 October 2002 and contained four specific objectives which were volume-oriented:

- To develop, launch, market and sell 1.5 million vials of a new brand of injectable contraceptive.
- To develop, launch, market and sell 5.25 million cycles of a new brand of oral contraceptive pill.
- To increase Year 3 annual sales of condoms in high-risk zones by 75% over 2001 sales in the same areas (ie from 4.5 million pieces in 2001 to 7.88 million pieces in Year 3).
- By achieving the above volume targets (and three marketing/distribution targets discussed below in section 2), to contribute to a DKT-wide achievement of 3.6 million couple-years of protection (CYPs) over the three year project period (ie 92 million condoms, 32.1 million pill cycles and 1.5 million injectable vials).

The *Depotrust* injectable was launched in August 2003 and distributors had recorded total cumulative sales to the trade of 145,914 vials by March 2005. Extrapolating the first quarter 2005 to represent the first three quarters of the year, this suggests total projected sales of around 225,000 vials over the project life – 15% of target.

The picture is a little better for *Lady* pills. The product was launched in April 2003 and distributors had recorded total cumulative sales of 1,552,191 cycles by March 2005. Growth is stable or accelerating and extrapolating first quarter 2005 data suggests total projected sales over the project life of around 1.9 million cycles – 36% of target.

In the Team's experience, it is not often that a project to misses its quantitative targets so comprehensively. The reasons appear to include:

- Inadequate timeframe for the project – To develop and launch two new products and have them mature into high volume players within three years is very ambitious: product conceptualization, launch, take-off and maturity invariably take at least twice as long in the social marketing business.
- The product conceptualisation for *Lady* was changed substantially at the outset – The product was originally proposed as a joint venture with Schering, priced above *Trust* but part of the *Trust* Family Program and aimed at improving DKT's overall sustainability. This all appeared to change just before the project was approved by USAID. The product which has emerged is entirely DKT-owned and priced below *Trust*; its positioning is blurred in the Team's view and this may undermine market acceptance.
- Highly ambitious sales targets – *Depotrust's* sales target of 1.5 million vials by 2005 was larger than the total annual market in 2002, implying it would have had to achieve roughly an immediate 20% market share from launch date to succeed. Again, it takes longer to build share even with a very competitive product. *Lady's* target of 5.25 million cycles by 2005 was less out of line with the market but still implied something like a 10% share on launch for success – in a market more mature than for injectables and, crucially, with an established socially marketed product already well-entrenched at the bottom end.
- Unexpected continued strength of the established *Trust* pill – When the USAID project was being negotiated, DKT had thought that KfW support was nearing its end and that the *Trust*

pill would therefore be unsupported. Sales projections for *Lady* assumed that it would take up the slack but, when KfW decided to continue support to *Trust*, some of that sales potential disappeared.

- Some marketing issues may also have affected performance (see section 2 below).

Performance on the condom indicator has been much more impressive. DKT estimates that condoms sales in project Year 3 in 23 high-risk locations will be at least 10.3 million pieces. Such locations are defined by the DOH to include those with entertainment establishments and commercial sex workers, close to main highways and/or port locations or ferry routes. This sales volume for Year 3 compares with 4.5 million pieces in calendar 2001 – before the USAID project started – and represents a 129% increase. This is well above the target for Year 3, which was a 75% increase compared with 2001.

Because the volume targets have been missed, performance on the CYP target is also weak. DKT calculates that the three products covered by the USAID project will contribute only around 250,000 CYPs over the life of the project. If the other DKT products are all added in (especially the *Trust* pill) – which seems to be implied by the way in which the performance indicator is phrased – then we calculate that roughly 2.3 million CYPs will have been generated over the three years to September 2005. This is still well below the target of 3.6 million.

2. Effectiveness of Marketing Activities

According to the original DKT proposal, DKT's USAID-funded project was designed to support a "full-scale marketing effort focused on creating awareness, trial and usage of injectables and the new oral contraceptive to expand the market." The project aimed to introduce a new oral contraceptive product (subsequently launched under the name *Lady*) and a three-month injectable (*Depotrust*), with DKT procuring both products privately.

Product Sourcing and Pricing

DKT has identified a long-term sourcing mechanism for both *Lady* and *Depotrust* through a supplier in Thailand. The original rationale for introducing the *Lady* pill was to support DKT's long-term sustainability by positioning it at a slightly higher price than the existing *Trust* pill, having DKT pay for sourcing from the outset and use USAID support to assist with launch and initial marketing. This decision has to be seen in the context of the *Trust* pill, still DKT's core hormonal product, which was originally procured with support from KfW – and therefore had to be sourced from a German supplier. Because of the cost of procuring the product in Germany, the retail price of the *Trust* pill did not fully recover its cost and DKT was concerned about long-term sourcing alternatives (given that demand seemed to exceed supply). As a result, *Lady* was introduced as an affordable and widely available pill for lower-income women that is not dependent on donor support for re-supply. However, the pricing strategy for *Lady* changed prior to launch (although this is not documented in any formal agreements with USAID) and it was actually launched at a lower price than the *Trust* pill.

DKT's *Depotrust* is priced at approximately P90/vial (approximately US$1.65), well below the retail price of Pfizer's *DepoProvera* (P122/vial). It is not clear to the Team why DKT ultimately launched the *Lady* pill at a lower price than was originally planned, particularly when it is likely

that *Lady* still fails to contribute to DKT's overall sustainability – ie it is operating at a financial deficit (see section C below).

Advertising and Promotion

DKT's proposal (which became the 'program description' in the CA) included a comprehensive advertising and promotional effort for the target population, within the legal restrictions for ethical products. It also included the implementation of public relations activities promoting the facts and benefits of contraception/family planning. These activities were to include placement of messages on television soap operas and noontime shows, morning talk shows, regional magazines and newspapers. According to discussions with DKT staff, these activities were not implemented due to the increasing difficulty in seeking approval to do method-specific advertising for an organization selling ethical products. DKT received a "cease and desist" order after one article (unrelated directly to DKT) which featured a photograph of the *Lady* pill package. Since then DKT has been very cautious about the types of advertising they have implemented. We note that, in many countries which have restrictions on ethical advertising, social marketing programs have done method-specific advertising of hormonal products – by linking advertising to logos which are then visible on ethical product packaging, rather than by using brand names directly. The Couples Choice campaign in the Philippines was one example.

DKT has implemented a variety of outreach interventions designed to reach small groups of consumers in order to provide information on their oral contraceptive and injectable products. These outreach activities have included family planning lectures, mother's classes, free clinics, and other miscellaneous events. It is difficult for the Team to assess the effectiveness of these activities since there is no mechanism for evaluating the results.

DKT has gradually shifted its promotional emphasis toward healthcare providers and the retail trade. They have developed a wide variety of trade-specific merchandising materials for *Lady* and *Depotrust*. Although data on marketing expenditures by brand does not currently exist, DKT staff state that a large proportion of their promotional budget has been used in the development of trade-level promotions and merchandising. These activities appear to have been very successful in motivating private and public sector providers to prescribe the socially marketed brand and, in the case of midwives, also to dispense DKT products. This strategy is effective for transitioning users from the public sector to social marketing brands but less effective in continuing to grow overall demand.

