



# **BANGLADESH SOCIAL MARKETING COMPANY -SMC**

## **A Sustainable Business Model**

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*Helping you live better*

# Some key questions and definitions

- How can social marketing continue to evolve in a sustainable way?
- What are some possible business models that can sustain the achievements made through donor support while continuing to grow and innovate from sustainable source of funding?
- The SMC Cost Recovery Model is an approach to long term financial sustainability
- Financial Sustainability is achieved when Sales Revenues from self financed commodities meet or exceed costs of commodities and operations






# SMC – A profile

- Not for profit company set up as a project in 1974
- Became a company in 1990 with a voluntary Board
- Work with the private sector in FP, MNCH, and Nutrition; USAID has been SMCs major donor
- Represents one third of national contraceptive use with over 4.0 CYPs delivered in FY 2013
- Market leader in ORS with annual sales volume of over 390M
- Annual sales turnover of \$33M; over 95% from sales of self financed commodities
- Over 700 permanent and contractual employees



# Company Operations are diverse

Commodities Sourcing and Supply	Marketing and Distribution- 4Ps	Program Activities
<ul style="list-style-type: none"> <li>• Manufacturing of ORS</li> <li>• Import of condoms/OCPs</li> <li>• Local procurement-OCPs, ORS, other health products</li> <li>• Contraceptives donated by USAID</li> </ul> <p>Repackaging and distribution to Area Offices</p> 	<ul style="list-style-type: none"> <li>• Branding and Pricing</li> <li>• Own Sales and distribution reach over 240,000 pharmacy, grocery, and institutions</li> <li>• Network of 4,500 private sector non formal providers</li> <li>• Product and brand focused Communications and Research</li> </ul> <p>Revenue surplus and Program Income (PI)*</p> 	<ul style="list-style-type: none"> <li>• BCC through community mobilization and generic mass media</li> <li>• Advocacy</li> <li>• Training of private sector service providers</li> <li>• Quality Improvement</li> <li>• Monitoring and Evaluation</li> </ul>  <p>Grant support from donors</p>

\*Program income is sales proceeds from donated commodities



# Historical Context

- Project set up to address rapid population growth
- Emphasis on volumes and CYPs through expanded distribution and subsidized price
- High reliance on USAID to provide increasing volumes of free commodities
- The more we sold, the more subsidy was needed
- Almost no focus on long term sustainability
- First Strategic Plan in 1997 laid the blue print for improving cost recovery

