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SUCCESS STORY

Market Segmentation

Helping Target the Right Programs to the Right Clients



A pharmacy in rural Ghana promotes family planning with a poster on the door. The unmet need for modern contraception in Ghana is estimated to be as high as 34 percent. To help develop a strategy for reducing this figure, market segmentation analysis has been used to identify which age groups and geographic groups have the highest unmet need.

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In 2001, the Interim Working Group on Commodity Security estimated that public-sector family planning programs in the developing world were U.S.\$24 million shy of meeting contraceptive demand and that steady funding increases would be needed to avoid a potential shortfall of U.S.\$210 million by 2015. Initial advocacy efforts to address the widening funding gap were primarily focused on donors. But much greater attention is now being paid to a whole-market approach that emphasizes a rational balance between the roles of the public sector, nongovernmental organizations, social marketing companies, and the private sector in providing contraceptives to clients. DELIVER's work on market segmentation is helping countries identify which types of family planning providers can best meet the needs of different population groups, especially to ensure that public-sector programs successfully concentrate on the most economically vulnerable contraceptive users.

Market Segmentation Analysis: How?

Market segmentation analysis involves dividing a country's current and potential contraceptive users into subgroups, each of which has specific characteristics and family planning needs. This helps contraceptive providers develop different strategies for marketing commodities and service delivery. The subgroups can reflect a combination of socioeconomic factors. Usually, they are based on people's *ability* to purchase contraceptives and their probable *willingness* to spend personal funds on family planning.

"The family planning market can be segmented in a variety of ways, and there is no best approach," explained David Sarley, DELIVER's Deputy Director for Resource Mobilization. Sarley partnered with Commercial Marketing Strategies in 2003 to assess Bangladesh's contraceptive market. "In the case of Bangladesh, we used cross-tabulation to segment the family planning market, primarily along socioeconomic and geographic lines," Sarley added.

Lacking access to information on actual household expenditures in Bangladesh, the research team sought to classify people's standard of living on the basis of their ownership of certain household items, including a fan, television, and car; dwelling features that are related to wealth status, such as materials used in their residence for flooring, walls, and roofing; type of drinking water source; type of toilet facilities; and other characteristics, such as electricity in the home. These data were obtained from the Demographic and Health Surveys and applied to an asset-based wealth index developed by ORC Macro and the World Bank. This method of analysis ultimately enabled the team to divide the country's married women of reproductive age into five evenly sized socioeconomic groups (quintiles), from poorest (Q1) to wealthiest (Q5).

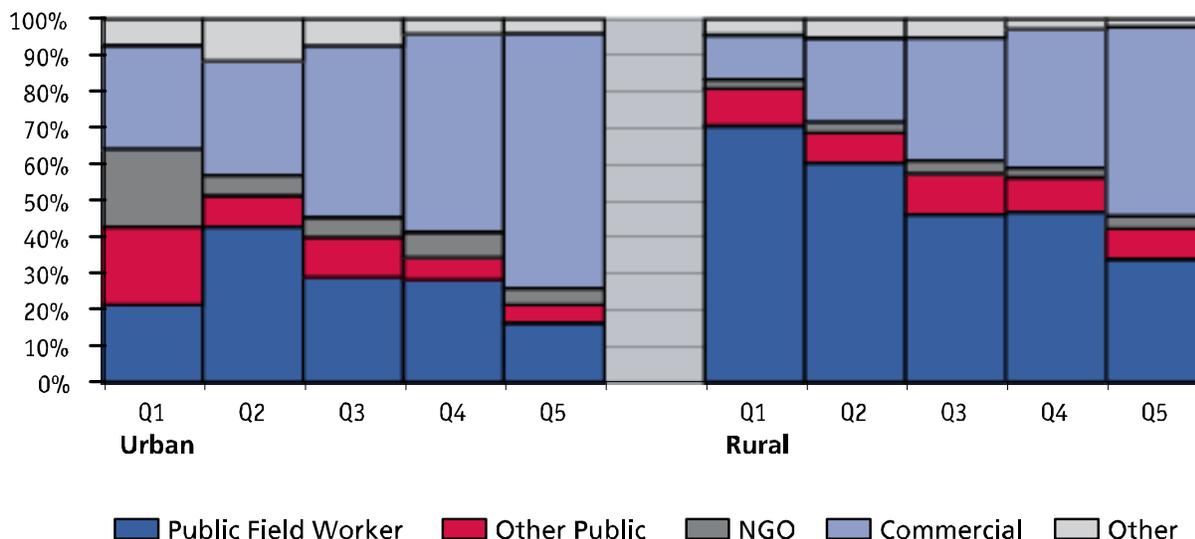
When a clear picture of wealth distribution in a country is available, it is possible to do the type of follow-on analysis illustrated in figure 1. Among other things, the graph shows that roughly 42 percent of rural women from higher economic quintiles (with greater purchasing power) still access free and subsidized oral contraceptives from public-sector sources.