Research, Monitoring and Evaluation

The original proposal included a number of monitoring and evaluation activities to be implemented under this project, including consumer profile surveys, behavior change impact survey, a mystery client study and retail audits. DKT regularly monitors the performance of its sales and distribution network and purchases IMS data to monitor the sales performance of its brands. However, there has been little additional evaluative research done to assess other issues, such as determining client profiles and other behavioral changes.

Sales and Distribution Force

In mid-2002, DKT was in the process of realigning its existing sales force and creating a special detailing force to strengthen the promotion and sales effort; this was designed to develop a

consumer and ethical products division. Under the USAID-supported project, a new team of medical representatives was to be recruited, trained and fielded to work with DKT's system of 17 regional sub-distributors. During the Team's assessment, DKT was again in the process of restructuring its sales and distribution force and had made a strategic decision to "outsource" these activities through two separate companies that will focus exclusively on DKT products.

At this time, DKT is still working out many of the details of the restructuring. During a field visit to Pangasinan, for example, it was observed that DKT was having coordination issues in serving the provincial and municipal LGUs.

Distribution Coverage

DKT's distribution coverage for *Lady* and *Depotrust* appears to be limited compared to the overall distribution network in the Philippines. It is estimated that there are between 18,000 and 22,000 drugstore/pharmacy outlets in the Philippines, although a large portion of these are quite small and potentially difficult to reach. However, the largest distributor in the country is estimated to serve approximately 13,000 outlets. DKT's *Lady* is estimated to be currently available in approximately 3,100 outlets, while *Depotrust* is available in only around 1,100 outlets. This represents fairly limited distribution coverage for a social marketing program and DKT should work to expand distribution for both products.

3. Further Growth Potential for Hormonal Products

To analyze DKT's market plans for hormonal products, we need to look first at the total market. Between 1998 and 2003 CPR increased from 46.5% to 48.9%. Modern method CPR showed greater gain, increasing at about one percentage point per year, from 28.2% to 33.4%. The roughly five percentage point increase in modern method use came from women switching from traditional methods and from new users – approximately 3 and 2 points respectively. During the same period, unmet need dropped from 20% to 17%. Oral contraceptives were the largest contributor to the increase in modern method use, with use of this method accounting for 3% of the growth of modern methods, increasing from 10% to 13% (DHS 2003).

To determine the future market, we assumed that population growth would continue to increase at the rate of 2.05% per year achieved in the last few years (lower than the average of around 2.5% per annum during the 1990s), and the modern method CPR would increase at 0.7% percentage points each year. The selection of 2008 and 2011 for comparison is based on: 2008 being the year that all donor assistance to DKT ends; 2011 being the year when DKT's current sustainability planning horizon ends.

Figure 3 projects modern method use through 2011. These projections are in line with those done for the Philippines by POLICY II Project [Alana, 2002] and the Commercial Market Strategies Project [Winfrey, 2003]. They differ in that they build from the 2003 DHS (the earlier studies were based on the 1998 DHS) and have lower increases for use of injectables and higher projections for use of orals. This is because, according to the 2003 DHS, pills are the method most preferred by women who intend to use family planning in the future. In addition, pills are the method that is the easiest to increase outside the public sector – because pills do not need to

Figure 3: Growth in New Users of Pills and Injectables to 2011

	2003	2008	2011
Population	82,000,000	90,756,742	96,453,485
Women in Union	13,694,000	15,156,000	16,107,000
Modern method CPR (%): Sterilization	10.6	10.8	11.2
Orals	13.2	15.7	17.4
IUDs	4.1	4.2	4.3
Injectables	3.1	3.9	4.1
Condoms	1.9	1.9	1.9
Other	0.4	0.5	0.5
Total	*33.3*	*37.0*	*39.4*
Total users: pills	1,807,600	2,379,500	2,787,000
Injectables	424,500	591,100	660,400
New users from 2003 base: pills		571,900	979,400
injectables		166,600	235,900
Increase in users from 2003 base: pills		32%	54%
injectables		39%	56%

be administered by a clinician (except for the initial acceptance and prescription) and can be made readily available in pharmacy outlets.

DKT's implied growth projections for users of *Lady* and *Trust* combined are 83% by 2008 and 143% by 2011, and for *Depotrust* the equivalent growths are 69% and 95% respectively – ie growth at 2-3 times that of the whole market for pills and injectables. DKT had approximately 525,000 pill users in 2003 (29% share of all users); by 2008 that number is projected to be 960,000 users (40% share of all users) and, in 2011, 1,277,000 users (46% share of all users). Over the same period, DKT's projections for *Depotrust* show its share of the market growing from 3% in 2003 to 4% in both 2008 and 2011.

Using secondary analysis of the 2003 DHS, the POLICY Project estimated that roughly 30% of all contraceptive users served through the public sector were in the E socio-economic class (and would presumably continue to justify receiving free product after phase-out). This proportion varies somewhat between methods. So, if we assume that …

- There are around 770,000 pill users served through the public sector today (10 million public sector cycles at 13 per user per annum).
- There are around 325,000 injectable users served through the public sector (1.3 million vials at 4 vials per user per annum)

… then 538,000 pill users and 228,000 injectable users are possibly destined to migrate out of free distribution and into socially marketed or commercial products in the coming years. If DKT picked up no net new users of pills between now and 2011 but did acquire two-thirds of these migrants, its projections would be safe; in injectables, it would only need to capture 6% of all the migrants for its projections to be safe. Since DKT's products are the lowest priced, they are most likely to attract the migrating users – implying that, from a market size perspective, DKT's volume projections (contained in its organization-wide sustainability analysis) for *Depotrust* may actually be low while we judge the projections for pills are reasonable.

With the decline in contributions from donors and these projected increases in demand, the market will thus be large enough to support the projected level of sales by DKT. However, it remains to be seen if DKT can achieve this level of growth and market share, especially since DKT has recently instituted new marketing and distribution systems that are as yet untested. To achieve the growth in *Depotrust* will require reaching more midwives who are working in areas of sufficient demand – again with as yet untested systems.

C. Prospects for Sustainability

DKT seems to have met the *market* test of sustainability already: it now has a range of products which have established themselves in the market and which have proven their attractiveness to clients. Were DKT to disappear for any reason, there would be serious repercussions in the Philippine contraceptives market place.

Its *managerial* sustainability is less clear. A recent report on DKT's organizational effectiveness was fairly critical. Following that report, DKT has been through a wrenching change in recent months when sales and marketing – the core functions in which a social marketing organization would usually need to excel – were outsourced amidst many redundancies. The reasons for this change seem to lie in: the need to resolve longstanding problems in the relationship between the sales and marketing functions, to which outsourcing seems an extreme solution; a need to reduce costs in pursuit of long-term financial sustainability, to which outsourcing may be a good strategic response so long as management control is not too diluted.

The Team observed in the field some of the organizations newly appointed to take over these previous internal functions: we were quite impressed by the knowledge and energy of the staff from Training and Marketing Professionals Inc whom we met in Quezon City; on the other hand, the situation in Pangasinan Province still seemed disorganized and it was difficult for both the Team and local health officials to understand who is supposed to be doing what. While it is true that DKT sales seem to be holding up well during this period of organizational change and a management evaluation of the DKT project was not part of our brief, we come away with a question mark over the managerial sustainability of the organization at this point.

