



Society for Family Health:  
Success in Nigerian Health sector  
Supply Chain Management  
Innovation, Integration and Leveraging

**Society for Family Health**  
Creating Change. Enhancing Lives.



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*Creating Change. Enhancing Lives.*

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## ACRONYMS

ACT	Artemisinin-based Combination Therapy
BCC	Behaviour Change Communication
FMOG	Fast Moving Consumer Goods
FMOH	Federal Ministry of Health
IPC	Interpersonal Communication
MDS	Manufacturers' Delivery Services
NAFDAC	National Agency for Food and Drug Administration and Control
NTO	Non Traditional Outlets
PPMV	Patent and Proprietary Medicine Vendors
PSI	Population Services International
RDT	Rapid Diagnostic Test kits
SFH	Society for Family Health
SR	Sub-Recipients
WAD	West African Drugs

## SUMMARY



Society of Family Health (SFH) was founded in 1985, and today is the largest Nigerian-managed non-profit organisation working in Nigeria's health and development sector. SFH implements social marketing programmes in reproductive health, HIV & AIDS, maternal and child health, malaria and water and sanitation. SFH specialises in bringing public health commodities and messaging the last mile to improve the lives of Nigerians by successfully navigating Nigeria's challenging supply chain management environment.

SFH has two key approaches to improving the lives of Nigerians: conducting behaviour change communication (BCC) activities that lead to informed choices and providing health-promoting commodities and services, widely. These two approaches are implemented through skilled staff with concrete knowledge of costing structures (cost recovery, subsidized and free), making SFH a business leader in Nigeria.

Social marketing, the foundational concept to SFH's business plan, increases access and demand to various public health products through the application of marketing concepts to influence behaviour in order to benefit society. The integration of social marketing in all of SFH's work for more than two decades has increased SFH's capacity to:

- Maintain and manage product margins to enhance trade
- Build capacity among health providers and other frontline workers thereby increasing commodity access to the most vulnerable populations
- Apply BCC techniques to increase demand of ethical and non-ethical products
- Conduct monitoring and evaluation for constant improvement in programmes

In order for products to be accessible, there must be a logistics system in place to get products from port to door. Mastery of the health sector supply chain in the Nigeria context has made SFH successful where others have failed.





**SFH has been able to successfully navigate the growing and dynamic Nigerian health and logistics landscape in order to take health commodities from manufacturing to the end user.**

This success can be attributed to two key factors:

- Strategic Organisational Management combining logistics and sales into one Operations department responsible for both demand creation and improving access
- Leveraging an established system of Nigerian distribution channels, then filling gaps

This document primarily focuses on how SFH has been able to successfully navigate the growing and dynamic Nigerian health and logistics landscape in order to take health commodities from manufacturing to the end user. Through the application and mastery of social marketing, investing in smart warehousing, trade marketing and consumer marketing SFH has become a leader in addressing the needs and market potential of customers, consumers and end users.



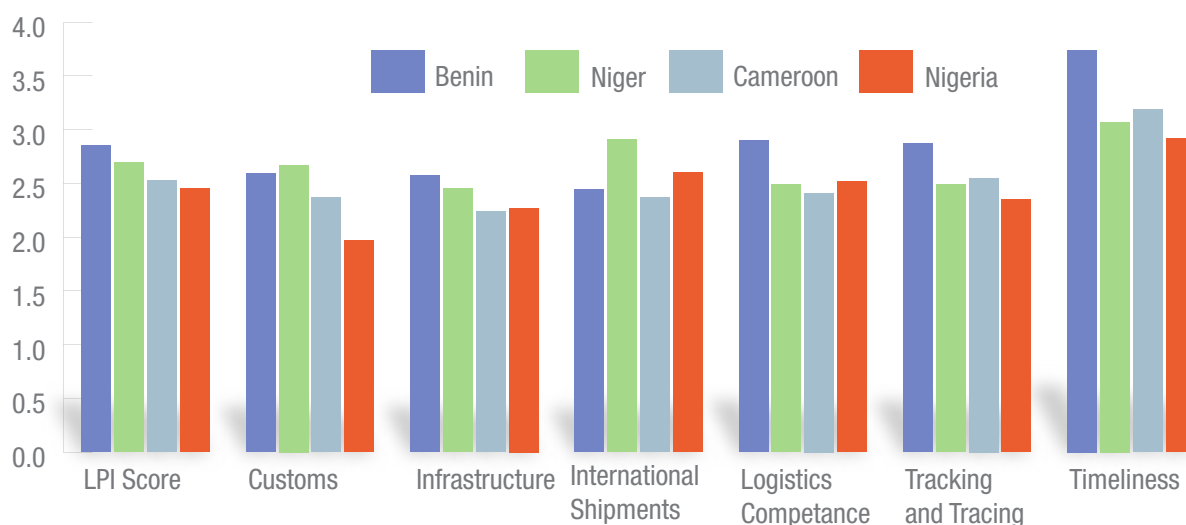


# Nigeria

Nigeria, the largest country in West Africa spanning over 910 thousand square kilometres and covering all variations of terrain, has an estimated population of 175.5 million inhabitants<sup>1</sup>. This makes Nigeria the largest population on the continent with 50% of inhabitants living in rural areas, which are primarily located in the northern parts of the county. Much of Nigeria's estimated 193 thousand kilometres of roads are unpaved or poorly maintained making commodity distribution a dynamic and taxing endeavour.