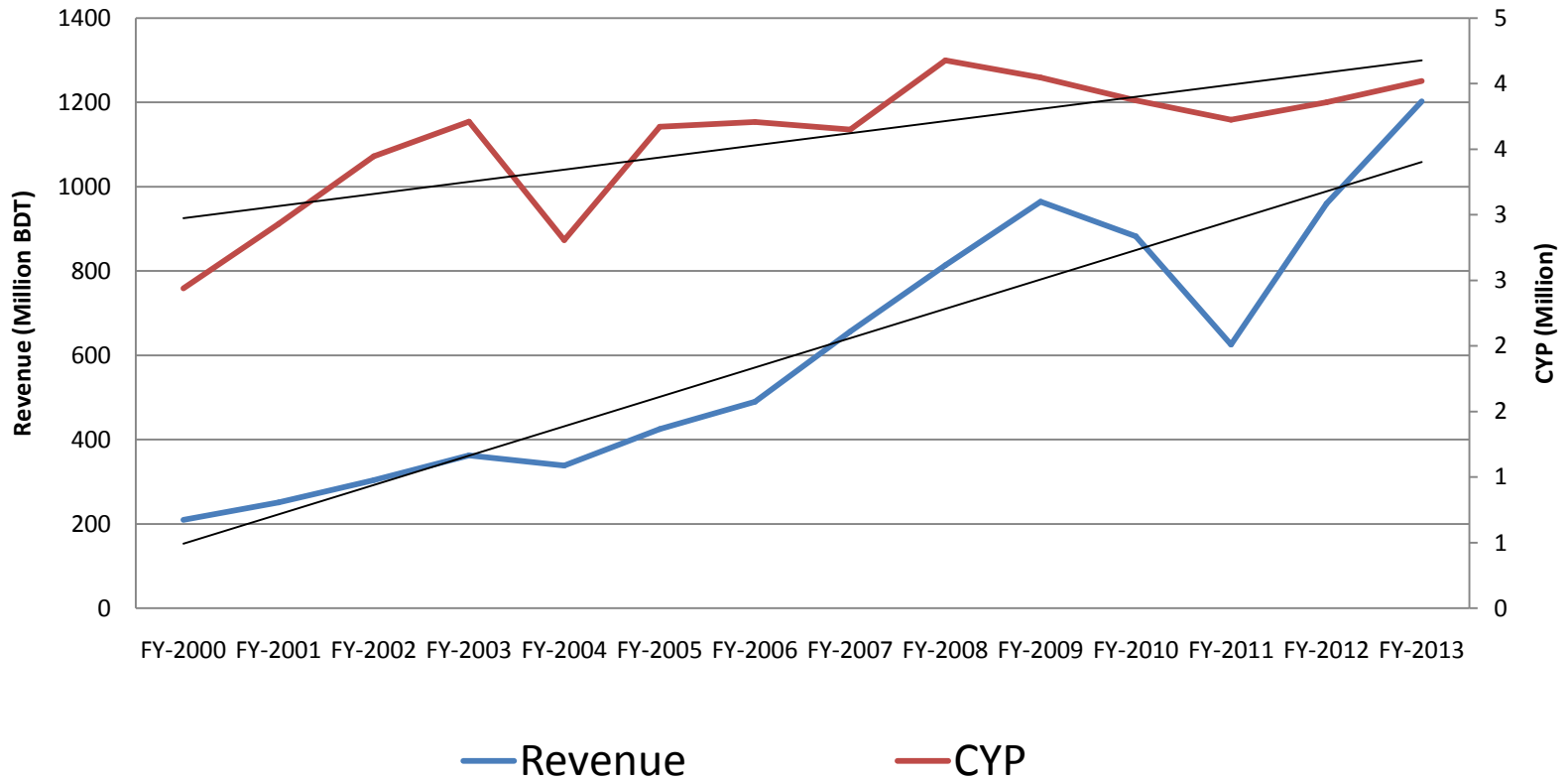


# Fundamentals of the Cost Recovery Model

- Agreement with USAID on the following:
  - SMC will increase CYPs but at a decreasing rate; revenues at an increasing rate
  - Subsidy only on donated commodities; USAID will provide one brand in each FP product category
  - Raise prices of donated products in line with inflation
  - Introduce profitable products for higher income segments from own resource to cross subsidize; USAID will initially invest to grow volumes
  - USAID will support the Marketing of ORS to build a cash cow and in setting up a manufacturing facility
  - Provide SMC with an NOC from Manufacturers to allow over branding of donated commodities
  - Ensure long term commitment to this agreement irrespective of changes in the key personnel at the Mission