DKT has shared with the Team its thinking on *financial* sustainability, at two levels. First, with respect to the USAID-supported project, DKT has done a break-even analysis for just *Depotrust* and *Lady* but the results are complicated by the inclusion of a proposed new product – *Althea*, an up-market pill. The analysis shows DKT moving from net deficit to net surplus on the three products in 2010. However, we find the growth assumptions for *Depotrust* and *Lady* – 15-20% per annum in volume terms and 30% per annum in value terms – unrealistic. Such volume growth could be achievable if both products truly take-off in the forecast period but we are nervous of *Lady's* growth prospects in particular since it is competing with an already well-established socially marketed brand at the low end of the market. The ability of consumers to absorb simultaneously the implied 10-15% annual price increase (assuming this is passed on to consumers by the trade) is less obvious: this would put *Lady* at a retail price of around P45/cycle by 2011 which would surely trim its volume growth.

Although full cost recovery attributable to the products supported by USAID was not promised as part of the CA, the Team believes that full cost recovery for each product in the portfolio is a critical component of long-term organization-wide sustainability. Taking out the estimated impact of *Althea* at the gross margin level in the break-even analysis is enough to cause a net deficit on *Lady* and *Depotrust*. Taking out the estimated marketing and detailing expenses attributable to *Althea* is much more complicated: removing one third of the total, on the assumption that *Althea* receives as much support as the other two products, halves the deficit each year but does not remove it. Roughly two thirds of the allocated marketing and detailing expenditure for the three products would need to be eliminated to produce a net surplus by 2010.

Even with a more detailed analysis, we conclude that *Lady* and *Depotrust* are unlikely to produce a net addition to DKT's financial sustainability by 2011. In passing, the Team notes that *Althea* is a product that USAID could hardly support: it is aimed at a price segment well outside USAID's area of interest and its mixed positioning as a contraceptive and a skin care product (Schering markets its similar *Diane* pill as an acne preventive) would also reduce USAID's ability to fund it.

DKT has also shared with the Team its analysis of organisation-wide sustainability prospects for 2011. The projections suggest that:

- Income will roughly double between today (around P550 million) and 2011 (P1.1 billion). This growth is based on projected 5-10% per annum volume growth and around 20% per annum sales revenue growth. We note that the volume growth estimate is more conservative than in the break-even analysis referred to above – both because the slower growth core products are now included (*Trust* pill and *Trust Classic* condom) and because *Lady's* growth is halved to 10% per annum. This is more realistic in the Team's view, although we still find the value growth projection – implying a 10-15% per annum price increase – on the high side. The market can however probably absorb these growth projections (see section B, 3 above).

- Expenditure will more than double, from around P460 million today to P1.2 billion in 2011. Most costs go through a step change in 2004/2005 to account for outsourcing: we have not examined these assumptions in detail but it does seem clear that the outsourced organizations will offer a lower cost structure than DKT's (eg on salaries, incentives and use of vehicles), giving room for considerable savings. Once re-stabilized after 2005, costs are assumed to grow at an inflation rate of 10% per annum – which implies around 20% annual growth for costs which also vary with volume. This seems overly pessimistic to the Team, despite the current impact of oil price increases and a likely increase in value-added tax: inflation in recent years in the Philippines has not exceeded 7% per annum in any one year. We also note that the estimated costs of DKT's franchising scheme consistently exceed projected revenues and we expect that a new venture like this will not be allowed to proceed on a loss-making basis for very long.

We conclude therefore that both income and expenditure are probably on the high side but that the net position is about right. With donor support (primarily from KfW) likely to continue at P200-250 million annually through 2008, DKT forecasts a surplus each year of around P100

million, allowing it to continue building reserves; once donor funding stops, this changes to an annual deficit of about the same size but already starting to decline by 2011. Given the size and trend in the annual deficit, it looks like DKT will achieve organization-wide break-even in 2014 or 2015; the accumulated reserves seem to be more than sufficient to enable the organization to fund these deficits over the critical 6-7 years between the end of donor support and achieving break-even.

The financial analysis suggests that, if DKT's managerial issues are satisfactorily resolved, any future USAID strategy for contraceptive social marketing can assume that the traditional social marketing activities represented by DKT will continue to benefit the market.

IV. FUTURE USAID SUPPORT TO CONTRACEPTIVE SOCIAL MARKETING

A. Vision of the Contraceptives Market in 2008

The assessment of DKT's USAID-funded social marketing project was undertaken with a strategic focus on the CSR objective in the Philippines and the commercial and social marketing sectors' potential role in meeting that objective. Given the unique situation in the Philippines and the need for LGUs to procure contraceptives independently, there is a potentially large role for the social marketing and commercial sectors in addressing CSR in the short-, medium- and long-term. However, in order to achieve this, there is a need for a sustainable set of players and systems within each sector. Figure 4 characterizes the Team's vision of what such a sustainable system would ideally look like, although our vision for 2008 below does not assume that many of these ideal characteristics will actually be in place by 2008:

Figure 4: Characteristics of a Sustainable Supply System for Contraceptives

Public Sector	Social Marketing Sector	Commercial Sector
• Multiple sourcing alternatives for LGUs.	• Wide range of socially Marketed, sustainable brands.	• Commercial partners introduce medium-priced hormonal brands.
• Free and cost-recovery products appropriately segmented.	• Coordinated marketing effort to increase awareness of specific methods.	• Contraceptive importers and/or local manufacturers interested in serving LGU market.
• Mechanisms for coordinated procurement to ensure competitive pricing.	• Coordinated marketing effort to increase awareness of private providers and referral networks for family planning.	• Private providers are motivated to offer family planning services.

1. The Public Sector and Free Distribution of Product

The ideal scenario – and the concept that is behind USAID's CSR strategy – is that all people in the Philippines have access to family planning services and contraceptives, and the source of those services and commodities is both reliable and secure.

Currently, not all prospective family planning clients yet have access to services. With the public sector being the major provider, there are insufficient resources for universal coverage, yet the predominance of public services has resulted in few private and NGO service providers being attracted to the market. The same situation is true with contraceptives, with most of the country's needs covered by free contraceptives provided by a donor. There are insufficient supplies in the public sector to cover all needs, yet the level of donations is such that the commercial provision of contraceptives is very limited and primarily aimed at the highest income segments.

Therefore, by 2008, the vision should be that the public sector is providing services to those with little to no access to services and contraceptives – the poor and those in remote, rural and

conflict-affected areas. For the poorest segments of the population, the public sector will still provide free services and commodities; those able to pay will have been migrated into the NGO, socially marketed and commercial sectors.

In order for this to be achieved, much needs to happen. First, the public sector needs to be able to segment the market and identify who can and who cannot afford to pay. To do this, the public sector needs to know how to do market segmentation and all service delivery sites need a referral system which specifies where to send clients, both for clinical methods and filling prescriptions. Implicit in this is that the referral sites are able to provide a full range of methods, both offering method choice and varying price ranges.

If a referral system is in place, it mitigates some of the problems the public sector encounters in trying to do market segmentation. Determining who should pay and then taking money from some, but not others, puts providers in a difficult role – one they may be unable or unwilling to perform reliably. Reducing the number of people who come to the public sector for commodities for which they are able to pay takes the pressure off public sector clinics' staff – as well as frees time for other services. If there is no option for referral to sources outside the public sector, the public sector also needs financial systems for collection and disbursement of funds. The collection system needs to ensure that the funds are earmarked and available for purchases of contraceptives.

