



**REVIEW OF DFID APPROACH TO SOCIAL MARKETING**  
**ANNEX 6: SOCIAL MARKETING ORGANISATIONS**

**SEPTEMBER 2003**

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This report was produced by the Health Systems Resource Centre on behalf of the Department for International Development, and does not necessarily represent the views or the policy of DFID.

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## **ANNEX 6:**

### **SOCIAL MARKETING ORGANISATIONS**

#### **1. POPULATION SERVICES INTERNATIONAL (PSI), WASHINGTON, D.C.**

PSI was established in 1970 as non-profit organisation. In its early years PSI was engaged, primarily, in the sale and distribution of condoms for family planning purposes mostly in South Asia. PSI grew rapidly in the 1990s responding to the HIV/AIDS epidemic with a growing presence in Africa, primarily through USAID funding. In 1992 PSI launched its first social marketing programme in the United States.

PSI has established a reputation for managing social marketing programmes that sells subsidised commodities supplied by donors, or through bulk purchase, and re-brands them for sale into the commercial sector market place.

PSI began to expand its product base in 1986 through the launch of an oral rehydration salts product in Bangladesh but it was not until the mid-1990s that it began launching a wider range of products beyond condoms that, today, includes some 20 products ranging from the female condom, emergency contraception, IUDs, oral contraceptives, injectable contraceptives, multi-vitamins, clean maternal delivery kits, ITNS, iodised salt, iron / folic acid tablets, and even snake boots.

PSI operates in some 64 countries either directly or, more often, through the establishment of domestic non-profit entities comprising a Board of local and PSI members.

Worldwide PSI distributed, in 2002, over 682 million male condoms, 1.3 million female condoms, 2.6 million injectable contraceptives, 20.6 million oral contraceptive pills, 20.4 million multi-vitamins, 1.6 million ITNs, 12 million oral rehydration salts.

Its noted successes include reaching a sales level of more than 2 condoms per capita in three countries – Zimbabwe, Haiti and Togo – and of more than 1 condom per capita in 11 further countries.

In 2001 PSI received a total of \$120,911,698 in grants and contributions.

PSI has developed an illustrative methodology for demonstrating health impacts of its programmes. The base formula combines a number of indices of protection achieved across all its products into one, generic unit that estimates the person years of protection achieved. In 2002 this formulation is reported to have achieved 17.2 million Person Years of Protection (PYP) representing a 31% increase over 2001.

## **2. POPULATION SERVICES INTERNATIONAL, EUROPE (PSIE)**

PSIE is an independent affiliate of the main PSI organisation located in Washington, independent to the extent that its accounts are NOT consolidated with PSI. PSI exists primarily to maintain relationships with European funding organisations, including DFID, the EU, KfW and the Dutch. PSIE also manages a number of country programmes for PSI including those in Nepal and Namibia and is responsible for PSI's activities in the field of social franchising.

It has a long standing and particular relationship with DFID's HPD through which it has secured annual grant funding of £2 million since 1997, although this source of funding is likely to cease during the current year, to be used as PSIE considered most appropriate. Such funds have in practice been used by PSIE for PSI programmes in countries such as Cuba, Burma, Haiti, Burundi, Russia, Cambodia, China and Côte d'Ivoire. PSIE claims that such core funding has leveraged external donor funding and significantly contributed to the pace of innovation in VIV/AIDS prevention, family planning and maternal child health.

PSIE is also responsible for raising funds from other organisations and recently responded to a call for proposals from the EU for the franchising of VCT centres in Namibia. PSI actively seeks funding from DFID from Civil Society Challenge Fund (CSCF), Knowledge Fund and Joint Funding Schemes (JFS). Funding from the JFS/CSCF has been used to fund PSI activities in Burma (CSM), Uganda (ITNs), Central America (HIV/AIDS) and Togo (female condoms).

PSIE is currently working with the Medical Research Council, providing marketing/branding advice and the identification of volunteers for clinical trials relating to the development of a microbicidal gel for vaginal use in the prevention of HIV/AIDS.

PSIE is a small, innovative and nimble offshoot of the main PSI organisation.

### **3. DKT INTERNATIONAL, WASHINGTON, D.C.**

DKT International operates from the PSI offices in Washington, D.C. and its President, Phil Harvey, is a member of the Board of Directors of PSI.

DKT specialises in the distribution and promoted of own brand condoms and FP products within the larger population countries in the world. Since 1990 it has expanded to 9 countries including Brazil, China, Ethiopia, Indonesia, India, Malaysia, the Philippines, Vietnam and Mexico. It recently launched oral rehydrations salt sachets in Ethiopia.

