

Sustainable contraceptive social marketing

How do Member Associations improve contraceptive access to those who are poor, vulnerable and socially excluded and still remain financially solvent? Social marketing of condoms aims to tackle this dilemma: it serves social goals by increasing access to condoms, and it addresses sustainability goals by generating revenue for Member Associations. This dual role is the focus of the project **A new approach to sustainable contraceptive social marketing**.

In an increasingly constrained financial environment, with IPPF donors shifting funding away from eastern Europe, Member Associations need to move quickly to strengthen their sustainability so they can continue their work in promoting sexual and reproductive health (SRH) when core funding is withdrawn.

The project aims to address the SRH issues of young people in the Baltic States, to popularize condom use, to increase access to quality condoms, and to increase the institutional and financial viability of participating Member Associations by building a sustainable commercial and social marketing business. The main project activity is to market a region-wide brand of condoms under the name *Cool*.

Icon – IPPF's specialist subsidiary social marketing company – implements the project and works in partnership with Member Associations in Estonia, Latvia and Lithuania. The project builds on a successful pilot in Latvia, offering opportunities to create a Baltic-wide social marketing project.

This project is part of a unique business model operating in a region that has its own unique economic and social circumstances. The project also set out to test a new marketing model – a regional, as opposed to country, approach to the management of social marketing activities. In addition, the initiative aims to bring together a variety of local public sector and private sector organizations to ensure that the project's components and direction are compatible with longer term sustainability objectives.

The project corresponds to the five priorities in IPPF's Strategic Framework: to meet the needs of young people, to increase access to services, to address issues related to abortion and HIV/AIDS, and to strengthen advocacy for SRH.

PROJECT TITLE

A new approach to sustainable contraceptive social marketing for eastern Europe and the former Soviet Union

IMPLEMENTED BY

Icon and IPPF Member Associations in Estonia, Latvia and Lithuania.

PROJECT AIM

To increase access to high quality condoms, and popularize their use among young people.

FUNDING

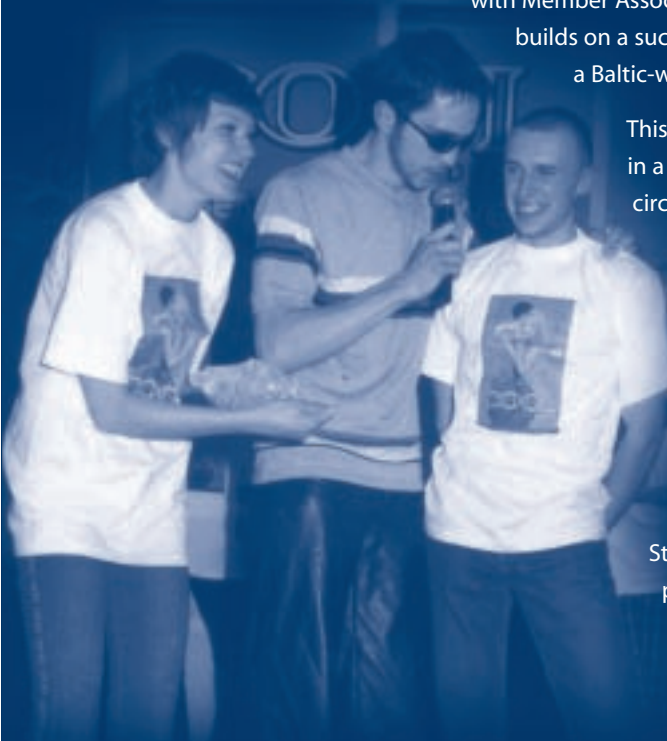
IPPF Vision 2000 Fund

BUDGET

US\$696,216

DURATION

August 1999 to July 2004





Cool condoms – marketed as essential playwear for the ultimate safer sex experience – are manufactured from high quality natural latex rubber combining a high degree of security with greatest possible sensitivity. Cool condoms comply with the very stringent requirements of the European standard EN4074:2002, and carry the European CE mark. The project has introduced seven different varieties: Classic, Gold, Duo, Delicious, Waves, Hug and Mix.

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PROMOTING CONDOMS AS A LIFESTYLE CHOICE

Young people in the Baltic States continue to be vulnerable to the weaknesses in SRH care that exist in the former Soviet Union. Examples include lack of sexuality education in schools and lack of confidentiality within medical services.

Abortion is commonly used for fertility regulation, and use of modern contraceptive methods is estimated at 56% in Estonia, 60% in Latvia and 30% in Lithuania. Condom use is approximately half the rate of western Europe. Incidence of sexually transmitted infections remains high compared to other European countries and HIV/AIDS is escalating. Prostitution and drug use are also increasing.

Promoting acceptance of condoms as a lifestyle choice – and promoting their availability in terms of access, price and dual protection – is crucial.

COMMERCIAL FOCUS ... SOCIAL GOAL

A social enterprise is a business with primarily social objectives whose profits are principally reinvested for that purpose in the business or a related organization, rather than being driven by the need to maximize profit for individual shareholders or owners.

