THE LONG ROAD TO THE LAST MILE

A Total Market Approach to Family Planning:
Learning from a Private Sector Wholesaler Landscape Analysis for Malawi
Project Goal and Background:

GOAL → conduct a contraceptives distributor landscape analysis and deliver actionable and stakeholder receptivity-tested concepts for stimulating commercial distributor participation in rural, remote and other underserved populations

- MDAWG seeks to facilitate change that allows for movement ‘up’ the value chain to non-subsidized products and wider commercial activity

- Private sector has historically not served poor and/or rural clients with the method choice and quality available in other segments

- Study Malawi as representative country, identify other-country success stories
Research Question:
How can we foster the private sector provision of FP products to rural and underserved areas to prepare countries like Malawi for the future?

Project Phases:

1. Conduct preliminary background research & introductory calls surrounding wholesaler challenges related to the delivery of contraceptives in LMICs

2. Perform 30 country interviews in Malawi with cross-sector stakeholders in the family planning market

3. Perform literature search to identify interventions & success models from other countries and sectors that illustrate successful private sector engagement

4. Develop potential intervention ideas based on stakeholder interviews and overall landscape assessment

5. Test intervention ideas with key in-country stakeholders and develop final recommendations utilizing all findings
Project Methodology and Activities:

Landscape Assessment

• Desk research and telephone interviews
• In-country interviews w/ 31 stakeholders
• Analysis of interview notes for challenges, successes, and potential solutions
• Analysis of pricing and sales data
• Geo-mapping of outlets and need

Concept-Testing and Recommendations

• Follow-up interviews via Skype with 10 country stakeholders
• Intervention rating and ranking
• Literature review for other country and sector success examples

In-Country Interviews by Stakeholder Type

<table>
<thead>
<tr>
<th>Stakeholder Type</th>
<th>Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturers</td>
<td>1</td>
</tr>
<tr>
<td>Wholesaler/Distributors</td>
<td>10</td>
</tr>
<tr>
<td>Policy &amp; Regulatory</td>
<td>4</td>
</tr>
<tr>
<td>Private Sector Providers</td>
<td>8</td>
</tr>
<tr>
<td>Public / SMO Providers</td>
<td>6</td>
</tr>
<tr>
<td>Other Key Actors</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
</tr>
</tbody>
</table>
Introduction & Family Planning Market Overview
Malawi is highly donor-dependent with an under-developed private health sector, particularly in Family Planning

Population of 17.5 million, 84% of which are rural and 51% of which are below the age of 18\(^1\)

80% of FP provision is through public sector, and 70% of the wealthiest women access free public sector contraceptives\(^2\)

Total mCPR of 45%, but women are still on average having one more child than desired\(^3\)

Government has included the private sector in key planning documents, but little direct engagement of commercial actors

1. World Bank Indicators. 2016.
The structure of Malawi’s FP market is similar to other markets, with the bulk of actors concentrated in the public and NGO/FBO sector.

### Public Sector
- MOH Reproductive Health Unit
- Central Medical Stores Trust (CMST)
- Pharmacy Medicines and Poisons Board (PMPB)
- Nurses and Midwives Council
- Medical Council of Malawi (MCM)

- Free FP product and services
- Contraceptive supply 100% dependent on UNFPA, USAID, DFID

### NGO/FBO Sector
- Banja la Mtsogolo (BLM)
- Population Services International (PSI)
- Family Planning Association of Malawi (FPAM)
- Christian Health Association of Malawi (CHAM)

- Mostly free FP product and services, static sites charge small service fee
- Supplies come from both donated products and international warehouses (for SMOs)

### Private Sector
- Private Pharmacies and Medicines Stores
- Private Clinics
- Private Wholesalers

- 100% out-of-pocket payment for FP product and services
- Both commercial and socially-marketed brands are available
Family Planning Product Pathways in Malawi

*Figure only displays the pathways used for Family Planning products, not other pharmaceuticals or other medicines.
Most contraceptive method types can be found in the private sector, brand availability is dependent on outlet type

- 10 wholesalers and 8 private retailers/providers were observed for contraceptive availability
- 50% of visited wholesalers were providing at least one contraceptive method
- 100% of private retailers/providers were providing contraceptives – most carried oral contraceptives, emergency contraceptives, injectables, and condoms
- No contraceptive implants were seen the private sector outlets