Total expenditure reported in 2002 was \$27.4 million with total sales of almost 400 million condoms, 27 million OC pills, 6 million injectable contraceptives along with IUDs and female condoms.

DKT presents some of the lowest costs per CYP of any SMO at an average of \$3.60 reported in 2002.

#### **4. THE FUTURES GROUP (FGI), WASHINGTON, D.C.**

Established in 1971 The Futures Group is a for-profit company originally specialising in systems analysis work that sprang from computer models developed at MIT. In 1997 USAID awarded the Group the RAPID project that developed innovative modelling and micro-computer adaptations for population impacts and analysis. In 1983 FGI won the tender for the USAID SOMARC project designed to develop innovative partnerships with contraceptive manufacturers to expand demand and sales for their products. This project culminated in SOMARC III (1992-1997) on a world wide budget of \$40 million.

SOMARC pioneered the application of the 'manufacturers model' within social marketing and developed a significant body of experience in the management of this model. In broad terms the manufacturers model involves partnership with one or more commercial-sector manufacturers of family planning commodities. The partner allocates brands to the SMO usually at reduced prices. The SMO expends donor funding on promotional support designed to increase the market share and demand for the products. At the same time the manufacturer is expected to contribute towards additional spend on expanding distribution efforts. One significant benefit from this approach has been that of developing clear 'exit' strategies for donor inputs with the expectation that increased sales will lead, eventually, to adequate profit margins for the manufacturer to sustain the brand without permanent subsidies.

The manufacturers model has managed to achieve self-sustainability in a few countries – notably in middle-income countries in South America and Turkey -- although in most cases only through some increase in prices that has reduced the level of low-income consumers. Constraints noted have included the difficulties of gaining manufacturers' support in low-income countries where they may not have a significant interest in developing new markets, and in unexpected policy decisions by international manufacturers to cease production or distribution of an SM product in a market (as happened in Pakistan with the OC pill market). Futures, also, has noted that in Indonesia, for example, the condom manufacturers model was significantly constrained by competition from an 'own brand' SM product being sold at well below the cost of manufacture.

The Futures Group has developed a further model – the Third Generation model – that is designed to integrate and co-ordinate total markets – the public sector, commercial sector and SM sector into one coherent strategic market. In this case the SMO acts solely as a technical resource to ensure that all players are engaged in an integrated approach to market segmentation, pricing and promotional issues so that each segment is collaborating to ensure demand grows in an equitable manner across all socio-economic groups, including the very poor. The SMO, within this model, may manage significant demand generation activities in support of all sectors.

In 1998 the SOMARC project was rolled into a new Commercial Market Strategies (CMS) progress managed by Deloitte Touch Tohmatsu with the Futures Group (and PSI) as implementing partners. This project is testing the Third Generation model, with FGI, particularly in Northern India.

FGI manages three offices in the USA and 39 offices overseas on a total annual budget of some \$45 million in 50 countries for more than 600 clients including USAID and DFID.

#### **5. FUTURES GROUP, EUROPE (FGE)**

FGE is the European arm of The Futures Group International (TFGI) which describes itself as a social marketing, management and strategic planning organisation that works to design, manage and evaluate reproductive health and development programmes. FGE was established in 1991 and is based in Bath, UK. As at the end of 2002, FGE was managing projects in Cameroon, China, India, Kenya, Niger, Pakistan and Nigeria.

For DFID, FGE was managing:

**China:** SM of condoms (£1.66M)

**Kenya:** HIV/AIDS prevention and care (£19.96M) and mid-wives project (£0.2M)

**Pakistan:** Private Sector Population Project (£9.47M) and Harm Reduction with HIV/AIDS Prevention (£0.9M)

**Nigeria:** ITN component, Nigeria Health Sector Reform (£1.04M)

FGE maintains the same focus as its parent, TFGI, on public-private partnerships. Traditionally associated with the manufacturer's model approach to SM, FGE has been actively promoting what it calls the 3<sup>rd</sup> Generation Approach in which it seeks to move beyond the two basic models, characterised by the following:

**Understanding the private sector** – stressing that project design should be built around a thorough analysis of the private sector in the particular country and its potential for participation/partnership linked to long term sustainability and exit;

**Strengthening existing commercial markets** – based on the earlier analysis of strengths and weaknesses;

**Building local SM capacity;**

**Fostering competition** – to avoid monopolies. FGE highlights its role in Nigeria in facilitating the entry of three competing insecticide manufacturers and their distributors into a new market, by providing generic promotion and a level playing field.