Although Nigeria is a sub-Saharan powerhouse for import and export all manner of commodities, ranging from natural resources such as gas and oil, to health products and food, the country continues to underperform regarding logistics capacity as compared to many other West African nations. Logistically, Nigeria is very difficult to navigate. For example, The World Bank's Logistics Performance Index (LPI<sup>2</sup>) measures logistics "friendliness" based on a global survey of logistics operators who provided feedback on the logistics within the countries they operate in and conduct trade with. The LPI is made up of six components: customs, infrastructure, international shipments, logistics competence, tracking and tracing and timeliness. According to this LPI, Nigeria is ranked 121 out of 151 countries, ranking lower than fellow ECOWAS members and neighbouring Benin (67th), Niger (87th) and Cameroon (106th). Despite a less than accommodating environment, SFH is succeeding in providing health products down to the last mile, ensuring life saving commodities reach the underserved.

**Figure 1: Country Score Card: Nigeria 2012**



There is also a significant burden of disease in Nigeria. Nigeria has the second largest population of people living with HIV at 3.4 million with only one-third of treatment-eligible individuals receiving HIV treatment<sup>3</sup>. As of 2010, one Nigerian woman in 29 died during childbirth. The contraceptive prevalence rate for married women between the ages of 15 and 49 years old in 2011 was a depressing 15%<sup>4</sup>. Nigerians are also exposed to malaria, diarrhoeal diseases, pneumonia and tuberculosis, which impact the quality and longevity of life.

1. <https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html>

2. <http://pisurvey.worldbank.org/international/scorecard/column/46/C/NGA/2012/C/IND/2012/C/NER/2012/C/BEN/2012/C/CMR/2012>

3. <http://www.who.int/hiv/pub/me/unaidsglobalreport/en/index.html>

4. <http://wdi.worldbank.org/table/2.17>

Although morbidity and mortality are directly related to prevention and treatment of illness, they are also related to health commodity distribution systems and availability. In order to contribute to long term improved health outcomes in Nigeria, both the private and public sectors must meet the varying needs of Nigerians.

Improved and continued availability of medical commodities, both ethical and non-ethical products, such as condoms, reproductive health products, anti diarrheal treatment, malaria treatment and treated mosquito nets are essential to reducing both mortality and morbidity in all segments of the Nigerian population. Commodities are not only crucial for saving lives, but also for reducing unintended pregnancies, improving quality of life, advancing economic development and improving productivity. With the broadening of commodity needs to address increased burden of disease, a burgeoning population as well as limited public sector capacity, the management of a larger and more diverse palate of commodities and reliable commodity logistics providers are necessary.

## KEY CHALLENGES TO DOING BUSINESS IN NIGERIA

There is no doubt that the size of Nigeria, with a low ratio of roads per square kilometre and a scattered population with long distances between urban areas creates logistical and public health challenges. It is not surprising then that 80% of SFH's business is derived from the southern 45% of Nigeria, where many of Nigeria's populous cities and urban areas can be found, including Lagos.

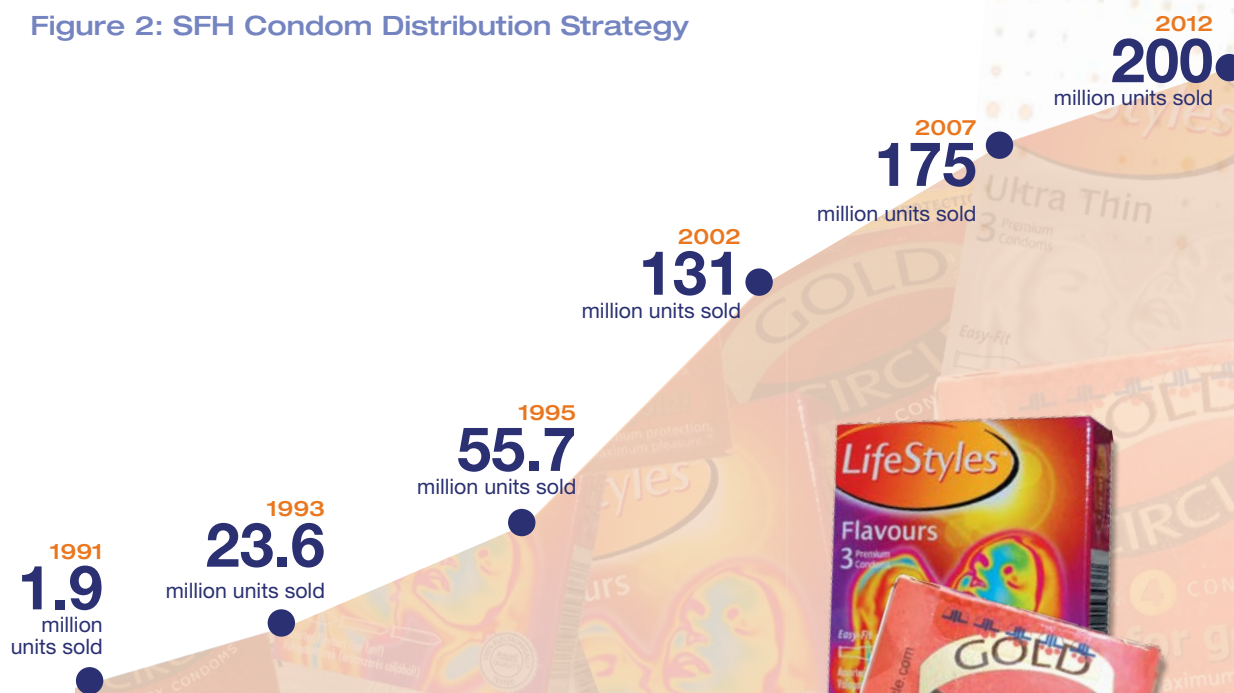
Along with weak infrastructure to link distant cities of the North to the resources of the South, Nigerian supply chains face a number of other problems, ranging from inadequate skills and training, insufficient access to technology, and high prices for transport and warehouse rental due to limited competition. In addition, if the commodities that are being transported have temperature control requirements like Artemisinin-based Combination Therapies (ACTs) to treat malaria or antibiotics to treat pneumonia, electricity in warehouses and cold chain logistics become challenges as well. Finally, there are expected and understandable barriers to dealing with ethical products in particular. For example, the country governing agencies responsible for pharmaceutical distribution and pharmacist licensing set certain standards for drug and commodity distribution. These standards must be respected and like any bureaucracy, can cause delays.