*Denotes a socially-marketed brand of contraceptives. Active SMOs with socially-marketed products in Malawi are PSI and BLM (MSI).
When available, WDI collected data on pricing for contraceptive products in Malawi’s private sector (September 2018):

• Prices ranged from as low as $0.87 to as high as $22.24 at the retailer level
• The needed living wage for rural Malawi was estimated to be $81.90 USD per month or $3.60 USD per day in 2014
• Annual GDP per capita for 2018 is estimated to be $28 USD monthly

### Contraceptive Pricing and Margins by Brand

<table>
<thead>
<tr>
<th>Method Type</th>
<th>Brand</th>
<th>Average (or Point Estimate) Retail Price (n)</th>
<th>Average (or Point Estimate) Wholesale Price (n)</th>
<th>Average Calculated Retailer Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Oral Pills</td>
<td>Microgynon</td>
<td>$1.81 USD (3)</td>
<td>$1.04 USD (1)</td>
<td>42%</td>
</tr>
<tr>
<td></td>
<td>Yasmin</td>
<td>$22.24 USD (1)</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>Diane</td>
<td>$11.40 USD (1)</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>Safeplan (PSI)</td>
<td>$0.87 USD (4)</td>
<td>$0.45 USD (2)</td>
<td>48%</td>
</tr>
<tr>
<td>Injectables</td>
<td>Safeplan (PSI)</td>
<td>$1.11 USD (3)</td>
<td>$0.56 USD (1)</td>
<td>50%</td>
</tr>
<tr>
<td>Emergency Contraception</td>
<td>Pregnon</td>
<td>$2.78 USD (1)</td>
<td>$1.39 USD (1)</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>Unosure</td>
<td>$2.78 USD (2)</td>
<td>$0.39 USD (1)</td>
<td>86%</td>
</tr>
<tr>
<td></td>
<td>Today Pill</td>
<td>$1.96 USD (4)</td>
<td>$0.90 USD (1)</td>
<td>54%</td>
</tr>
<tr>
<td></td>
<td>Option 2</td>
<td>$2.00 USD (1)</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>Safeplan (PSI)</td>
<td>$1.11 USD (2)</td>
<td>$0.56 USD (1)</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>Backup (BLM)</td>
<td>$2.14 USD (3)</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>
> Stakeholder Interview Findings
There are over 60 registered wholesalers in Malawi, but 10 or fewer key players dominate the market.
KEY FINDING | Wholesalers have the technical abilities and capacity to reach FP customers in both rural and urban markets

- Lack demand to incentivize participation in rural markets
- Primary source of business is the CMST for larger wholesalers
- Overall growing customer base
- BUT limited overall business in contraceptives
- Primarily carry SMO-branded contraceptive products

50% of interviewed wholesalers were currently selling contraceptives

Primary customers for contraceptives include private clinics, pharmacies, and medicines stores
In-country interviews yielded a few predominant themes from wholesaler viewpoints and challenges:

- Subsidized products dominate and discourage wholesaler participation
- Absence of price regulation in Malawi may result in high end-user prices, which further incentivize use of public sector
- Information needs are high but not currently served by the private sector
- Pharmacists are not licensed to provide the services required for LACs

“PSI is buying overseas in mass quantities and supplying the same product at a subsidized price, so how do we compete?”

“We can get the products, that’s not the issue. It’s that we assume that PSI and BLM will dominate the market.”

“The retailers and drug stores are adding 100% margins or more, because there is no price regulation in Malawi”

“Malawi is 20 years behind Sri Lanka. There’s lots of misunderstanding about use of contraceptives. Take the misuse of emergency contraception, which is a huge market. We felt that we should not carry EC for this reason.”

“Promotion & information is a prime gap, from the manufacturer to the end user. Information relay from doctors to patients is very limited.”

“People see pharmacies as first point of health contact, although less so for reproductive health. But there’s a lack of complementary services in the pharmacy.”
KEY FINDING | Malawi faces four predominant buckets of challenges in developing a private sector for Family Planning

Provider and Channel Limitations
- Provider Limitations to Administer Preferred Methods
- Channel Limitations for Regulation and Incentivization

Insufficient Private Sector Demand
- FP Market Dominated by Public Sector Actors
- Lack of Market Scale
- High Operating Costs Relative to Volume

Market Misinformation Across Sectors and Actors
- Gaps in Knowledge on Market Potential
- Poor Private Sector Image and Representation
- Lack of Accurate and Appropriate Information to FP Users