FGE is currently a significant, but still minor, SMO for DFID - managing only 8.4% of funds committed by DFID to SM in the period 1995 – 2008. This is likely to be in part due to DFID's requirement that FGE must always tender for projects – which is not the case with NGOs – and the role of FGE would probably increase if tendering were to be required for all SM projects. Analysis of the accounts below shows that FGE has an annual sales turnover of around £5.0 million with a small annual surplus before tax of 1.9%, most of which is reinvested in the business.

## **6. MARIE STOPES INTERNATIONAL (MSI)**

is a major international player in the field of family planning and maternal healthcare and uses social marketing as one of the tools for promoting its work. Whilst MSI works closely with DFID within MSI's wider remit on family planning its involvement in DFID's SM programmes is minimal – DFID having funded only one SM project managed by MSI, CSM in Uganda.

MSI was established in London in 1976 from the organisation originally set up by Marie Stopes. MSI operates worldwide in the field of sexual and reproductive healthcare, working in 38 countries and providing services to an estimated 3.3 million people. Such international work is done through a network of national partners with support from the MSI London office in the fields of clinical protocols, training, MIS, monitoring and evaluation, donor liaison and accountability, fund raising and other TA.

MSI UK is responsible for establishing and managing family planning centres, nursing homes and referral centres in the UK, Australia, Austria and Romania. In the UK it is the largest provider of family planning services outside the National Health Service and in 2001 catered for over 160,000 client visits. As can be seen from the financial review below, although not the largest in terms of revenue it is by far the strongest financially in terms of net income and reserves, a significant proportion of which is tied up in property.

It is not clear why DFID does not make more use of MSI in the delivery of its reproductive healthcare

## **7. ACADEMY FOR EDUCATIONAL DEVELOPMENT (AED), WASHINGTON D.C.**

While not a DFID contracted social marketing organisation AED is a major contractor to USAID and one of the pioneers of the utilisation of social marketing in the field of behavioural change communications and health education.

AED was founded in 1961 as a non-profit organization with a stated mission to improve peoples' lives by offering the best thinking, technologies, and multidisciplinary approaches to human development.

AED activities span five main categories: Global Health, Population, and Nutrition; Global Learning; U.S. Education and Workforce Development; Social Change; Leadership and Institutional Development.

Within the Global Health, Population, and Nutrition Group AED manages the USAID LINKEAGES project to improve child survival and reproductive health through improved breastfeeding practices as well as HIV counselling; manages the USAID NetMark project for ITN provision to prevent Malaria, and trains IEC professionals in HIV/AIDS prevention best practices.

The Social Change Group includes the AED Centre for Social Marketing and Behaviour Change involved in a wide range of programmes including tobacco and substance abuse, USAID's GreenCom project that provides strategic education and communications support to biodiversity conservation, agriculture, eco-tourism, and water resource and sustainable forest management. In addition AED manages the USAID SMARTWork project aimed at HIV/AIDS interventions in the workplace.

All these programmes are centred around best practice within the AED approach to social marketing – to harness the expertise and resources of commercial sector marketing and advertising practice with the expertise of social communications to improve the lives of intended beneficiaries. This expertise is employed across a wide-range of programmes that may, or may not involve the supply of a product or service, and may be more involved in personal health-seeking behaviour.

AED reports an annual budget of \$196 million and a staff of more than 1,000 operating out of 6 U.S. and 34 overseas offices.