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To address these issues, SFH places a premium on transparent financial processes, a zero credit policy, diversity of commodities and partners and nearly three decades of experience that builds on and improves an already established channel of distribution. Additionally, SFH interfaces directly with the regulatory agencies of Nigeria such as the National Agency for Food and Drug Administration and Control (NAFDAC) and the Pharmacists Council of Nigeria to register new products and ensure adherence to federal pharmaceutical laws. As Nigeria's capacity and infrastructure develops, partially due to rising urbanisation, and assimilation of new technological advances (such as information and communication technologies), SFH will continue to leverage these improvements to impact its logistical capacity creating an even stronger platform for sustained growth.

Figure 2: SFH Condom Distribution Strategy



The evolution of the SFH distribution system is closely tied to the history of condom distribution in Nigeria. In 1991 a pilot distribution of Gold Circle Condoms began in the southwest of Nigeria. That year, a humble volume of 1.9 million units were sold but climbed to an all time high of about 200M in 2012. During these twenty years, the SFH condom distribution strategy evolved from simple distribution, to a brand focused marketing and distribution approach applying BCC driven strategy to the present, commercial approach. In the early stages, emphasis was on brand advertising, but starting in 1998, the programmes increasingly focused on BCC to counter stagnating sales. This approach, which draws on the model used by Population Services International (PSI), promotes safe sex practices and condom use in non-marital relations using a mixture of generic mass media and interpersonal communication (IPC).

## SFH: Position To Date

In the early days of Nigeria's drug distribution, all commodities were located in Lagos which meant that they all needed to be moved up country. This required logistics; a complicated, coordinated process involving many players in order to get a product from point A to point B. Over time medium scale enterprises/entrepreneurs realised that not only could they sell consumables such as food, paper and beauty products, but there was also a market for over-the-counter medicines as well. Currently, with increased knowledge, changes in health-seeking

behaviour and increased demand, vendors are regulated by the Pharmacy Council of Nigeria to sell certain pharmacological items. This regulation enables Vendors to distribute non-ethical products and refill certain contraceptives.

Very early on in the early 1990s, SFH analysed the Nigerian pharmaceutical channels in order to identify areas where they could build on existing structures in the private sector to get their health products to the end user economically and efficiently.



Hubs were identified where the market was larger, more diverse and with more capacity to be distribution points for a larger network of sales. Predictably, Lagos was identified as a hub along with other regional centres such as Ibadan, Kano, Onitsha, Aba and Jos. SFH placed staff at these sites to support their wholesalers and retailers. At this point SFH began a partnership with West African Drugs (WAD), which had offices nationwide. Effectively, after SFH imported the commodities and stored them in a rented warehouse in Lagos, WAD would move the products to their satellite warehouses and then both WAD and SFH would distribute the commodities to their retailers. This created a synergistic environment where both the WAD and SFH sales team created demand for SFH products at the point of sales making SFH and WAD co-marketers for the same products.

In 1997, after WAD left the market, SFH partnered with Manufacturers' Delivery Services (MDS), exclusively for logistics, not marketing and sales. MDS had warehouses across the country, which SFH would rent. During this period SFH was renting 7 warehouses from MDS all over Nigeria as well as a larger main warehouse in Lagos. SFH began to handle more of their own logistics as well as transportation, resulting in a development of capacity for enhanced distribution. During this same period, SFH determined that pharmaceutical wholesalers were willing and able to play a greater role in the distribution process and began the process of actively engaging them in the distribution of products. This led to a gradual decline in SFH personnel involvement in wholesale product distribution from 100% to about 10%. The system has undergone numerous modifications in recent years to address the changing political and social environment in Nigeria, but the framework remains the same. In addition to the private sector commercial market, over the last 10 years, SFH has built internal capacity in the distribution of free commodities especially nets, as well as in the marketing of cost recovery/ commercial products, including emergency contraceptives, point of use safe water systems and condoms.