Labor Force Considerations and Incentivization
- Pharmacist Retention Challenges
- Lack of Incentives to Increase Business in Rural Areas
KEY FINDING | Information availability is a major barrier in FP market creation – for consumers, suppliers and policy makers

**Demand Side**

- Cultural barriers + existence of misconceptions about FP = a high level of information need
- Unique information needs for youth, 51% of Malawi’s population
- Information distributed to rural women focuses on the donor-funded products
- No awareness or demand generation for private sector products

**Supply Side**

- Wholesalers, retailers and other actors need data regarding market potential
  - More specifically in rural areas
  - Willingness to pay, potential volumes
- No marketing efforts by the private sector due to the FP market being government tender and donor dominated
- Multiple outlet types that could serve as information sources
  - Pharmacies, clinics, drug shops
KEY FINDING | Three significant opportunities exist for potential exploitation in expanding Malawi’s private sector for family planning

1. Pockets of Unmet Need for Emergency Contraception Utilized for Private Sector Development

2. Potential to Identify and Serve Unique Market Segments Who Have Willingness-to-Pay

3. Young, Entrepreneurial Pharmacists to Serve Rural Areas w/ New Healthcare Businesses
KEY FINDING | Emergency Contraception (EC) illustrates Malawi’s private sector interest in filling a key gap in FP product provision

- EC was described by all wholesalers as a fast-moving and high demand product
- Two wholesalers are working on regulatory approval and at least three are already selling
- Public facilities often do not stock EC or refuse to sell the product to younger women due to stigma
- Interviewees said there may be over-usage and improper usage of the product
KEY FINDING: Retail pharmacy and medicine store growth is saturated in urban areas – this sector is not yet serving rural areas

Retail Pharmacy Concentration & Growth
- About 60 registered retail pharmacies, geographically concentrated in major cities
- Large number of individual pharmacists are pursuing business by opening new retail pharmacies often as secondary jobs, concentrated again in urban areas
- Retail pharmacies provide the privacy and convenience which many underserved populations seek
- Lack of pharmacist motivation for servicing the rural areas

The North
- Mzuzu has 10% of the region’s population, but > 30% of the region’s healthcare facilities
- Only 9 of Malawi’s 60 retail pharmacies

Credit to Auriel Fournier for assistance with geo-mapping exercise
➢ Intervention Development, Stakeholder Testing & Other Country Examples
A priority of this project was to consult with Malawi business people and FP implementers, both for idea generation and scoring.

15 market building interventions were developed and tested with stakeholders.

- Meetings with market actors in Lilongwe
- FP market discussions
- Identification of challenges and opportunities
- Idea solicitation for market building

- Follow-up interviews with subset of the Malawi interviewees to concept-test the potential interventions
- Likert scale Qs to solicit stakeholder input on feasibility and impact
- Stakeholders selected ‘Top 3’
Four ideas dominated in the Malawi stakeholder voting consultation, two additional interventions also stood out

**Top Stakeholder Scored Intervention Ideas**

<table>
<thead>
<tr>
<th>Market Building Intervention</th>
<th>Top 5 ‘Feasibility’</th>
<th>Top 5 ‘Impact’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private sector based contraceptive information campaign</td>
<td></td>
<td></td>
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<tr>
<td>Emergency contraception information campaign</td>
<td></td>
<td></td>
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<tr>
<td>Nationally representative willingness-to-pay (WTP) survey</td>
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<tr>
<td>Self-injectable Sayana Press for sale in pharmacies, target rural women</td>
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<tr>
<td>Add private sector representation to cross-sector FP working group(s)</td>
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<tr>
<td>Create program that parallels ART service provision</td>
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<tr>
<td>Pilot business model for mobile &lt;rural&gt; pharmacy</td>
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</tbody>
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*The WTP survey, self-injectable Sayana Press for sale in pharmacies and pilot business model for mobile <rural> pharmacy all received multiple votes when stakeholders selected their ‘top 3’*
Market building examples from other countries show a range of strategies, based on conditions and players

Illustrative efforts span both demand and supply, not focused on the wholesalers per se – but addressing distribution channel factors