### 8. COMPARATIVE FINANCIAL DATA FOR PSI, FUTURES GROUP (EUROPE) AND MARIE STOPES INTERNATIONAL

	<b>PSI</b>	<b>Futures Europe</b>	<b>Marie Stopes</b>
1. Ownership	Non profit organisation. Registered in USA.	Limited company registered in England. Wholly owned subsidiary of TFG Holding Co Inc.	Charity registered in England.
2. Governance	Board of Directors	Board of Directors	Board of Trustees
3. Type of activity	Social marketing programme: <ul style="list-style-type: none"> <li>• Marketing &amp; promotion of family planning products</li> <li>• Projects to combat spreading of AIDs &amp; STDs</li> <li>• Maternal &amp; child health products &amp; services</li> <li>• Communication campaigns</li> <li>• Developing &amp; strengthening local industry &amp; service sectors</li> </ul>	Health management consultancy specialising in population, reproductive health and HIV/Aids issues. Activities include education & training, social marketing of health products, institutional development of NGO's/ health ministries/ health policy development.	The UK division manages family planning centres. The overseas programme division establishes, monitors and provides technical assistance to overseas programmes, NGOs and wholly owned subsidiaries.
4. Country exposure	70 countries worldwide.	N/a	35 countries worldwide: <u>2001</u> Africa/Arab world £ 5.8M Asia £ 6.5M Latin America/Australia £ 1.5M Europe (UK div) £17.5M Cross regional £ 0.9M TOTAL PROJECT EXPD £32.2M
5. Sources of Income	<b>2001 US\$ Million</b> USAID \$67 (55%) Other govts (+DFID) \$40 (33%) International orgs \$ 6 ( 5%) Other \$ 8 ( 7%)  <b>TOTAL US\$121 MILL</b>	N/a	<u>2001 GBP£ Million</u> Donations £0.2 Investment Income £0.4 Grants (+DFID) £3.4 EU/UN/Foundations £5.5 UK/offshore trusts £4.4 Reprodtv/Hthcare Services £21.6

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Social marketing organisations

	<b>PSI</b>	<b>Futures Europe</b>	<b>Marie Stopes</b>
			<b>TOTAL £35.5</b>
6. TOTAL INCOME	US\$ 121 Mill (2001) US\$ 96 Mill (2000)	£5.5 Mill (2001) £4.2 Mill (2000)	£35.5 Mill (2001) £32.4 Mill (2000)
7. TOTAL Expenditure: (a) Project (b) Overheads	<b>2001 US\$ Million %</b> 111 (91%) 11 (9%)  <b>TOTAL US\$ 122 MILL</b>	<b>2001 £ Million %</b> 4.8 (89%) 0.6 (11%)  <b>TOTAL £5.9 MILL</b>	<b>2001 £ Million %</b> 32.2 (92%) 2.7 (8%)  <b>TOTAL £ 34.9 MILL</b>
8. Project Expenditure Breakdown	<b>2001 US\$ Mill %</b> Salaries & related exp 24 (22%) Commodities 38 (34%) Promotions & ad 18 (16%) Travel 7 (6%) Office costs 8 (8%) Consultants 2 (2%) Subrecipients 5 (5%) Other 9 (7%)	N/A	Project expenditure breakdown by continent (see para 4)
9. Overheads Breakdown	<b>2001 US\$ Million (%)</b> Salaries 7 (59%) Consultants 1 (11%) Office 2 (14%) Other 2 (16%)	<b>2001 £ Million (%)</b> Salaries 0.27 (47%) Consultants 0.05 (9%) Travel 0.05 (9%) Proposals 0.05 (9%) Other 0.15 (26%)	<b>2001 £ Million (%)</b> Salaries & office 0.1 (4%) TA & monitoring 1.5 (55%) Fundraising 0.6 (22%) Other 0.5 (19%)
10. Surplus /Deficit	-US\$1 Mill (2001) +US\$3 Mill (2000)	+£0.1 Mill (2001) +£0.08 Mill (2000)	+£0.5Mill (2001) +£0.6Mill (2000)
11. ASSETS	<u>31 Dec 2001 (US\$ Million)</u>	<u>31 Dec 2001 £ Million</u>	<u>31 Dec 2001 £ Million</u>
<b>Reserves</b>	18.6  18.6/122	0.8  0.8/5.4	(unrestricted funds) 14  14.3/34.9

	<b>PSI</b>	<b>Futures Europe</b>	<b>Marie Stopes</b>
Reserves	= 15%	= 15%	= 40%
Total Exp			
<b>Surpluses</b>	2000: 3/93 = 3.2% 2001: (-1)/122 = (0.8%)	2000: 0.08/4.1=1.9% 2001: 0.1/5.4 = 1.9%	2000: 0.6/32 = 1.9% 2001: 0.5/35 = 1.4%
Annual surplus	(46.5-3.3-0.9)/27.9	2/1.3	10/1.3
Total expenditure	= 1.5	= 1.5	= 7.7
Liquidity ratio	0.9/18.5	0.04/0.8	10.5/19
Current Assets	= 5%	= 5%	= 55%
Liabilities			<i>(inc UK properties revalued 2001)</i>
Fixed assets			
Net assets			

The table above is a summary of financial information sourced from the audited accounts of Population Services International (PSI), Futures Group Europe Ltd, and Marie Stopes International, for the years 2001 and 2000.