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Building Market Sustainability through Commercially Viable Partnerships

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Abt

Abt Associates Inc. in partnership with:
Banyan Global
Dillon Allman and Partners, LLC
Family Health International
Forum One Communications
IntraHealth International
O'Hanlon Consulting
Population Services International
Tulane University School of Public Health and Tropical Medicine



The Nigeria Mid-price OC Project

- Market context:
 - Population: 134.5 million, GNI PPP/capita: \$1,040
 - High urbanization (48%), 12% CPR
 - Fast-growing pharmaceutical market
 - Well-developed commercial infrastructure
 - Challenging business environment
 - Problems with quality and safety of drug supply
 - Dominance of Nigerian and Asian generic drugs

Highly Subsidized Contraceptive Market

Donated Contraceptives: January 1– December 31, 2005

	Condoms (units)	OCs (cycles)	Injectables (vials)	IUDs (units)
USAID	3,204,000	6,000,000	900,000	100,000
UNFPA	2,569,680	376,897	436,625	52,440
IPPF		2,700		
Total	5,773,680	6,379,597	1,336,625	152,440

Source: RH Interchange/JSI 2007

Commercial sales of OCs: 400,000 cycles/year (2005)

Partnership Model

- **Goals:**
 - Segment the oral contraceptive market
 - Reduce Nigeria's dependence on donated commodities
 - Introduce affordable commercial brands
- **Approach**
 - Introduce a mid-price (less than \$1.50) OC brand
 - Bring together a manufacturer and local distributor
 - Provide time-defined donor support for new brand
- **Partners**
 - PSP-One, Famy Care, Society for Family Health, Population Services International

Partnership Model

PSP-One

Brokering, project design and
market-building support

Famy Care Ltd.

Manufacturing & branding

Products



Society for
Family Health

Marketing & distribution

India

PSI

Nigeria

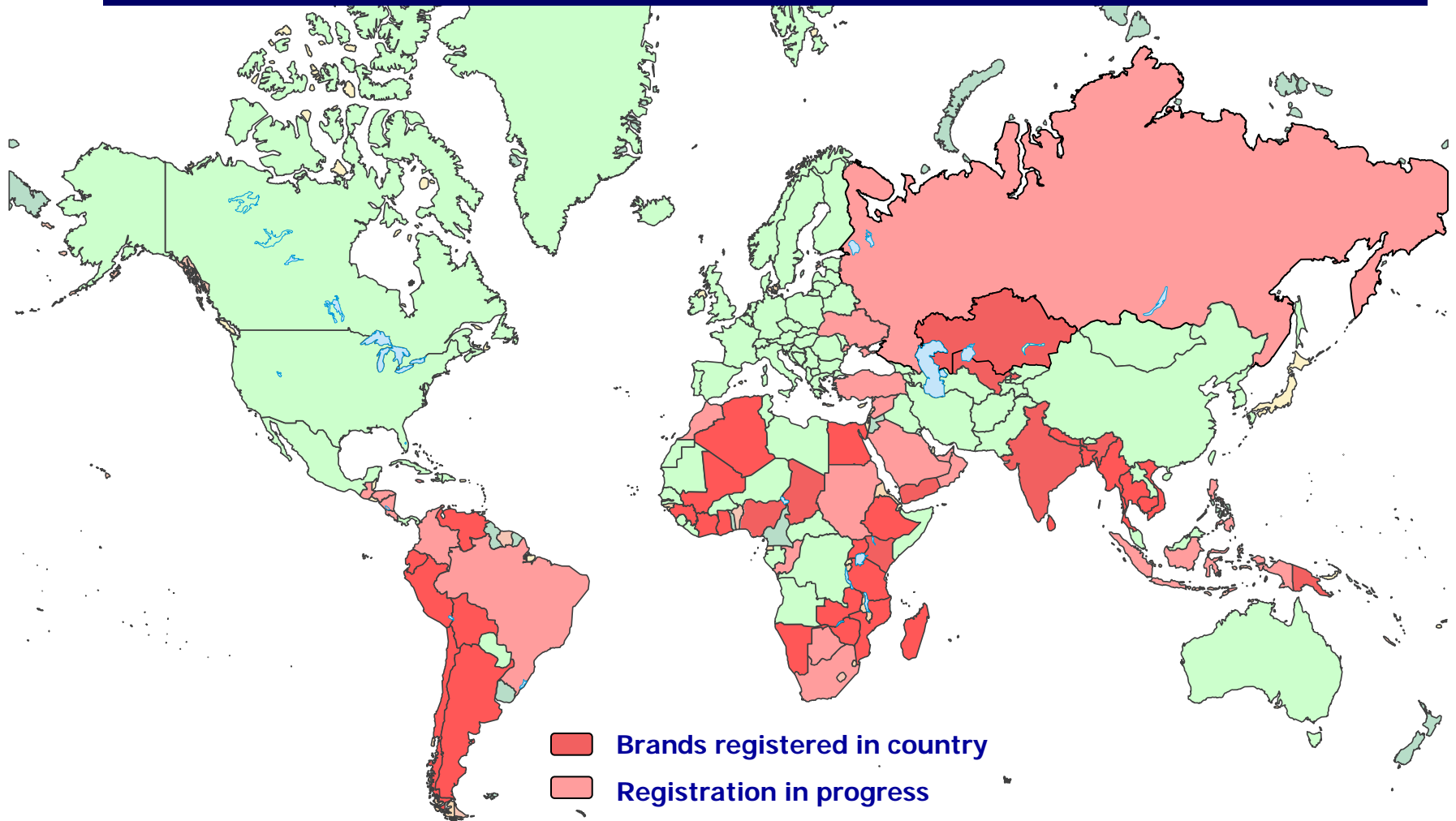
Funding for first order and
technical support