*“Using the private health sector infrastructure is critical to improving health, even in low income countries. The private sectors' ubiquity, vibrancy and innovativeness in Nigeria enables it to be well placed to address key health challenges in a cost efficient and sustainable way.”*

—Sir Bright Ekweremadu, Managing Director, SFH

# Innovation





## KEY APPROACHES

In addition to old fashioned hard work and commitment to its strategic goals and missions, SFH has continually improved due to growth and development in the following four areas; social marketing, warehousing, trade marketing and consumer marketing.

## SOCIAL MARKETING

Social marketing is the application of marketing concepts and techniques to influence behaviour among a target audience in order to benefit themselves and society. Sometimes the behaviour may include the use of a product or service (e.g. using a condom or getting tested for HIV), and sometimes it may not (abstaining from sex). Social marketing is based on the systematic collection and analysis of target audience data that guides the design, implementation, monitoring, and evaluation of each project. It is also the bedrock of SFH's business strategy.

Social Marketing has several key characteristics, but most pertinent to commodity logistics is the development of the 4P's of marketing: Product, Price, Placement Strategies and Promotion to encourage behaviour change. Product refers to an actual product or service or a non-product / service related behaviour. Price goes beyond just monetary considerations to include emotional or psychological incentives and barriers for both wholesalers and end users. Place refers to where the customer can practice the behaviour or purchase the product or service and the intermediaries or partners who can facilitate the exchange. Promotion consists of the integrated use of multiple channels including below the line communication such as interpersonal communication (IPC) campaigns and above the line strategies such as mass media. The focus is on creating and sustaining demand for a product. Determinants of behaviour often includes factors outside the control of an individual, such as availability of a product or service, and therefore, social marketing's use of the full marketing mix (4Ps) is essential to behaviour change.

SFH believes in the power of social marketing and communication to achieve high levels of community education, positive behaviour change and sustainability. The 4Ps approach is integrated into SFH's strategy at every level from product purchase and eventual placement to applying above the line and below the line media and merchandising techniques to elicit behaviour change and increase demand. Through the social marketing approach, SFH has become a leader; improving health and development in Nigeria.

*“Most of the progress that we have made is because we had to learn. SFH is engaged from the point of manufacturing through to the end user ensuring monitoring, compliance and distribution. Due to all these different roles, we have grown our capacity.”*

—Damola Ogunbowale, Director of Field Operations, SFH



## WAREHOUSING

As SFH manages and controls every stage of the supply chain once the health products arrive at the Nigerian port, it was a natural next step to invest in a central storage point for all SFH commodities. In May 2013, the SFH central warehouse in Ota, Ogun State, became operational, after a number of years of renting warehouse spaces from 3rd parties. It is over 7,500 square meters, housing ethical and non ethical products, with a cooled room for sensitive products and space for future growth as well as third party storage. Additionally, this warehouse is a staging area for product repackaging and in some cases quality assurance testing. This is an example of where SFH identified growth potential that mitigates risk using a value for money approach. The warehouse ensures that SFH can handle and monitor increasing quantities of all their products.

It is also noteworthy that the warehouse creates hundreds of jobs in the local community and provides much needed tax revenue to the Ogun state government to reinvest in the local infrastructure.

The commodities are first received into this warehouse from the port of entry or from the local supplier, repackaged and then moved to other third-party warehouses spread across the country. From these in country warehouses, wholesalers have access to the products. The SFH warehouse has the capacity to store two years' worth of approximately 75% of Nigeria's current condom needs; that's over 260 million condoms!

## 1. Repackaging And Testing.

Most commodities from donors are received in bulky packs, which require breaking down and repackaging. These smaller packs will often include additional product information usually produced in country. This product information could be user guides in local language or pictorial demonstrations, which benefits the user. The culturally relevant and attractive re-packaging increases the appeal of these commodities, which impacts sales. The repackaging of these commodities is done by over 350 temporary staff, mainly young people who live in the communities adjoining the warehouse, many of whom are awaiting admission into institutions of higher learning on a part or full time basis. The idea is to get these residents engaged in productive endeavours while they wait for their next education step.

Also within the warehouse, certain commodities, like Gold Circle Condom®, one of SFH's earliest and most widely distributed products, undergo a quality assurance test. These tests are conducted by an independent laboratory situated within the warehouse manned by trained laboratory assistants from the Federal Ministry of Health (FMOH) in Lagos. The internationally certified condom lab ensures that each batch of these condoms shipped into the country for SFH social marketing programmes undergoes a rigorous test even after pre-shipment inspection and testing from the country of origin. Only batches that pass this external evaluation by the FMOH test are permitted for repackaging and subsequent distribution.

## 2. Using Technology to Monitor the Supply Chain

SFH believes that for a successful supply chain, information technology is as vital as the knowledge of customer demand, both propelling the movement of products. The Lagos warehouse uses an internationally certified management information system, which enables SFH to go beyond just warehousing to applying technology to address business needs. This system ensures that distribution operations are efficient, effective and not running over capacity, thus avoiding overstock as well as stock outs to the greatest extent possible. Data collection and tracking at the warehousing level is also important in order to respect product specific needs as well as provide a measure of security. For example, ethical products such as ACTs need private storage space and are only distributed to licensed pharmacists and doctors. The SFH warehouse management information system can ensure that these guidelines are respected and track product distribution. The supply chain management system at this warehouse is fully integrated with the upcountry third party warehousing as well as with SFH staff at field locations and offers full supply chain visibility, including daily intake, stock and shipping information.