For those unable to pay, or with no other access to services, the public sector should have continuing mechanisms for providing free contraceptives. This assumes that market segmentation has been done and those unable to pay are identifiable.

2. Socially-marketed Products

The Team envisages that DKT, the leading social marketing organization in the Philippines, will continue to play a vital role in the marketing, sales and distribution of quality, affordably-priced contraceptive products. DKT will continue to receive significant financial support from KfW during the next three years for the marketing and distribution of its range of products. DKT is also planning to launch a number of premium-priced hormonal contraceptives to strengthen its long-term financial sustainability. While DKT will almost certainly need to increase gradually the price of its *Trust* and *Lady* pills in pursuit of sustainability, it is committed to ensuring that these products remain at the low-end of the market. Given these plans and the sustainability prospects described in chapter III above, the Team expects that DKT will continue to play a strategic role in the overall contraceptive market place.

We also anticipate that DKT will become an important supplier to LGUs interested in procuring hormonal contraceptives but an equitable, healthy contraceptives market should also include other procurement alternatives for LGUs. It will therefore be important to ensure that efforts to promote the availability of products through commercial suppliers continue to be supported. DKT is also likely to continue to be an important commodity provider to NGOs offering family planning services, such as the Family Planning Organization of the Philippines, the Well Family Midwives Partnerships, etc.

3. The Commercial Market

The commercial contraceptives market in the Philippines currently includes a wide variety of hormonal contraceptives, although the majority of the commercial brands are priced in the upper-end of the market. There are only two brands (Micropil and Rigevidon) priced within the middle segment of the market (approximately P50/cycle). However, given the phase-out of USAID-support for commodities, the commercial sector is beginning to recognize the huge potential for growing the private contraceptive market and several commercial players are beginning to assess their ability to meet the needs of middle-income consumers with medium-priced commercial brands. The Team expects that the commercial market can be motivated to increase their investment in the contraceptive market through a coordinated marketing effort that brings together multiple players and multiple brands. We also anticipate an opportunity for local pharmaceutical manufacturers and importers to meet the need for competitively priced products to serve the public sector market in particular. In parallel, it will be important to ensure that efforts to promote the availability of services through private sector providers continue be supported through a coordinated effort.

B. Possible Programmatic Gaps and Opportunities

1. Promotion of Family Planning Services and Methods

There is a need for coordinated marketing effort to continue to increase demand for family planning products and services. The Team's findings suggest that there is very little being done in terms of promoting the availability of services and providing information and education on specific family planning methods to prospective clients.

DKT's social marketing strategy has shifted toward a focus on targeting public sector providers and public sector midwives, which is an important strategy for beginning to shift users from the public to the private sector. However, DKT has not implemented a wide variety of information and education activities geared toward consumers. Given the current political climate and DKT's direct role in the marketing and distribution of ethical products, they are restricted to small-scale efforts to reach consumers. Most of their efforts are being conducted as outreach activities, which target small groups of potential clients.

TSAP has three integrated components – behavior change communication (BCC), advocacy and social mobilization, and health providers. The 2004 mid-term assessment of TSAP's BCC component concluded that it had been designed to position family planning as a mainstream health intervention and encourage social acceptance of family planning as an integral part of a healthy lifestyle. The new PRISM project, which is tasked with helping to increase the size of the commercial contraceptives market, is designed to support suppliers (not consumers). Although the Team was not able to spend a significant amount of time with the PRISM staff, their BCC activities are consequently limited to supporting the development of printed materials and working directly with pharmaceutical players – rather than providing information directly to consumers.

We conclude that there is a need for a coordinated marketing effort directed at consumers. This should aim to increase awareness and information related to specific methods, and to continue to stimulate demand for contraceptive products and services and their availability through private and commercial channels.

2. Multiple Procurement Alternatives for the Public Sector

There is a clear need to encourage the development of multiple procurement alternatives for LGUs. The Team's findings suggest that LGUs currently have very limited options. Although the CSR strategy relies on LGUs procuring their own contraceptives, many LGUs consider DKT to be their only alternative, since DKT provides the lowest priced products. Given the importance of CSR and the need for LGUs to procure commodities in order to continue to ensure access for the poorest populations, there is a need to explore and encourage additional procurement alternatives. While DKT's products could fill an important gap during the short-term, for the medium-term having a single supplier (or monopoly situation) would inhibit an equitable, sustainable market. It is also likely that DKT will be limited in their ability to respond effectively and efficiently to the supply needs for all LGUs, since their distribution and sales infrastructure is currently geared toward working with commercial channels. Finally, there is also the question of motivation, since the public sector market is not overly attractive to any prospective supplier: slow procurement processes, fragmented and small order quantities, lack of transparency and slow payment.

There are also clear systems gaps in the public sector's procurement abilities. LGUs will need to be able to forecast volume requirements, identify suppliers, maintain stocks, and run a distribution system to service delivery sites. None of these systems are strong today. There will also need to be budget line items for contraceptives, with the funding behind the line item for the LGU to actually make procurements.

3. Market Segmentation Methods

There is an immediate need to develop specific segmentation models and mechanisms that can be applied and tested by LGUs in order to transition clients from the public to private sector. While there has been a significant amount of research and analysis conducted on a market segmentation strategy for the Philippines, there are as yet few examples of LGUs that have developed and implemented clear segmentation strategies. The LEAD project is currently assisting LGUs in strengthening their overall policy, financing, management information systems, and distribution and logistics, and guiding them in developing potential systems for means-testing, referral and cost-recovery. To date, however, there are no established, proven models for addressing marketing segmentation and exploring linkages with the private sector.

4. Participation by Commercial Sector Products

Given the dramatic shift that will take place in the contraceptives market after the phase-out of USAID donated commodities, there is an opportunity for increasing the commercial sector's participation in actively promoting medium-priced hormonal contraceptives. In general, in recent years the commercial sector has been relatively inactive in promoting their contraceptive

products and the little promotion that they do is focused on the highest-priced brands. As a result, there has been limited volume growth in the commercial hormonal category in the last several years. There is also a relatively wide gap between the socially marketed brands and middle-priced contraceptives. There are currently only two products, Micropil and Rigevidon, which are clearly within the mid-price segment. The PRISM project is investigating a variety of strategies to stimulate commercial interest in introducing new medium-priced products and/or in lowering the prices of some of the existing commercial brands – through possible grants to commercial providers. However, a coordinated strategy will be needed to ensure that there is a cohesive effort to stimulate market growth.

5. Geographic Access to Contraceptives

There is a need to continue to expand geographic access to quality, affordable contraceptives by increasing the number of commercial outlets carrying social marketing and medium-priced commercial products. Although the number of outlets being served by DKT is likely to increase in 2005, the overall distribution figures suggest that they have relatively limited reach today. DKT and other commercial players that participate in the coordinated marketing initiative should be encouraged to look at creative strategies for continuing to expand distribution channels and for targeting private sector providers (but not Ob/Gyns) with information and products.

6. Role of Private Service Providers

There is a need to continue to strengthen the availability of family planning services among private providers and consumer awareness of the private providers as an alternative to the public sector. While there have been several initiatives supported by USAID and other donors to increase the private sector's role in family planning service provision, there is still a significant need to increase the number of private sector service delivery points for family planning services that are accessible to middle- and low-income consumers (ie C and D socio-economic groups).