Famy Care Ltd.

- Mumbai-based generic manufacturer
- Asia's largest producer of OCs and IUDs
- Turnover: US\$30 million.
- Exporting to 35 countries
- Supplier of UNFPA, IPPF, MSI, PSI, DKT Intl.



Family Care's Worldwide Presence



The Society for Family Health

- Largest local social marketing organization in Africa
- Major implementer of reproductive health and malaria programs
- Extensive distribution and sales network
- Large social marketing portfolio (13 brands)
- 55% share of the OC market (3.8 million cycles)



Results

- 5 year distribution contract between FamyCare and SFH
- MOU and cost-sharing between FamyCare, SFH, PSI and USAID
- First affordably priced very-low dose OC in Nigeria



Lessons Learned

- Generic manufacturers are willing to market their own commercial brands
- Presence of highly subsidized products limits market potential, requires creative marketing
- NGO partners experience “mission conflict” and learning curve in for-profit partnerships
- Trademark ownership is critical in building sustainable commercial markets

The Future: Manufacturer's Perspective

Business model 2006-07	
Revenue	US \$ 30 M
Tender	80%
NGO	15%
Pvt Mkt	5%

Business model 2009-10	
Revenue	US \$ 75 M
Tender	50%
NGO	25%
Pvt Mkt	25%

Rural Health Initiative in India

- Public sector does not meet health needs in rural India
 - 30-50% shortage in health coverage, mostly in rural areas
- USAID (through PSP-*One*) is exploring market-based solutions to improve access to health products
 - USAID geographic priority is UP, Uttaranchal and Jharkhand
- Developing a partnership with Hindustan Unilever's Shakti Network to market oral contraceptives
 - Under-developed in India – only 3% prevalence in rural areas

Rural Health Initiative in India

■ Goals:

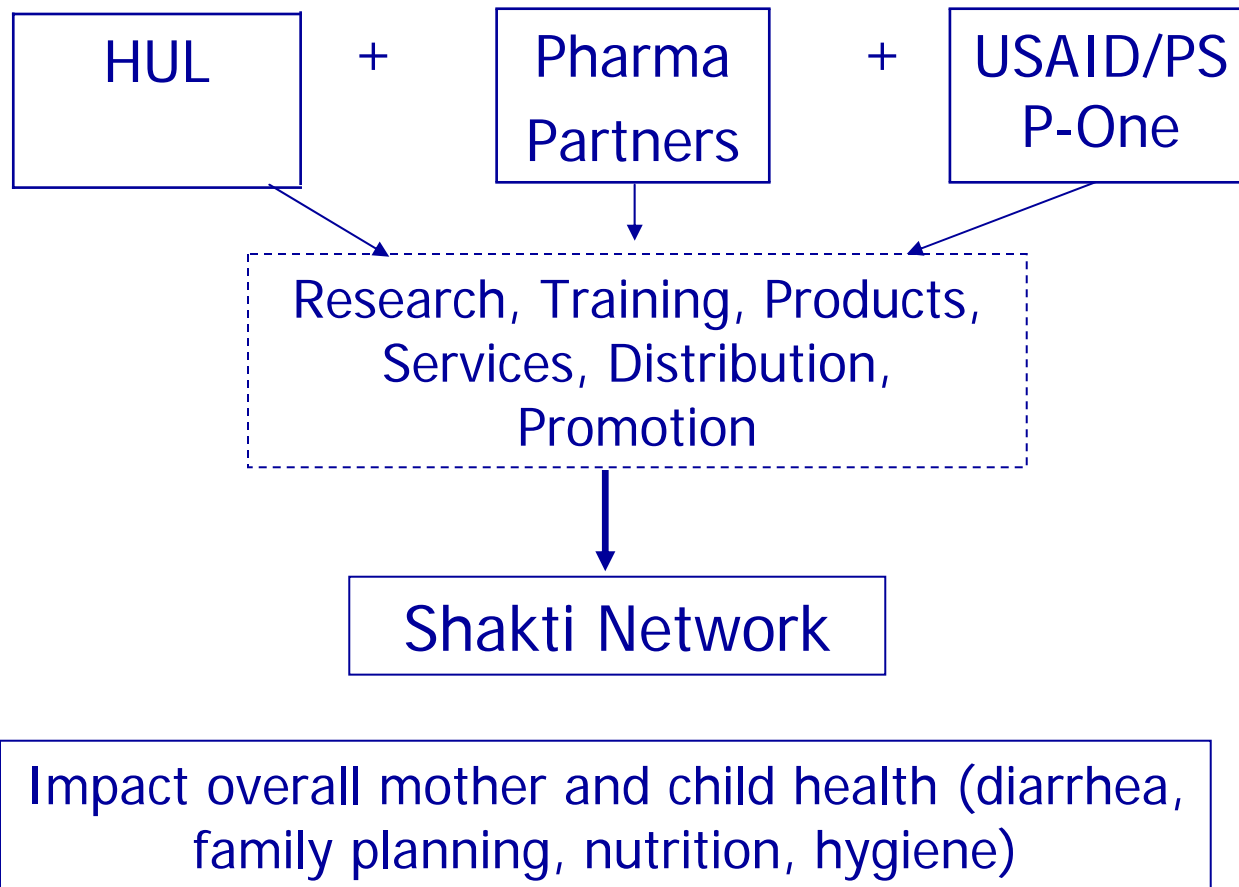
- Increase access to FP products in rural areas by tapping into a commercially sustainable system (Shakti network)

■ Partners

- Hindustan Unilever Limited
- USAID/India
- Contraceptive manufacturers



Partnership Model



Shakti Products and Pricing

HUL Products	Price to Consumer
Soaps (Lifebuoy, Lux, Pears)	Rs.5-14 (55-125gm)
Shampoo (Clinic)	Rs. 0.5-2 (5-8ml)
Toothpaste (Pepsodent)	Rs. 6-11 (20-40gm)
Toothbrush	Rs. 10-13
Tea (Red Level & Red Roses)	RS. 5-10
Detergents (Wheel, Rin, Surf)	Rs. 2-22 (110gm-950gm)
Talcum Powder (Ponds)	Rs.6-17 (20-50gm)
Creams (Fair and Lovely)	Rs.6 (9gm)
Iodized salt	Rs. 9 (1kg)

- Margins for SE ranges from 11-15%
- Sales of Rs.100-150/ household per visit
- Average monthly income is Rs.800
- Proposed OC price/cycle: Rs 20-30

OC Opportunity: Peak Volume

Shakti Opportunity for OCs	Low	Medium	High
Number of SE	100,000	100,000	100,000
350 HH per month per SE	35,000,000	35,000,000	35,000,000
1 MWRA per HH	35,000,000	35,000,000	35,000,000
Prevalence of OC use	3%	6%	10%
# OC Users	1,050,000	2,100,000	3,500,000
# OC Cycles (13 per user)	13,650,000	27,300,000	45,500,000
OC sales per SE per month	11	21	35
OC sales per SE per year	137	273	455

Strengths of Partnership

- Common Goal
 - Improved rural health
 - Long term sustainability
 - Create a scalable mode
- Combined competencies
 - HUL provides infrastructure for product distribution, training, communication and education
 - USAID provides expertise in health, training and education, links to public health programs, and impact evaluation
 - Third party manufacturers provide health products (ORS, birth spacing)

Challenges

- Price point must be accessible to rural users and provide sufficient incentives to key players in manufacturing and distribution chain
- Regulatory considerations – OCs need OTC status
- Distribution through a FMCG pipeline
- Need for training and marketing support
- Competition from other health priorities

Expected Results

- A a sustainable commercial infrastructure that expands access to ORS and birth spacing products to women in rural India
- Develop a scalable model for incorporating health products into the HLL Shakti network, that can be applied globally
- Demonstrate the viability of improving health outcomes while realizing a return on investment at the “bottom of the pyramid”

Thank you!