## KEY ACCOMPLISHMENTS:

- Over 200 million condoms distributed annually
- Over 60% of people in rural areas can obtain an SFH product within 5 minutes walk of where they live
- Over 40,000 PPMVs trained by SFH on provision of non ethical products and referral
- Over 5,000 health workers have been trained over the last five years
- Distributed over 3 million malaria Rapid Diagnostic Test kits
- Over 6 million Disability Adjusted Life Years (DALYs) averted in 2013

## TRADE MARKETING AND ADDRESSING ACCESS

Although some countries in West Africa struggle with a fragmented or nonexistent pharmaceutical supply and distribution channel, this is not the case for Nigeria. As mentioned above, supply chain management in Nigeria is challenging, but the channels are strong and driven by available incentives and modes of product transport as well as the location for dispensing outlets, including pharmacies, patent and proprietary medicine vendors (PPMVs), private clinics, hospitals and other service delivery points. It is this very system that SFH has built upon and improved, making it a leader in public health commodity supply chain management. The strength of SFH's model lies in the fact that products can reach consumers all over the country through over 300,000 small commercial retail outlets. The key distribution functions of transportation, warehousing, payment, invoicing and the provision of goods are outsourced to third-party organisations with competencies far exceeding

SFH's in these areas. By doing so, SFH leverages the cost effectiveness and efficiency associated with the private sector.

SFH takes advantage of the vibrant and diverse distribution network for pharmaceuticals in Nigeria to work towards achieving their goal of delivering health promoting products to millions of poor and vulnerable people throughout the country. Using a distribution model with low overheads and wide product reach, SFH establishes relationships with local distributors (known as wholesalers) that sell an often diverse set of products in a defined region to increase access. Products are transported from SFH's central warehouse in Ogun State to 30 MDS depots in different parts of the country.

The wholesaler's responsibilities include:

- Purchasing a monthly minimum quantity of approved SFH products for the sales area
- Providing adequate shelf space for display of approved SFH products in the outlet
- Selling approved SFH products at the prescribed SFH wholesalers' price to retailers
- Not engaging in speculation by hoarding products and committing to "in-time" sales
- Maintaining inventory level of approved SFH products high enough to service retailers' orders at all times except in exceptional circumstances
- Abiding by the sales conditions of cash and carry; SFH does not make provision for credit sales

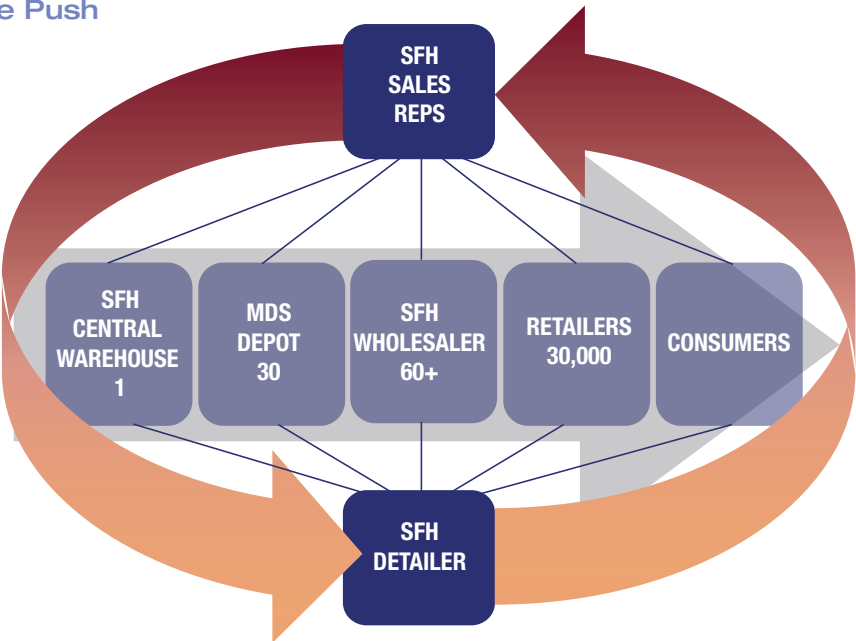
SFH has selected over 60 dedicated wholesalers to lift products from MDS depots. Upon proof of payment for products, the wholesalers are issued products by MDS personnel. The wholesalers in turn service the over 300,000 retail outlets (pharmacies, non-traditional outlets (NTO), supermarkets, hospitals, clinics, community distributors, etc.) from where consumers eventually obtain products. In addition to wholesalers, SFH also works with sub-recipients (SR) who are engaged through specific donor projects in order to supply certain commodities for a fixed period of time, especially to rural and semi-urban areas that have fewer traditional facilities to ensure products reach the last mile. These SRs also have access to both ethical and non-ethical products with the same restrictions as a wholesaler would have.

### The Push

SFH, using sales teams and social marketing, creates a one-two punch that increases earnings for the private sector and increases SFH's public health impact by increasing access to health commodities.

To best understand how SFH has increased access to public health commodities, the structure of the Operations department is pertinent. At SFH, one team is responsible for tracking commodities from the start of the process to the end. The Operations Director of SFH is engaged in supply chain management as soon as the procured items arrive at the main warehouse in Ogun State and there is no handover of responsibilities until the end user receives their products. The operations department is not only responsible for monitoring commodity storage and distribution, but also costing, sales promotion, detailing and performance monitoring.