C. Proposed Contraceptive Social Marketing Strategy

1. Strategic Themes

Based on the vision and gaps described above, the Team concludes that USAID's future strategy for contraceptive social marketing should have three main themes.

Top priority is to ***maximise client choice***, which has in turn at least three parts. First, ensure that a good range of products is available in all three broad price segments of the traded contraceptives market – ie low priced (Ds and low Cs), mid-priced (mid Cs to low Bs) and high (rest of the Bs and As). The Team believes that the low-priced segment in pills (eg P20-30 per pill cycle) is now well-covered by traditional social marketing and, since DKT appears to be on a path to sustainability, little further support is justified. The high-priced end of the market (above P100/cycle) is very well covered with as many as 10-15 pill brands competing. The mid-priced segment is less well-served: Micropil (P45/cycle) and Rigevidon (P55/cycle) are almost certainly in this segment already; Microgynon (P75/cycle) and Nordette (P85/cycle) may be as well.

However, as many as 540,000 existing pill users may migrate into the low and mid-priced segments as free distribution becomes more restricted and they should have as wide a choice as possible through a more competitive and dynamic mid-market segment.

The injectables market, always characterised by fewer players, has three products at appropriately spaced price points. Since *Depotrust* is not yet proven, there may be a need to continue some support for this product to ensure that C and D clients have adequate choice.

Second, DKT has made more effort than most product suppliers to cover rural and other hard-to-reach areas of the country and yet its reach remains fairly modest (see section B of chapter III). Commercial suppliers will have achieved much less coverage. Furthermore, LGUs all over the country are now becoming interested in sourcing product and so geographical reach of both sales and distribution are becoming more important to maximising client choice.

Third, as public sector free distribution declines, clients will migrate to other price segments but will still find relatively few non-government entry points to the market. The public sector accounts for roughly 70% of family planning services and, as its importance as a source of products diminishes, there will be a need to assist migration by providing a choice of private providers for clients to use accessing socially and commercially marketed products.

The second theme is to ***continue to protect free distribution***. Roughly 30% of existing users of public sector free distribution of contraceptives are estimated to be truly in the E socio-economic class [POLICY Project, 2002]. On this basis, some 230,000 pill users may continue to need access to free distribution even after donated commodities have been phased out. Since LGUs will be using competitive tenders for this purpose, the lowest price supplier will be best placed. At present, this gives DKT a near-monopoly, should DKT choose to enter what will be a difficult market segment. Given the difficulty of the segment, it is not healthy to have just one supplier positioned to serve it and so diversifying potential suppliers to this segment should be an element of USAID's future strategy.

The third theme is to ***strengthen demand creation***. General demand creation is an element in the traditional social marketing mix. However, DKT has not been a strong practitioner in recent years, edging ever further towards a more commercially-oriented strategy of detailing to service providers through medical representatives. Given the size of this particular gap, it justifies a place in the USAID strategy in its own right.

2. Recommendations for USAID

In the light of the strategic themes described above, the Team has six recommendations for USAID with respect to the future contraceptive social marketing strategy.

1 – Design an approach for consolidating LGUs' purchases of contraceptives

It is clear that at least some LGUs will start buying product directly for free distribution as the flow of donated commodities dries up. Others may not have the budget or interest to do this and so it is extremely difficult to predict what procurement volumes may come out of the public sector over the next few years. It *is* clear that maybe 225,000 clients will continue to need access

to free pills alone. It is also clear that selling commodities to LGUs will be an enormous challenge for a supplier: procurement will be spread across up to 1,600 LGUs, offering small, fragmented order quantities and requiring a tailor-made marketing, selling and distribution approach. This will be costly and unattractive for suppliers.

To maximise the attractiveness of this market segment, we propose that USAID orchestrate the design of an approach for consolidated and coordinated procurement by LGUs. This cannot be done through central government but order quantities could possibly be pooled to give decent order sizes at provincial level without infringing the decentralisation policy. If the procurements could be administered by a third party in such a way as to maximise transparency, this might help to remove another feature of this market which suppliers would find unattractive. Slow payment practices of LGUs will be another major hurdle to overcome: possibly thought can be given to loan-finance as a bridge to ensure that suppliers get paid in reasonable time; or possibly a variant of the credit guarantee approach used in the uncertain world of export financing?

USAID has a number of partners in the current program who could contribute to this topic. DKT has practical experience of working with LGUs and can advise. LEAD is focussing on health system strengthening among the LGUs and could be a lead partner on this. PRISM should have an interest in the outcome since commercial players may be enticed into supplying LGUs if the procurement system becomes more palatable for them.

2 – Develop a strategy to increase the commercial sector role in public sector procurement

This would supplement the procurement system issue described above. The focus would be on procurements for free distribution, since the availability of commercial and socially marketed products through government outlets is currently less of a time-critical issue than protecting clients who need continued access to free product. The Team suspects that mainstream commercial players will continue to be put off by the existence of DKT's low prices and margins in what will be high volume/low margin unbranded transactions. So the focus will be on attracting local manufacturers and importers who do not necessarily have great marketing strengths but do have an interest in transactions of this sort.

We propose therefore that USAID aim to attract an 'interest group' of such local manufacturers and importers and educate the group on key success factors in responding to the new LGU procurement practices. This work is probably best conducted by PRISM, without DKT input to avoid conflict of interest.

3 – Develop a system to improve success in 'referring' clients from the public sector

As the donated commodities phase out, the public sector service delivery points will increasingly have to turn clients away without commodities as they struggle to match supply and demand. Clients who are judged capable of paying for commodities can be provided with prescriptions to source product from pharmacies, referred to a private sector provider or possibly referred to a commodity 'boutique' within the public sector outlet itself. The first two of these at least need systems support to maximise the chances of the referral actually taking place. Both are complicated by the differences between new acceptors and repeat clients; the former definitely need a prescription and even repeat clients for injectables will need one.

We conclude that the LEAD project is probably best placed to handle this task. At a minimum, some operations research will be needed to assess the effectiveness of the prescription system and ensure that a new major source of FP drop-out does not develop.

4 – Assist the market to understand economic segmentation better

There are many potential current users of good market segmentation data, especially in the context of the phase-out of donated commodities and the resulting migration of clients between segments. LGUs can use this data to assist their budget estimation for free distribution of product, provide a benchmark for means-testing, and help focus on shifting non-Es into the socially marketed/commercial sectors. Commercial participants can use the data to size the opportunity being presented by USAID's phase-out. The Team has seen some good segmentation data from a 2002 POLICY Project report: this needs dissemination and/or updating. Furthermore, LGUs need a comprehensive approach to segmentation – ie how to source, interpret and use data on the different segments; although the subject is topical among the LGUs we have visited, few yet seem to have control of it. This work can probably be best performed by LEAD, with advice from DKT and PRISM

5 – Develop a strategy for expanding the commercial sector role in family planning services

The expanded choice element of the USAID strategy calls for increasing the number of private providers active in family planning. This will be particularly important as existing clients are increasingly referred out of the public sector. There are already a number of activities with this objective within the USAID program – eg the work with the Well-Family Midwife Clinic Partnerships, PRISM's work on workplace health, a possible new application of DKT's franchising scheme to private providers. The Team notes that private physicians are virtually inactive in family planning and could possibly be another focus for new effort.

