

# Making Sustainable Markets Work for Low-Income People

Supriyati may not know it, but her purchase of contraceptives in Indonesia is helping women halfway around the world in Ghana gain access to family planning.

Supriyati works at a large footwear manufacturer in Indonesia that employs 3,000 women. She was married and in her mid-30s when she was one of the first employees to take advantage of DKT Indonesia's family planning program for factory workers. Supriyati and her husband already had three children and felt they could not afford the cost of another mouth to feed.

"Living costs are difficult and continue to increase every year," she said. "That's why I decided to get an IUD (intrauterine device)."

In an initiative started in 2010, DKT worked with factories to offer a full range of contraceptives — from pills and injectables to implants and IUDs — to their workers as part of companies' corporate social responsibility programs. The factories covered all costs.

[DKT Indonesia](#) serves women like Supriyati and, on some products like condoms and oral contraceptives, is able to generate profits that keep the organization financially self-sufficient. For the last ten years, DKT Indonesia has been able to provide some of these profits to help other DKT social marketing programs around



**Supriyati adopted an IUD at her workplace through DKT's family planning program for factory workers.**

the world, including Ghana. DKT affiliates in the Philippines and Brazil have done the same — and DKT expects more operations to follow suit over time as their countries' economies grow and contraceptive use increases.

DKT is increasingly using such innovative financing to increase its health impact and financial sustainability. Though the precise formula varies from country to country, sustainability generally plays out in three stages — cost-recovery, cross-subsidization, and profitability. This white paper explains that process.

## Improved Environment Bolsters Sustainability

The process of increasing the financial sustainability of contraceptive social

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marketing programs has been aided by a confluence of positive trends over the last decade:

- **Rising incomes:** Between 2000 and 2019, the Gross National Income per capita (Atlas method) doubled in Latin America and the Caribbean, tripled in sub-Saharan Africa and quadrupled in South Asia, according to the World Bank Annual Report 2020. This has resulted in higher per capita incomes in many of these countries. As a result, more people are willing and able to pay for contraceptives.
- **Falling contraceptive prices:** The costs of contraceptive commodities have stabilized and even dropped due to the entry of new manufacturers, especially in Asia.
- **Growing contraceptive use:** In most countries, contraceptive use is increasing, providing a broader customer base for market actors.
- **Strong brands and marketing:** Robust, well-marketed brands are attracting loyal customers willing to pay for them.

### **The First Step to Financial Sustainability: Cost-Recovery**

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In Indonesia, as in most countries, DKT's program started with traditional donor funding. This funding was, and continues to be, vital to DKT's mission of employing social marketing to bring new products and services to markets. But DKT programs rarely rely on traditional donors alone; they normally find creative ways of recovering the

costs of contraceptive commodities, often the most significant cost in contraceptive social marketing.

As noted, DKT Indonesia is partly funded by corporate partners who cover the costs of DKT's family planning services for their employees.

But the most common method of cost-recovery is by carefully calibrating a price structure that maximizes revenues without sacrificing the ability of low-income consumers to pay for contraceptives. Most DKT programs do this to a greater or lesser extent, even in low-income countries. As a result, programs are able to ensure that consumer prices at least cover the basic cost of goods. **Graph 1 shows the extent to which DKT programs are able to cover their operating expenses with sales revenues.**