Figure 3: The Push



*“SFH does not create parallel channels; the commercial sector is very efficient and they distribute tons of material every day. We can outsource activities to them. For example, a decade ago mosquito bed nets could be bought at two places; Bedding sales points and Agricultural sales points. Although the relationship between mosquito nets and bedding/agricultural products is understandable it isn't intuitive and it doesn't make for a highly visible product. SFH introduced nets into pharmacies and into supermarkets who were already selling other SFH products with the goal of creating a new market. The delivery method of nets did not change and SFH did not start selling nets themselves, but instead identified a weakness in the distribution channel and built upon it by working within an already efficient channel.”*

—Damola Ogunbowale, Director of Field Operations, SFH

Additionally, SFH has optimised their services by engaging pharmacists at every level of the logistics and sales process. From the Director of Operations to sales detailers, most SFH sales and distribution staff are pharmacists. Although it is mandated that some positions are filled by pharmacists based on Federal regulations of ethical product handling, SFH has realised the advantage of engaging pharmacists in many positions as they understand health commodity's indications. By drawing on the talents of trained pharmacists, wholesalers, retailers, health centres, doctors and end users are provided with the best training and current information related to whatever product they choose to purchase.

To address legal responsibilities associated with ethical products like injectables and intra-uterine devices which can only be legally distributed, prescribed and applied by a certified pharmacist or doctor, SFH has engaged medical detailers into the logistics system. Detailers, as licensed pharmacists, can lift products from the wholesalers and sell to clinics or pharmacy outlets directly or link providers directly to the wholesalers/retailers. These detailers (about 20 nationwide) also improve the quality of services and increase coverage of these products spending about 50% of their time working with trained health providers: nurses, pharmacists and doctors, to create demand through clinical meetings medical detailing and interpersonal communication). They also co-facilitate workshops with SFH Sales Representatives for PPMVs and other providers in order to introduce a product, its use and benefits, discuss reproductive health issues such as child spacing, clear up any bias as well as sign people up for a trial supply or additional shipments.

In sum, the logistics team is connected to the sales team so that the information that impacts sales, such as stock levels, new buyers, changes in ordering size, etc., are shared across the organisation. At SFH the sales team is an integral part of the commodity port to door system because of their relationship with wholesalers and other product dealers as well as for their supporting role in IPC agent demand creation, discussed in the next section.



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## Pricing

Apart from increasing access to products and achieving set sales targets, the sales teams are also responsible for monitoring channel members to make certain that recommended prices are adhered to, that there is adequate stock at any one distribution point, and ensuring wholesalers know when to pick up product at their MDS depot in order to have consistent product availability across Nigeria.

As noted, SFH's business framework is based on social marketing. The flexibility and applicability of this framework allows different pricing structures to be utilised depending on SFH's partner or donor. SFH deals with subsidised, cost recovery and free product distribution. Although entry market price at the wholesale level is always controlled, SFH can influence the pricing between wholesalers and retailers while expecting that retailers respect the recommended consumer prices. This speaks to SFH's capacity to balance margin versus volume. In order for wholesalers and retailers to make a profit, there must either be a margin sweetener or incentive for them to make a profit, or the item SFH is distributing must be needed in such a high volume that the item becomes a trip driver for the retailer's clients. Either way, SFH ensures that the product remains affordable to the majority of Nigerians as well as profitable for those who invest in the product sales. This creates an effective product push, which is obligatory to increase access contributing to an effective supply chain management system.

SFH also deals in sales that recover the cost of producing, storing, marketing and selling the product, creating a self sustaining structure. SFH is able to create a margin for all market players, ranging from 10-50%, which means that both large and small volume wholesalers and retailers can participate in SFH's distribution and sales plan with an incentive for continued distribution.

## Patent and Proprietary Medicine Vendors

PPMVs play an integral role in increasing access for commodities. PPMVs are lower cadre health providers who are mostly found in semi urban and rural areas. There are an estimated 100,000 of these dealers in Nigeria who are registered by either the Pharmacists Council of Nigeria or by the state government where they reside. These providers are often the first place a client will stop when seeking treatment or health seeking behaviour information. As PPMVs are very popular in Nigeria, SFH has leveraged their value add by incorporating them into their nationwide supply chain management system. For example, SFH trains PPMVs on appropriate sales and distribution techniques using applicable tools from social marketing. SFH also trains PPMVs on the use and application of health commodities such as condoms, contraceptive pills, ORS and any new products entering the market. SFH is currently conducting various forms of research among PPMVs including mapping their locations in a number of states as well as operations research on use of RDTs in the retail sector as a pilot study. By understanding the way channels move and how those channels are different for each commodity, SFH is able to adapt their needs in an economical way.





## CONSUMER MARKETING

Through the use of social marketing, SFH listens to the Nigerian population to discover their real needs and desires. This is done by applying research and analysis to identify the factors that influence people's behavioural choices and create exchanges that are more satisfying (offer more benefits for the costs) than those provided by the risky behaviour. This business to consumer practice ultimately increases demand for SFH products at the community level and from retailers. Demand or Consumer marketing is complementary to Trade Marketing efforts with a focus on below the line activities such as merchandising creating in-store visibility.