This effort needs to be conceptualised and brought together under one initiative, with PRISM again being the most likely coordinating force.

6 – Improve market development planning and coordination

While there has been much progress on strengthening the contraceptives market in recent years, it remains too small today and the various participants barely acknowledge each other: the commercial participants define 'the market' as simply the commercial piece; LGUs do not perceive any potential to work with the commercial sector; DKT is viewed with suspicion and/or hostility by some commercial players and remains almost unknown to many LGUs. There is certainly little unified purpose among the players in the market-place. And yet common purpose could be usefully created around a number of topics, with segmentation – helping to fill the mid-priced segment in a rational manner – and serving the hard-to-reach geographical locations as but two examples.

There is a need to bring the three market sectors closer together, improve their communication between each other and raise mutual understanding of needs and resources. DKT, LEAD and PRISM need to work together to do this.

Annex A

Scope of Work

SCOPE OF WORK
USAID STRATEGY FOR FUTURE SUPPORT TO
CONTRACEPTIVE SOCIAL MARKETING IN THE PHILIPPINES

I. OBJECTIVES

USAID/Manila desires consultant assistance in developing a set of recommendations for future USAID support to Contraceptive Social Marketing in the Philippines. The broad objective is to identify and assess areas of focus for future USAID assistance to the social marketing of hormonal contraceptive products and recommend potential strategies for USAID support that will best ensure continued availability of affordable hormonal contraceptive products to further increase usage and overall Contraceptive Prevalence Rate (CPR) for modern methods of Family Planning (FP).

The specific objectives include:

(1) To assess and analyze current sales performance of USAID supported products as against project targets in units and sales revenue as well as performance in the total contraceptive market;
(2) To identify market growth potential for currently supported hormonal contraceptive products;
(3) To review the effectiveness of currently supported marketing activities and strategies to achieve unit sales target;
(4) To assess effects of socially marketed products in the commercial contraceptive market, including their contribution and/or inhibition towards long-term market growth, i.e., how/whether DKT's present approach to social marketing is priming the market for commercial, unsubsidized products;
(5) To evaluate alternatives to branded social marketing strategies, i.e. generic promotion of contraceptive methods that supports a range of commercial brands, in the Philippine context, including any efforts to negotiate lower prices with commercial players in return for generic demand creation;
(6) To assess sustainability of social marketing of contraceptives;
(7) To recommend strategies for future support for social marketing activities of contraceptive products; and
(8) To determine which segment of the market is buying DKT and commercial contraceptive products and evaluate whether geographic segmentation is appropriate between socially marketed and commercial products.

Appropriate mechanism(s) for this support should be considered, evaluated, and then proposed as a part of the strategy. The document should also include a description of an appropriate time frame for implementation of the proposed recommendations. The draft strategy document (output) is essentially a USAID/Manila document but will be shared with the local organizations implementing social marketing programs, Department of Health and other donors.

USAID/Manila seeks consultative assistance for a total of two weeks in-country (May 16 - 27, 2005) and 2-3 days in the U.S. (between June 1- 15, 2005) for incorporation of Mission-suggested revisions and completion of the draft strategy/recommendation document.

II. BACKGROUND

USAID decision to phase out the long-standing support for the provision of contraceptive commodities to the public health sector facilities had an impact on the contraceptive market. The USAID contraceptive donation phase-out started in 2003 and is expected to be completed in 20086. In response, the Government of the Philippines Department of Health (GRP DOH) developed its own plan to phase-out donated supplies to Local Government Units (LGUs) health facilities The phase-out plan is as follows:

Country- Level Schedule of Phase-out of Pill Donations

Year	Donated Quantity (in number of cyles)	Basis of Quantity	% of Poor Users' Need Met
2004	10,552,188.00	93% of consumption	More than 100%
2005	6,631,626.00	59% of consumption	More than 100%
2006	2,608,765.00	23% of consumption	44%
2007	688,871.00	6% of consumption	11%
2008	0	0	0

Country- Level Schedule of Phase-out of Injectable Donations

Year	Donated Quantity (in number of cyles)	Basis of Quantity	% of Poor Users' Need Met
2004	Full support	100% of consumption	More than 100%
2005	1,169,061	82% of consumption	More than 100%
2006	844,945	59% of consumption	More than 75%
2007	329,953	23% of consumption	28% of poor users' needs
2008	67,205	5% of consumption	7% of poor users' needs
2009	0	0	0

The DOH phase-out plan extends to 2009 as it took into account inventory levels at the time the plan was developed.

The DOH issued Administrative Order 158, s.2004 “Guidelines on the Management of Donated Commodities under the Contraceptive Self Reliance (CSR) Strategy” on July 9 2004 (See Attachment A). “This Administrative Order (AO) provides for guidelines regarding the orderly, fair and beneficial disposition of declining quantities of donated contraceptives in a manner that maximizes the opportunities for all domestic stakeholders of the national family planning program to take appropriate pro-active steps to protect and assure continued access to contraceptives of all Filipinos who need these vital health enhancing commodities.” The AO also specifies four potential sources of contraceptive supplies:

- LGU-financed/procured supplies either for free distribution; for sale at cost-recovery basis; or for sale at margins above cost.
- Donated supplies exclusively for free distribution.
- Commercially consigned supplies either for free distribution (with payment by LGU) or for sale with payment by clients.
- Socially marketed supplies for sale at cost recovery basis.

Given this situation, it is imperative that existing delivery systems be strengthened and new ones put in place, to sustain contraceptive use and grow the overall contraceptive market. The most immediate and viable alternative is to encourage a more active involvement of the private commercial pharmaceutical sector to promote and deliver contraceptive products and services. Although there appears to be interest in filling the expected vacuum, the private commercial sector has yet to prepare for such undertaking. The process of introducing new products into the Philippine market may take some time considering Bureau of Food and Drugs (BFAD) long list of requirements for product registration. The role of current social marketing efforts is to provide the contraceptive supplies while the other commercial pharmaceutical companies are gearing up for their entry into the contraceptive market.

To provide an immediate alternative to free supplies, USAID provided support to DKT Philippines to carry out marketing activities to expand use of modern contraceptive methods, in particular oral contraceptive pills and injectables. The USAID support to DKT Philippines Contraceptive Social Marketing project under a Cooperative Agreement covers the period October 1, 2002 to September 30, 2005. DKT also receives funding from KfW for technical assistance while UNFPA is supporting establishing franchise that promotes and sells DKT products in 11 sites. DKT is tasked to increase usage and expand the market for injectable and oral contraceptives focusing on three opportunities: (1) to fill the unmet need for family planning, specifically among those who can afford unsubsidized products; 2) to reach both new and lapsed users of injectable and oral contraceptive pills to ensure continuous usage; and (3) to capture the users who are affected by the expected vacuum that will exist when the drop in contraceptive supply from the public sector is felt at the consumer level

In the past, USAID/Philippines supported other social marketing products and programs such as the Social Marketing for Change (SOMARC) launched a campaign in 1993 in collaboration with three pill manufacturers. It involved each manufacturer's commitment to maintain a retail price ceiling, determined by research to be affordable by middle-income groups. The brands of pills under this program were those not actively promoted by Schering, Wyeth and Organon. These products were made available nationwide particularly in urban and semi-urban areas. In 1994, the injectable, Depo-Provera was launched in the Philippines, with SOMARC providing media and training support. The SOMARC program ended in 1998.