Market Segmentation Analysis: Why?

"A market segmentation study is not an attempt to explain why things are the way they are, but rather it is a tool that fits into the policymaking process," said Raja Rao, DELIVER's Policy Advisor. Market segmentation studies are generally conducted as part of developing a comprehensive strategy to attain contraceptive security in a country, which is said to exist when people are able to choose, obtain, and use quality contraceptives whenever they need them.

A key to contraceptive security is the long-term financial sustainability of family planning programs, including the private sector (also referred to as the unsubsidized commercial sector), social marketing, government, and nongovernmental organizations (NGOs). Contraceptive security can be improved by reducing duplication of effort among the different types of providers, such as cases in which wealthier rural contraceptive users in Bangladesh, Bolivia, and Nicaragua appeared as likely to access free commodities from the public sector as they were to purchase them from nongovernmental or commercial distributors.

Figure 1: Oral Contraceptive Sources Accessed by Bangladeshi Women (by Economic Quintile)



Although a common motivation for market segmentation analysis is to facilitate strategy making for a better match between programs and users, the more specific purposes for these studies still vary. “A study should respond to the needs of client countries and, admittedly, does not always provide data that lead to a viable solution,” suggested Rao. Several recent analyses illustrate the range of client country needs—

- Facing a progressive phaseout of USAID support for contraceptive procurement, a 2005 market segmentation study was completed to help the Bolivian government understand how it can best target public provision of services and commodities to reach those most in need, while ensuring that proper incentives are created for NGOs and the private sector to participate as well. The analysis highlighted the importance of ensuring that poorer rural women have access to publicly provided injectable methods, which are not available in private rural pharmacies. Additionally, the study highlights the replacement of long-term methods with injections, over time, and the potential market of users interested in long-term methods.
- In Ghana, where most segments of the population cannot be expected realistically to pay private-sector contraceptive prices, one goal of a 2005 market segmentation study was to identify age groups and geographic groups suffering high levels of unmet need for family planning services and commodities.
- In addition to examining contraceptive use, the authors of the 2003 market segmentation study in Bangladesh examined people’s ability and willingness to pay for family planning services, primarily as a tool for determining how contraceptives can best be priced and marketed.
- With insufficient funding to meet country-wide contraceptive needs, Romania (see text box) used market segmentation analysis to plan the targeted expansion of public family planning services primarily by providing free supplies to the rural poor. Newly trained family planning doctors provided free supplies to the rural poor.

Romania

Using Market Segmentation to Inform Program Planning

In the early 1990s, Romania had one of the highest abortion rates in Europe, contributing to high maternal mortality rates as well. This not only represented a significant public health problem but also was seen as an impediment to the country’s accession to the European Union. Embarking on an ambitious program to expand family planning coverage, the Romanian government was faced with a problem. While there was a clear necessity for free public-sector contraceptives, public resources were not sufficient to fund the needs of the whole country. The POLICY II project conducted a market segmentation analysis that showed that considerable levels of unmet need for modern contraceptives prevailed throughout Romania, but a much larger percentage of potential family planning users in urban areas than in rural areas were likely to be both willing and able to pay commercial contraceptive prices. In interpreting these results, DELIVER consultants advised that free public supplies should be targeted at rural family planning clinics and a number of depressed urban centers, and that the private sector should meet family planning needs in other urban centers.

Doctors in the specified locations were trained in family planning provision, a public information and education campaign was initiated, and a corresponding commodity distribution system was put into place. As a result, the contraceptive prevalence rate (the percentage of women in union, ages 15–49, who are using or whose partners are using a modern form of contraception) has continued to grow in Romania, increasing from 13.9 percent in 1993 to 38.2 percent in 2004. Between the first quarter of 2002 and the third quarter of 2002, the number of oral pill users rose from 223,000 to 264,000 in the private sector. And, growth was even more spectacular in the public sector during the same period, increasing from 8,000 to 74,000.