<table>
<thead>
<tr>
<th>Fully Integrated Government Strategy</th>
<th>• Indonesia: Ten-year, three-phase strategic set of initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provider Entrepreneurship</td>
<td>• Marie Stopes Ladies (multiple countries)</td>
</tr>
<tr>
<td></td>
<td>• DKT Bees (Nigeria)</td>
</tr>
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<td></td>
<td>• Living Goods (Kenya, Myanmar, Uganda, Zambia)</td>
</tr>
<tr>
<td>Health Insurance Inclusion</td>
<td>• Tanzania AAR</td>
</tr>
<tr>
<td></td>
<td>• Indonesia</td>
</tr>
<tr>
<td>Rural Pharmacy Investment</td>
<td>• European countries: Business measures for rural pharmacy investment</td>
</tr>
<tr>
<td>SMO Mkt Building</td>
<td>• DKT in Brazil</td>
</tr>
<tr>
<td></td>
<td>• PSI in Myanmar &amp; Vietnam</td>
</tr>
<tr>
<td>New Provider Types</td>
<td>• Tanzania Duka La Dawa: Policy and partnership to create accredited drug dispensing outlets (ADDOs)</td>
</tr>
</tbody>
</table>
Several common success factors are evident in market building efforts from other countries and sectors

- Strong government interest & commitment
- Formal mechanisms for private sector participation and inclusion in critical market matters
- Growth of commercial FP markets must be approached through both demand and supply
- Channel-based models that recognize where and how women wish to obtain their FP
- SMOs can play a direct positive role in fostering the commercial sector
- Efforts generally require medium to long term time horizons
Multiple data points were utilized to develop the final market building recommendations for Malawi.
> Final Recommendations for Malawi
WDI developed two recommendations for existing initiatives in Malawi

<table>
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<tr>
<th>Market Issue</th>
<th>Recommendation</th>
<th>Notes</th>
</tr>
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</table>
| Partnership & Common Goals    | Include private sector representatives in Malawi’s Family Planning Technical Working Group(s) | • In the top 5 for feasibility  
• Expand beyond SMO representation  
• No funding requirement  
• Generate common knowledge and coalesce sector efforts |
| Prioritizing Access & Private Sector | Target projects such as Sayana Press launch to rural / underserved areas with greater access barriers, rather than urban / peri-urban areas | • Highly rated by stakeholders  
• Utilize product-focused initiatives to also develop the private sector  
• A particular need for rural areas |
WDI developed *three recommendations involving new investment* in order to develop the private sector in rural Malawi

<table>
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<tr>
<th>Market Issue</th>
<th>Recommendation</th>
<th>Notes</th>
</tr>
</thead>
</table>
| Consumer Knowledge         | Joint public & private sector communications strategy: build FP awareness and demand in rural, remote & underserved areas | • *Highly rated on feasibility & impact*  
  • A natural project across the sectors  
  • Could be led by the FP working group  
  • Include a sub-campaign on EC  
  • Would require funding |
| Market Data                | Market study with nationally-representative sample: a) consumer WTP survey and b) retail pricing audit | • *Rated highly for feasibility & impact*  
  • Inform actors on market potential  
  • Could also inform policy development  
  • Would require funding |
WDI developed *three recommendations involving new investment* in order to develop the private sector in rural Malawi, *cont.*

<table>
<thead>
<tr>
<th>Market Issue</th>
<th>Recommendation</th>
<th>Notes</th>
</tr>
</thead>
</table>
| Channel Deserts vs Saturation    | Invest in ‘retail’ pharmacy channel for rural areas – mobile pharmacy or alternative service delivery model | • A ‘Top 3’ from stakeholders  
• Leverages the entrepreneurial pharmacist community, engage other cadres (nurse / midwife)  
• Several design questions to consider  
• Would require investment |
In closing & looking forward – there is opportunity to advance the private sector for FP to serve Malawi’s rural and hard-to-reach populations

**Summary**

- Wholesalers are interested and able to serve a rural, private sector FP market
- Strategies are needed for long term market building, demand generation, and information transmission
- Several recommendations are supported by evidence from other countries
- Market actors in Malawi are interested to further develop possible interventions

**Next Steps**

- Complete dissemination of findings and final recommendations
- In partnership with in-country contacts, seek to advance recommendations with relevant donor organizations and in-country partners
- Develop concept notes/issue briefs for Recommendations #3, #4 and #5
Thank you and Acknowledgements

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Colleagues and contributors

• Malawi in-country stakeholders
• Mercy Chamwalira, Mitch Pharmacies Malawi
• Clement Nwgira & Matthew Ziba, Village Reach Malawi
Questions?

The William Davidson Institute at The University of Michigan

Andrea Bare  
abare@umich.edu

Erika Beidelman  
erikatb@umich.edu