IPPF adopts a commercial approach to its reproductive health supply chain. This is delivered through its for-profit trading subsidiary, Icon.

Icon has a mandate to promote and provide contraceptives and other SRH supplies worldwide to meet the needs of Member Associations. It works in a dual capacity. As a company, Icon operates on a commercial basis. At the same time, as a social enterprise, it provides both services and revenue to further IPPF's long-term goals.

THE RIGHT PRODUCTS IN AN ACCESSIBLE PLACE AT AN AFFORDABLE PRICE

Social marketing means the application of private sector marketing techniques to the sale of products, such as condoms, which fulfil a social objective.

Marketing is described as having the right products in an accessible place at an affordable price with appropriate promotion to one or more targeted audiences.

Initially launched in Latvia in 1996, Icon's independent and wholly-owned branded condoms – *Cool* condoms – are now available in several eastern and northern European markets.

Icon manages the project budget, project administration and pricing control. Icon's *Cool* condoms have succeeded in:

- driving down the cost of good quality condoms to consumers
- establishing the brand as a leader
- attracting young people aged 16 to 24 to purchase affordable and high quality products

- marketing condoms as a desirable product to young people.

Icon's *Cool* condom marketing programme has led to some important behavioural changes, and increased acceptance rates among young people by avoiding stigma and the negative associations of safer sex.

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MEASURING THE SOCIAL AND FINANCIAL IMPACTS

In five years the project sold 18.1 million condoms. Half the sales were in Latvia. Annualized sales grew by approximately 50% each year over the first three years until 2002, then stabilized at around 15%.

While sales data can be very instructive about commercial success, a social marketing programme needs to put these figures into context.

A standard but very approximate measure of condom social marketing programmes is condoms sold per capita. An excellent condom social marketing programme would sell approximately one condom per capita per year, while the UK and the USA sell approximately four condoms per year. Looking at the project on a regional basis, *Cool* sales reached approximately 0.63 condoms per capita in 2003.

When each country is considered on its own, a different picture emerges. Estonia, with the smallest population of just 1.3 million, has come closest to the one condom per capita mark, with 2003 sales reaching 0.92 per capita. Latvia was not far behind with sales of 0.90 per capita, while Lithuania, with the largest population in the region, was further off the mark with sales of 0.35 per capita. Poor sales in Lithuania are partly attributed to the Catholic majority whose leadership has spoken out against condoms.

Since its launch, the project has achieved 151,228 couple-years of protection, which helps to provide a sense of the project's social impact.

The project is on target to achieve its marketing goals and financial returns. In 2001 and 2004, *Cool* held either the largest or second largest share of the market in all three countries.

RAPID MARKET TRANSITION ... IMPACT ON COST, COVERAGE AND COMPLEXITY

A key element of the project is to increase awareness of STIs/HIV/AIDS and condoms while at the same time promoting purchase and use of the *Cool* brand.

More than any single issue, the rapid transition of the market has affected distribution. At the beginning of the project, distribution was characterized by an informal sales network of kiosks and small shops where low-cost (and often low quality) brands would come and go from the market, while Durex and at times one other high-end brand were priced beyond consumers' reach. By the end of the project, six or seven brands meeting European Union standards and for sale at about the same price (approximately €1 to the consumer) were competing for shelf space in sophisticated networks of supermarkets, hypermarkets and petrol station convenience stores.

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Rapid development of the retail sector in the Baltics greatly increased the cost and complexity of doing business. Annual fees must now be paid for shelf space but, despite the high cost of doing business, outlets such as hypermarkets are crucial to the brand's success. Not only do they broaden access to condoms, but presence in these markets reinforces market leadership, both to consumers and competing brands.

The largest marketing expenditure was an advertising campaign in 2001, although it only aired for a few weeks because advertising costs were too high to repeat

the campaign. The project achieved some economies of scale by developing a single regional campaign.

Over the life of the project several events changed the approach to advertising and promotion. Of primary significance, the three countries entered the European Union in 2004, leading to significant changes to marketing practices and prices. On a purely budgetary level, substantial funds had to be diverted from advertising to paying for shelf space.

Lastly, the condom market became more competitive and more brands began to be advertised and promoted. In Lithuania, Durex spent over €91,000 on TV and magazine advertising in 2003 and 2004, and Lifestyles spent over €32,000 in 2003.

MARKET SHARE ... DEVELOPING AN AFFORDABLE AND SUSTAINABLE COMMERCIAL MARKET

***Cool* secured about 25% market share in all three countries in 2001.**

An important achievement during this project is that Icon renegotiated the terms of its agreement with the condom manufacturer, doubling the commission rate. The combination of sales reaching target levels and increased commission rates dramatically increased project income.

In 2001, Icon implemented several marketing changes by:

- introducing new packaging (generating consumer interest)
- launching two new varieties (increasing brand profile by taking up more shelf space and providing a broader product range to boost sales revenues)
- increasing price (allowing for larger wholesaler and retailer margins and, therefore, their interest in the product, and also potentially enhancing the product's quality image among consumers).