### The Pull

As previously noted Sales Representatives work with detailers and wholesalers to increase access, but they also build the capacity of IPC agents by providing product knowledge and social marketing skills. These IPC agents are active in fast moving consumer goods (FMCG) markets, schools and NTOs such as kiosks and hair salons where they educate communities on various health interventions and products. Through repeated visits within pre-identified at-risk groups, audiences are encouraged to make changes in their behaviours that will improve their health and drive them to invest in particular SFH products. This means that IPC agents and the BCC programmes are important demand creators for SFH programmes.

There is a synergetic relationship between BCC programmes and sales stemming from promoting and ensuring that products, especially over-the-counter products, are available at all intervention sites in shared territories. In short, both components of consumer marketing feed the pipeline and represent very important components of the distribution system. They also serve as focal points for SFH's very simple, yet highly effective feedback system.

SFH also uses mass media and below the line materials to build awareness and create demand for health products and services. To effectively manage the high cost of media campaigns in Nigeria, SFH has communication professionals on staff who are able to identify best value for money options depending on target groups.

*“SFH pioneered applying the efficiency of the private sector in Nigeria to deliver public health commodities. We have shown the way to transform emerging health systems in sub-Saharan Africa, where countries must maximise all resources for the benefit of its citizens and with the view of achieving universal health coverage.”*

—Omokhudu Idogho, Programme Director, Enhancing Nigeria's Response to HIV and AIDS (ENR)