DKT Philippines has been implementing The Philippine Social Marketing Program since 1990. This program has been promoting and selling condoms and oral contraceptive pill as part of the GRPs family planning and HIV/AIDS prevention efforts. For more than 10 years of operations, over 145 million pieces of condoms and 14.6 million cycles of oral contraceptive pill have been marketed and sold. DKT products have contributed in a dramatic fashion to the growth of the condom and oral contraceptive pill market.

DKT can potentially play a valuable role in the transition from a model of free contraceptive delivery to a sustainable and commercial delivery model. DKT has been operating in the private sector and has proven that success in the promotions, distribution and sales of condoms and oral contraceptive pill is dependent on the resources and strengths of the private sector.

- DKT introduced two new brands in the commercial Hormonal Contraceptive Market, Lady pill and Depotrust injectable. Lady pill was launched in April 25, 2003 and Depotrust on August 23, 2003. These two brands are performing very well in their respective market segments. In the year 2004, Lady pill registered a 4% market share and is already ranked as the number 2 brand in the oral contraceptive commercial market segment in terms of unit sales. On the other hand, Depotrust is the number 1 brand in the injectable contraceptive commercial market with a 49% market share ending third quarter of 2004. These two brands are growing faster than their respective market segment. Lady pill is growing at the rate of almost 80% in terms of unit sales while the OCP total market growth is only 24%. Depoprovera drop in unit sales is only equivalent to approximately 2,000 vials while Depotrust unit sales during its first year in the market is more than 46,000 vials. This is indicative that these two brands are contributing to the increase in the total contraceptive market.

Injectable Contraceptive for the year 2004

Brand	Company	Unit Sold	% Share	Units Growth %	Peso Value	% Share	Values Growth %	Unit Price
Depotrust	DKT	46,415	49.31%	999.00	2,911,612	30.42%	999.00	62.73
Depoprovera	Pfizer	42,889	45.57%	-5.75	5,213,159	54.47%	-3.15	121.55
Noristerat	Schering	4,818	5.12%	8.22	1,445,156	15.10%	34.42	278.05
Total		**94,122**	**100.00%**	**88%**	**9,569,927**	**100.00%**	**48%**	

Oral Contraceptive Pills Sales for the year 2004

Brand	Company	Number of Cycles Sold	Share	Units Growth %	Peso Value	Share	Values Growth %	Unit Price
TRUST PILL TAB 28	DKT	7,688,000	73.48%	17.11	164,455,408	34.05%	14.81	21.27
LADY TAB 28	DKT	505,126	4.83%	79.82	8,098,231	1.68%	44.14	15.45
FEMENAL C.TAB 21X10	Wyeth	366,810	3.51%	8.80	36,752,528	7.61%	14.24	100.19
NORDETTE C.TAB 21X10	Wyeth	335,480	3.21%	11.78	27,777,072	5.75%	11.78	82.79
EXLUTON TAB 0.5MG 28	Organon	262,166	2.51%	11.08	29,337,959	6.07%	23.53	113.64
TRINORDIOL C.TAB 21X10	Wyeth	209,710	2.00%	-5.58	30,329,310	6.28%	-0.86	144.62
MINULET C.TAB 21X10	Wyeth	197,840	1.89%	24.84	36,701,891	7.60%	31.08	1855.13
MICROPIL C.TAB 21X12	Pascual	166,812	1.59%	-36.40	6,217,501	1.29%	-36.40	44.72
GYNERA TAB 21	Schering	135,098	1.29%	-10.68	26,961,612	5.58%	-1.92	195.41
LOGYNON C.TAB 21	Schering	116,457	1.11%	-12.68	18,013,433	3.73%	-0.57	148.71
NORDIOL C.TAB 21X10	Wyeth	102,010	0.97%	3.25	13,043,611	2.70%	8.41	127.86
MARVELON 28 TAB 21X10	Organon	90,790	0.87%	-1.72	15,598,771	3.23%	5.70	176.72
MERCILON TAB 21	Organon	77,729	0.74%	-10.60	15,553,542	3.22%	-1.09	194.55
MELIANE C.TAB 21	Schering	75,661	0.72%	29.83	15,537,000	3.22%	45.74	195.58
YASMIN C.TAB 21	Schering	57,306	0.55%	707.47	23,276,018	4.82%	720.15	399.89
GRACIAL TAB 22	Organon	42,545	0.41%	91.51	11,935,766	2.47%	104.67	270.00
MICROGYNON 30 C.TAB 21	Schering	14,052	0.13%	3.52	1,154,241	0.24%	23.02	75.61
RIGEVIDON TAB 28	Gedeon	12,014	0.11%	23.50	660,531	0.14%	26.47	54.98
CERAZETTE	Organon	7,308	0.07%	999.00	1,630,342	0.34%	999.00	223.09
TRI-REGOL TAB 21	Gedeon	39	0.00%	-98.45	4,028	0.00%	-98.45	103.27
Total		**10,462,953**	**100%**	**24%**	**483,038,795**	**100.00%**	**47%**	

DKT is on the last year of its three year project implementing marketing activities for Lady oral contraceptive pill and Depotrust injectable contraceptive. The market performance of these two brands in the commercial sector is quite remarkable, although project targets set for the first two years are not being met. The key reason for the non-attainment of project targets, as presented by DKT is that time period required to establish a solid brand presence that translates into sales is taking longer than expected. Cumulative Lady pill sales achievement is only 44% of the target set for the first 2 years of the project (977,879 cycles sold vs. 2,200,000 cycles project target prorated over 18 months). Depotrust sale for the first eleven months of promotions is only 90,290 vials against project target of 320,833 for the period covered. The remaining months may not provide enough time for DKT to achieve total target set for the project.

While there maybe some other NGOs undertaking social marketing in the Philippines, such as the Family Planning Organization of the Philippines (FPOP), these efforts were not large enough to have significant impact to contraceptive use as indicated in the Family Planning and Demographic and Health surveys.

III. SOURCES OF INFORMATION

The consultants will gather information for assessment and development of future USAID assistance strategy to social marketing of hormonal contraceptive products from at least the following sources:

- telephone interviews with selected USAID/Washington technical staff who have had experience in designing or monitoring strategies for USAID support of long-term sustainability for programs;
- the current cooperative agreement between USAID/Manila and DKT Philippines and relevant supporting documents;
- current DKT marketing/work plan;
- current DKT profit and loss statement for Lady and Depotrust;
- FPS, NDHS and IMS reports;
- interviews with selected medical providers and associations involved in FP;
- interviews with product/marketing managers of other pharmaceutical companies that market/distribute hormonal contraceptives;
- interviews with DKT staff directly involved in the project (e.g. sales and marketing staff);
- interviews with relevant USAID/Manila staff to be identified by OPHN;
- interviews with DKT customers like drugstores, health clinics, hospitals, other NGOs;
- interviews with implementing partners like TMPI and WPFI;
- interviews with the other DKT donors; and
- interviews with selected family planning/reproductive health leaders from the public sector such as POPCOM and Department of Health
- interview with FPOP staff

IV. METHODOLOGY OF THE ASSIGNMENT

To achieve the objectives outlined above, the consultant team may need to identify at least the following:

- USAID's strategic interest in supporting social marketing of hormonal contraceptive products;
- current level of financial sustainability, program success and constituent impact of the current DKT program strategies;
- defining a clear timeline to establish a solid market presence for hormonal contraceptive products.
- identify marketing activities that needs strengthening as well as future activities needed to reach targets;
- mechanisms available to USAID for providing future support in the strengthening and expanding market presence of DKT hormonal contraceptive products; and

Prior to arrival in Manila, the consultants will gather, through telephone interviews, information from USAID/Washington technical staff regarding other-country project experience with various mechanisms for financial support of maturing, similarly-designed family planning/health-related programs. Lessons learned from these other-country project experiences will be assessed for their possible applicability in the Philippines.