In each country, sales volume increased by 66% after the addition of new varieties, and the accompanying promotional activities and improvements in distribution.

From a commercial standpoint, effective distribution is essential both to facilitate sales, and to create an image of a reputable, serious brand. Distribution serves the social goals of the project by increasing access to condoms. The spread of condom sales through new types of outlets facilitates acceptance of condom use as a part of everyday life.

Distributors are likely to be more motivated to promote *Cool*, because of the increased margin that the 2001 retail price increase afforded, and because Icon shifted priority in promotional spending to sales promotion, which gives them enhanced leverage with retailers. This becomes a positive cycle, as increased sales enhance the financial returns of the brand to the distributor.

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Audrius, a 17-year-old young man from Vilnius in Lithuania, made the following response in a point-of-sale supermarket survey.

“I used to be so embarrassed to go into the pharmacy to buy condoms but *Cool* has changed all that. Everyone knows *Cool* for the parties, funny adverts and games, we even talked about it in school.”

(Source: young man interviewed in survey by *Cool* distributor)

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profile

The Baltic States

ACCESSIBILITY AND AFFORDABILITY

The price structure has evolved during the project to reflect changes in Icon's relationships with the supplier and the Member Associations and to adjust to changing marketing conditions. The cost to the wholesaler rose by 17% over the life of the project, while the consumer price increased by 57%. The price increased from about €0.61 to just under €1 for a pack of three – a €0.35 increase borne by the consumer.

The extra €0.35 went to three primary sources: wholesalers, retailers and Icon. While the percentages earned by distributors and retailers have changed only once since 1999, the amounts they earned increased by €0.24. Raising distributor and retailer margins is one way to ensure their continued interest. However, since the project sought to make condoms more affordable, this strategy needs to be re-examined together with concerns about the rising price of *Cool* and the resulting effect on sales.

ENSURING SUSTAINABILITY ... CREATING A REVENUE STREAM

Recovery of product and promotion costs was achieved by year five.

To some extent, the project partners were split between those seeking commercial and social objectives. The primary means proposed for achieving financial sustainability among Member Associations was commission from the sale of condoms as an on-going revenue stream. At current sales rates and contract agreements, this income is expected to replace approximately 15–25% of the IPPF core grant.

Member Associations perceived the commission as low: this, together with a lack of clarity about the sales revenues and commission, clearly created tension and reduced their interest in the project to an extent.

The project sought to achieve economies of scale through regionalization to contribute to the project's sustainability. For example, the packaging was identical for all three countries and the advertising content the same.

CLARIFYING AND BALANCING THE SOCIAL AND COMMERCIAL GOALS

Member Associations' profile has improved through their alignment with the *Cool* brand and each Association has attracted investment and expanded its funding base. Lessons learnt include the following.

- To be effective, start-up requires outside resources, particularly when launching a new brand in an established market.
- The model used needs to be clearly defined. The project sought to test a new condom social marketing model but there was confusion over what the model and the objectives were.
- The key factor for continued sustainability is growth in sales. Market research would help inform where the growth will come from, and to discover why condom use has not reached European levels.
- In a competitive market, a brand needs a sizeable budget to maintain the product in the shops, and an even larger one to promote the brand directly.
- If *Cool* is to be retained as a brand with both social and financial returns, social elements such as affordability and reaching at-risk populations must be considered. This project has demonstrated that a venture aiming to be commercially **and** socially successful sometimes has to choose which aim takes precedence.

TACKLING AN URGENT GLOBAL ISSUE

Worldwide, there is an ever-increasing gap between the supply and demand for contraceptives and other essential SRH supplies.

IPPF is committed to focusing efforts and resources to respond to this urgent global issue of reproductive health commodity security. In 2003, IPPF became a founding member of the Reproductive Health Supplies Coalition – a high level international group formed to advocate for and provide solutions to the global shortage.

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The project is located in three countries – Estonia, Latvia and Lithuania.

- **Population is 1.3/2.3/3.4 million, with 23%/22%/23% aged 10–24.**
- **Human Development Index ranking: 36/50/41 out of 177 countries.** (Source: UNDP 2004)
- **Average life expectancy at birth is 71/72/72 years.**
- **The infant mortality rate is 5.7/9.4/6.8 per thousand live births.**
- **The maternal mortality rate is 63/42/19 per hundred thousand live births.**
- **The total fertility rate is estimated at 1.4/1.3/1.3 with 70%/85%/47% of married women aged 15–49 practising family planning (56%/60%/30% for modern methods).**
- **Population living with HIV/AIDS (15–49) is 1.1%/0.6%/0.1%.** (Source: UNAIDS 2003)
- **The literacy rate among adults is 99.8%/99.7%/99.6%.** (Source: UNDP 2004)

Note: statistics appear in the following order: Estonia/Latvia/Lithuania.

(Source: PRB 2005)

contact

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