# Revenue and CYP growth



Since FY 2000, SMC Revenues have increased by 520%; CYPs by 62%

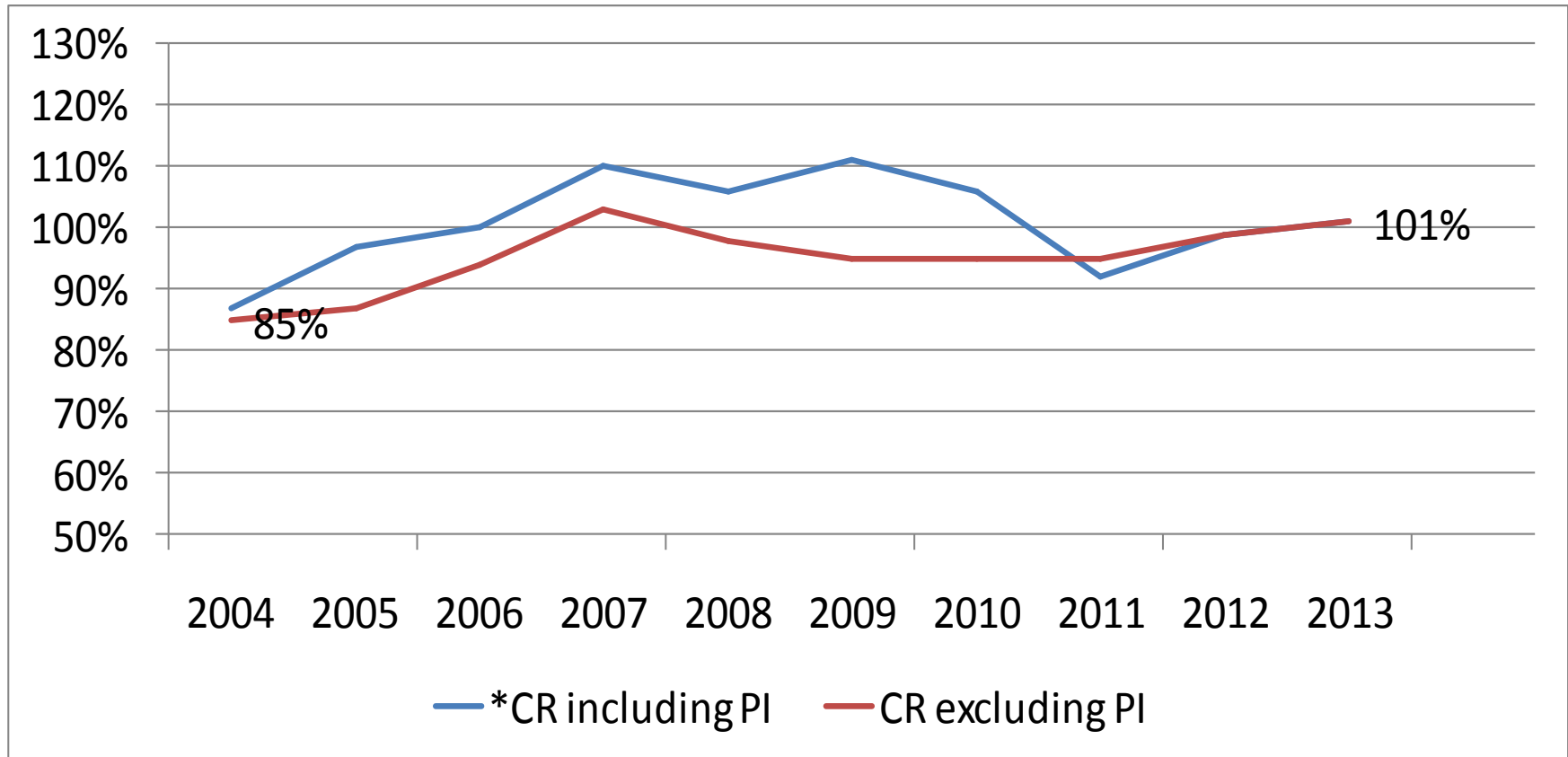
# Current contribution by pricing categories

<u>Pricing Categories</u>	CYP and share (in Million)	Revenue	Revenue share
For profit, sustainable contraceptive brands	3,104,000 (77%)	Tk. 947.92 M (\$11.82M)	36%
ORS (sold at Cost Plus)	N/A	1,568.0M (\$19.60M)	59%
Breakeven products (ECP, MNP, ZINC, SDK, Sanitary pads)	16,800	Tk. 43.0M (\$0.538M)	1.6%
Donated and heavily subsidized (Condom, IUD, Implant, Injectable)	0.903 (23%)	Tk.88.29 (\$1.10M)	3.4%
All Products	4.024 (100%)	Tk.2,647.21 M (\$33.1M)	100%





# Financial Sustainability – Where we are



Non Program\* activities fully sustained without donor support; PI is invested entirely on program operations

\*CR: Cost Recovery

\* Non Program activities are self financed, revenue earning and independent of donor support



# Other enabling factors

- A vibrant private sector; many willing to pay higher prices for perceived value
- Support from GoB and SMC Board
- Huge investment in Marketing
- Employees passionate about sustainability
- Excellent corporate goodwill



# What's next

- Restructure- create separate entities for profit and non profit operations
- Maximize surplus revenues/profits to increase own contribution to program objectives
- Continue to play an important role in the National Family Planning and Health Sector
- Expand into newer and innovative areas
- Diversify donor base
- Explore international partnerships



THANK YOU

[www.smc-bd.org](http://www.smc-bd.org)