In thinking about the numerous ways data from market segmentation analyses have been used in different environments, Rao offered another idea. “There’s also a sense of equity. Those who can pay for contraceptives should pay, especially because it enhances the public sector’s ability to provide free or highly subsidized supplies to the poorest users,” he said.

“In Nicaragua, it became clear through analysis of the results of the market segmentation study that NGOs have an enormous opportunity to capture current users of public-sector facilities who have the ability to pay for services. Also, the Nicaraguan Social Security Institute, which covers a significant proportion of women of reproductive age in the formal sector, could extend the benefit package to include family planning and, thereby, reduce the burden of the Ministry of Health, which is providing contraception free of charge to anyone seeking services,” pointed out Wendy Abramson, the DELIVER Latin America and Caribbean (LAC) Regional Contraceptive Security Initiative Coordinator. By redistributing family planning services among various sectors and providers, countries can be more efficient, as well as effective, at getting contraceptive products to the most vulnerable groups.

Market Segmentation Analysis: Using the Results

A common result of market segmentation analysis has been greater recognition by the public, nongovernmental organizations, and private sectors of the value of using a whole-market approach to fulfill a country’s demand for family planning. “Analysis has been a useful tool for bringing the three sectors together, sometimes for the first time,” said Sarley. “Our work in Bangladesh allowed the different partners to develop a better appreciation of what each one had to offer.” This work, as in Romania, showed that more users could be reached through rational sharing of the contraceptive market among all family planning providers.

“Market segmentation studies in Latin America, including, most recently, those conducted in

Nicaragua and in Bolivia, have resulted in concrete action planning on the part of national contraceptive security committees to consciously analyze and plan for targeted interventions by each of the sectors involved. For example, results gleaned from the studies in Nicaragua and Bolivia have led ministries of health, social security institutes, and NGOs to focus their services on both selected populations as well as geographic areas and method mix,” pointed out Nora Quesada, the DELIVER LAC Regional Director.

In a number of countries, whole-market groups have been created as a subsection of already-existing contraceptive security committees. Whole-market groups can foster the development of a coordinated response to meeting client contraceptive needs. Experience in a number of countries has shown that it is challenging to ensure that public and social marketing programs do not crowd out the private sector, and that better coordination can reap benefits for all partners—

- More effective targeting of public contraceptives in Romania has resulted in significant increases in coverage in rural areas and associated increases in contraceptive use. Improvements in public-sector provision has created a halo effect, sparking markedly higher sales in the private sector by increasing public awareness about product availability.
- A Hungarian pharmaceutical company, Gideon Richter, is providing low-cost oral contraceptives in the Ukraine that, analysis suggests, are affordable even to rural women in poorer segments. Discussions with the Ministry of Health and other partners are focusing on how to ensure that public subsidies do not erode this market segment to avoid putting a greater burden on the public sector.
- Tremendous progress has been made in Bangladesh but establishing a whole-market group has been difficult. Turnover of senior civil servants at the Ministry of Health has meant that the private and nongovernmental sectors frequently need to work with new partners to demonstrate that a whole-

market approach is mutually beneficial to the public and private sectors. Effective collaboration is often hindered by fear that the private sector will take over the role of the public sector.

- In Ghana, the presentation of a market segmentation analysis to the multisector contraceptive security coordinating committee resulted in the creation of a whole-market working group. For the first time, the providers (the public, private, and social marketing sectors) have established a regular forum to discuss how to best serve different socioeconomic groups. The Ghana Social Marketing Foundation, for example, has identified a new market opportunity for oral pills and injectables at a price well below the private sector but high enough to recover all costs. The Ghana Ministry of Health has also begun implementing a policy to raise the unit prices of public-sector contraceptives to correspond to the ability of clients to pay while preserving an exemption policy for the very poor.
- In Nicaragua, the Contraceptive Security Subcommittee on Market Segmentation has been working with various stakeholders, including the Ministry of Health and the Social Security Institute, to better identify how government can provide an essential package of contraceptives while allowing both NGOs, not-for-profits, and the private commercial sector to provide differentiated products to those with an ability to pay.

Want More Information?

To find a section devoted to market segmentation, go to the *Commodity Security* page of DELIVER's web site (www.deliver.jsi.com).

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