# Lessons Learned

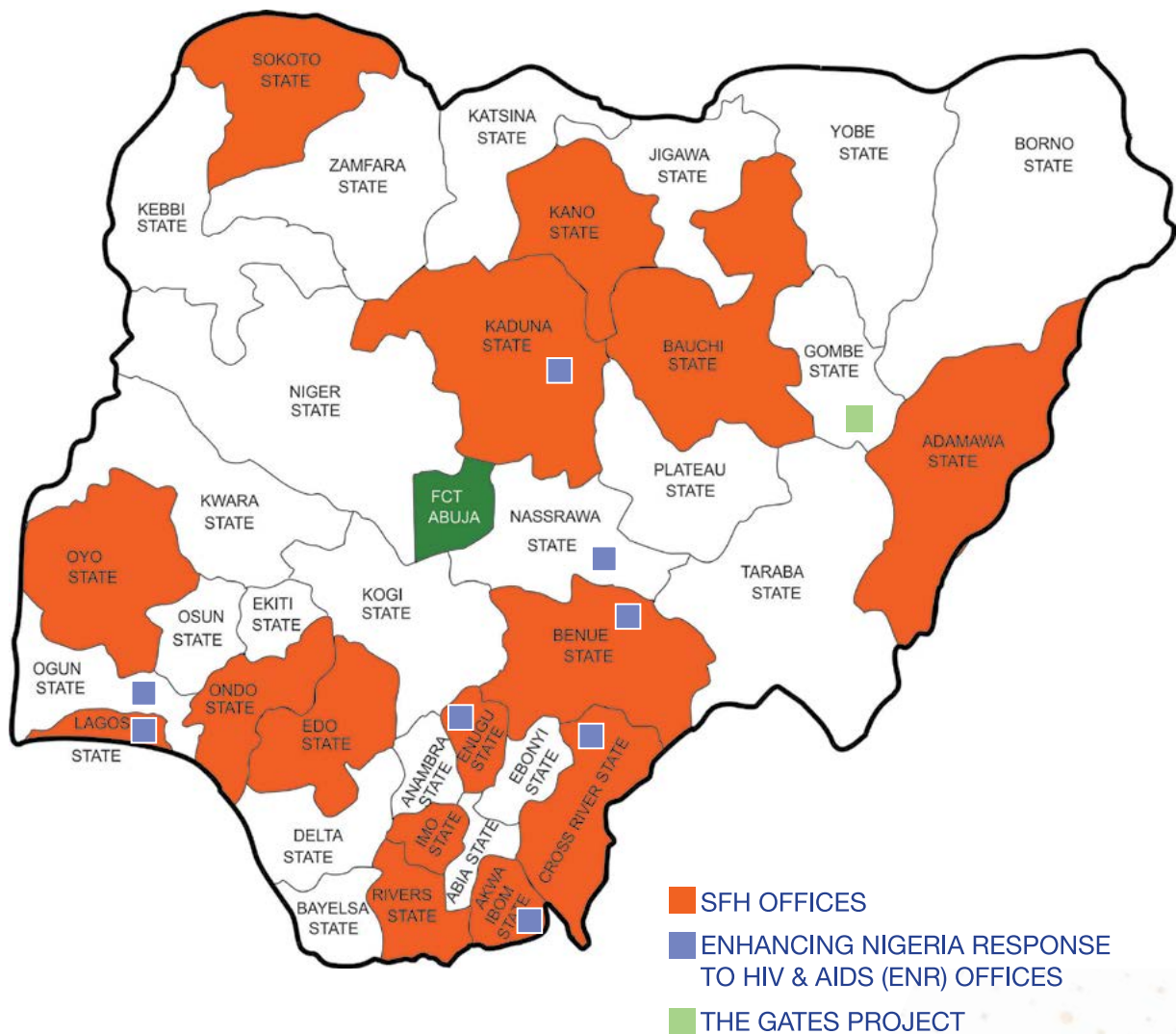


*Peeter Viisimaa/istock.com*

## MAKING USE OF NIGERIA'S EXTENSIVE PRIVATE SECTOR

The structure of the SFH logistics system is what sets it apart from others in the private and public sector. SFH has been very careful to not build parallel channels which would duplicate what already exists, overload functioning system and wasting time and money. The crux of this is acknowledging that there are enterprises which can play a role in certain parts of distribution chain more effectively than SFH. This permits SFH to focus on other priorities such as social marketing, improving positive health behaviour change and increasing access and demand. For example, SFH owns only two trucks that are used for emergency transportation needs only. For all other transport needs, Nigerian trucking companies bid for two year contracts with SFH in order to meet all distribution needs. Since Nigerians have been moving commodities from Lagos upcountry for decades, SFH has realised the needless expense in building their own fleet as well as recognising the benefit of engaging the private sector to create jobs.

Figure 3: Map of Nigeria showing SFH offices



SFH has also chosen not to build warehouses across the country and instead take advantage of a competent storage company, MDS<sup>5</sup>. This is a leading supply chain management and warehousing company who also does business with Supply Chain Management System (SCMS) in the public sector among other private sector companies. SFH currently rents about 30 warehouses nationally from MDS, including one satellite warehouse in Lagos, which complements the central store owned by SFH. In addition to warehousing services, MDS also provides SFH with invoicing as well as some fleet services. As SFH has a no-credit policy (explained below) the wholesalers must pay SFH's account and then MDS will release the product. MDS can only release products to the 60 registered SFH wholesalers, who are also registered in the MDS system. For ethical commodities, this list is very strict. Effectively, the process of getting products to the wholesaler is managed by SFH, but implemented by MDS.

5. <http://www.mdslogistics.net/about/bgrd.htm>





*“SFH logistics system has evolved into a juggernaut that delivers hundreds of millions of units of health products across the nooks and crannies of Nigeria. And what makes this even more outstanding is that it runs against the norm set by the Nigerian pharmaceutical and fast moving consumer goods space, which is built on credit sale. SFH sells on the principles of cash before delivery.”*

—Wale Adedeji, SFH Chief Operating Officer

## NO CREDIT POLICY

SFH takes to heart the idea that a business deal is not concluded until money is paid. SFH does not accept credit. For all products that are moved, cash is exchanged. The cash policy is applicable at the time of procurement through to the end user. There are many reasons why this policy works well for SFH and keeps their commodities moving to the end user. First, without credit, the accounts receivables or advances are almost zero. This not only reduces risk, but also paperwork and manpower which would be necessary to follow up on lines of credit as well as contract language addressing credit limits, terms, payments, documentation etc.

Without credit, there is no risk of default or delayed payments, which could have serious impact on overall supply and future sales. Additionally, there is no one size fits all credit policy that SFH could apply to its partners. In the case of default the Nigerian legal system may not be able to efficiently respond in order for SFH to recuperate loss. For all these reasons, SFH ensures that any item that leaves the main Lagos warehouse is considered sales. This makes SFH a good steward for donor funds and a responsible business in that they only buy what they can afford and what they know they can sell.





# Future Opportunities and Growth

As a versatile organisation cognizant of the dynamic landscape of health in Nigeria, SFH intends on expanding their reach into new markets. Growth potential exists in the following areas:

- Increase rural access: Despite the various outlet types, access to medicines and public health commodities in rural areas remains low as there is an insufficient amount of service delivery points and in many cases there are no “last mile” distribution facilities available. At the same time, all Nigerians have the right to health products, so SFH will continue to identify points of entry into this market by:
  - Using a sub-wholesaler system where the sales and distribution team identifies sub-wholesalers further upcountry and links them with their closest wholesaler.
  - Covering the non-traditional channels such as rural FMCG stores for non ethical products when the closest PPMVs are still too far away.
  - Exploring m-sales: With the growth of online channel of distribution, SFH has began discussions. with indigenous providers of mobile trade channels for distributions of our premium products such as the LifeStyles® and Gold Circle flex® condoms.
- Use of weekly market days: SFH continues to engage the private sector system as it folds into the larger outdoor market sales. Often populations in far flung villages are used to travelling a bit farther to buy and sell products at a larger market. It is at these larger markets that they can also find a wholesaler or potentially a sub-wholesaler with whom to gain access to SFH commodities. In addition, SFH is exploring the use of Community Based Distributors with small margins and seed stock to increase product reach to rural, distant communities. The fact remains that increasing access to rural areas requires a considerable investment of time and effort.
- The development of a management information system that will have the ability to consistently track commodities down to consumer in a cost efficient way
- Exploring the use of PPMVs, pharmaceutical chains and health service franchises to increase reach and quality of products and services.



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# Conclusion

After more than 25 years of growth and learning, SFH is an expert in Nigerian supply chain management and public health systems. SFH is able to efficiently and effectively ensure that public health products go from port to door using a system based on harnessing the proven successes of the private sector and build into that system, social marketing techniques. This system increases access to products complemented by demand creation using both above the line and below the line media resources. Over 98% of all SFH product sales are through the commercial channel with direct sales to non-governmental organisations and the public sector accounting for less than 2% of total sales. As a committed, reliable and high capacity maverick in private sector supply chain management, SFH will continue to contribute to the overall health and well being of Nigerians for years to come.





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