The consultants will review prior to arrival in Manila selected relevant project documents (see Section III of this SOW). USAID/Manila will provide these documents to the consultants in advance of their arrival.

In-country, the consultants will undertake a series of key informant interviews with USAID Mission/PHN staff, leadership and other selected staff of DKT, organizations implementing contraceptive social marketing, and others as noted in "Sources of Information," above. These interviews may be "one-on-one" or may take the form of a small meeting/structured focus group discussion. USAID wishes to learn from these interviews what the respondents' ideas/opinions on how USAID can best provide assistance to continued market presence of socially marketed hormonal contraceptive products.

VI. TEAM COMPOSITION AND PARTICIPATION

The consultant team will consist of three members: either two U.S.-based consultant and one Philippines-based consultant or one U.S.-based consultant and two local consultants.

All consultants should have a good working knowledge of USAID program funding mechanisms and familiarity with USAID/Manila's strategic objectives in regard to family planning/reproductive health and program sustainability. Previous experience with contraceptive marketing, objectives and strategies will be very helpful. Experience with USAID-supported NGOs in the Philippines and other countries as well as experience with social and commercial marketing of hormonal contraceptive products is necessary.

Specifically, the team shall be composed of the following:

(1) Social Marketing Specialist with FP/RH experience, particularly in the private sector. Familiarity with the Philippine FP/RH environment is a must. He/She will act as Team Leader. (Expat)

(2) Pharmaceutical Product/Marketing Specialist with exposure to marketing of ethical products, preferably hormonal contraceptives. Familiarity with the Philippine FP/RH environment will be a. plus. (Local)

(3) Market Analyst with experience in FP/RH environment and the Philippine pharmaceutical industry. (Expat or local)

VII. SCHEDULE AND LOGISTICS

USAID/Manila seeks consultant assistance for a total of two weeks in-country (May 16-27, 2005) and 2-3 days in the U.S. for incorporation of Mission suggestions and comments.

On/after 1 May 2005	Pre-travel information collection and document review
16 - 27 May 2005	In-country information collection, information analysis, and draft strategy preparation
1- 6 June 2005	Mission reviews and comments
8-15 June 2005	Post-travel completion of draft strategy document

USAID/Manila/OPHN will provide support to the consultant team by providing copies of relevant DKT project documents prior to team travel, in identifying key informants and, as possible, in making appointments for interviews. An initial meeting on 16 May 2005 between the consultant team and appropriate USAID/Manila/OPHN staff will be organized by OPHN. OPHN staff will also schedule at least the initial meeting between the consultant team and DKT and other relevant organizations project staff and leadership.

A meeting for debriefing of the consultant team at USAID will be scheduled by OPHN staff in consultation with the consultant team.

VIII. ESTIMATED LEVEL OF EFFORT

Team Leader:
2 prep days
12 in-country workdays
2 travel days
3 days of revision work
TOTAL: 19 days of LOE

Team Members:
2 prep days
12 in-country workdays
2 travel days
2 days of revision work
TOTAL: 18 days of LOE

IX. DELIVERABLES

A draft strategy/recommendation document for future USAID support to social marketing of hormonal contraceptive products that addresses the objectives set forth in Section I of this scope of work is due prior to the team's departure from Manila on 29 May 2005. A revised draft document that incorporates Mission comments and feedback is due from the consultant team on 15 April 2005. The report will be an internal, limited distribution document.

Annex B

Persons Contacted

Persons Contacted

Organization	Name/Title
Department of Health (DOH)	Virginia Ala, Head, Bureau of Intl Health Cooperation
USAID, Office of Population, Health and Nutrition (OPHN)	Aye Aye Thwin, Deputy Chief Charito Remata-Redoblado, Project Management Specialist Carina San Felix, Development Specialist Reynalda Perez, CTO TSAP Project Maria Paz de Segun, CTO LEAD Project
DKT Philippines Inc	Terry Scott, Country Director Dennis Abanid, Creatives and Productions Assistant Boyet Chantengco, USAID Project Manager Richard Coredo, Franchising Manager Roy Fadallan, Field Operations Pangasinan Tina Fuentes, Headquarters Operations Manager Rocel De Leon, Field Operations Pangasinan Jojo Narvaza, MIS and Logistics Manager Rose Nunez, Finance Manager Ryan Rosas, Field Operations Pangasinan Lady Sunega, M&E and Research Senior Assistant Min Vigo, Field Operations Manager
Family Planning Organization of the Philippines Inc (FPOP)	Rhodora Roy-Raterta, Executive Director Julio Laset, Head Program Development and Support
Kredit fur Wiederaufbau (KfW)	Olga Kaday, Development Bank Local Expert
Krus na Ligas Barangay, Quezon City	Humiliada Advincula, Barangay Captain
Local Enhancement and Development for Health (LEAD)	Ma Concepcion Alfiler, Performance Policy Unit Director Jesus Quiazon, Market Development Advisor
National Economic and Development Authority (NEDA)	Edgardo Aranjuez II, Senior Econ Development Specialist
Organon Philippines Inc	Francesca Ballmer, General Manager
Pangasinan Province Health Department	Luzviminda Muego, Provincial Population Officer Nelia Macarael, Municipal Nurse, San Fabian City Cristina Quinto, Mapandan Municipal Health Officer Ophelia Rivera, Mangaldan Municipal Health Officer Vicky Sotto, Mangaldan Municipal Population Officer

Private Sector Mobilization for Family Planning (PRISM)	Lief Doerring, Chief of Party Grace Toledo-Migallos, Deputy Chief of Party
Quezon City Health Department	Paz Ugalde, City Health Officer III Ramona Abraquez, Medical Officer, Batasan Hills HC Ma Lourdes Cueto, Population Officer, Kamuning HC Myrna Dulog, FP Coordinator Quezon City Zenny Millan, Midwife, Toro Hills HC Yolly Ramos, Midwife, Toro Hills HC Nimfa Zarate, Medical Officer, Kamuning HC
Schering Philippine Corp	Charito Magno, Director, Business Development Rex Laroza, Acting Head, Gynecology
Training and Marketing Professionals Inc (TMPI)	Arnel Arandia, DKT Project Director Cristina Baruc, Territory Manager Nina Compendio, District Manager, Greater Manila Rachel de Los Reyes, Territory Manager
United Nations Population Fund (UNFPA)	Florence Tayzon, Assistant Representative
Wyeth Philippines Inc	Albert Lucido, Product Manager, Pharmaceuticals Division