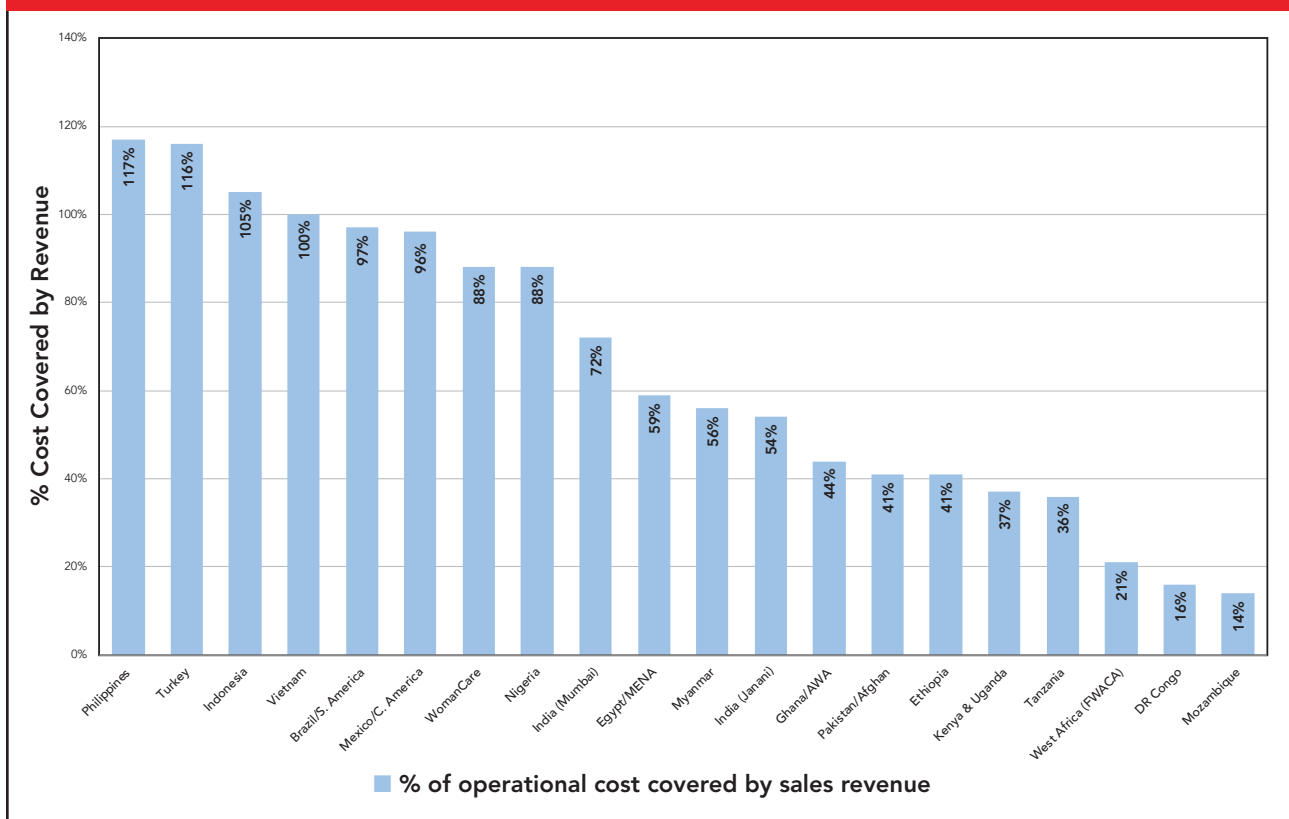
### **The Second Step: Cross-Subsidization**

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DKT has expanded the boundaries of social marketing by introducing differently priced brands within the same product category to maximize both health impact and cost-recovery — a concept called “cross-subsidization.” For example, it often has a subsidized condom brand that is affordable to low-income consumers, a mid-priced condom that breaks even and a premium brand that makes money. DKT also employs cross-subsidization with pills, injectables and IUDs.

Such segmentation within product categories

**Graph 1 — 2019 DKT Country Sustain-O-Meter:  
Percentage of Operations Covered by Sales Revenue**



is possible even in poor countries like the Democratic Republic of the Congo (DRC), Liberia and Mozambique. In Ethiopia, DKT offers a subsidized condom brand called

*Hiwot Trust* alongside a higher-priced brand called *Sensation*; the small margin on the latter product offsets the loss incurred by the former. In the Philippines, DKT markets several kinds of oral contraceptive pills with different price points and benefits; higher priced brands bring in significant revenues.



**In Brazil, DKT has used cross-subsidization to introduce 27 variants of its Prudence condom brand.**

The result is an increasing measure of cost-recovery for commodities as profits from higher priced products are used to cover subsidies elsewhere. This helps sustain the programs and offers donors an effective way to leverage their resources.

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## The Third Step: Profitability

An increasing number of DKT programs have implemented cross-subsidization successfully and have gone to the next level — achieving profitability and creating opportunities to support other existing or new programs.

Profitability depends on a number of factors including organizational maturity, brand development, range of products and program focus. But the strongest determinant related to a given country's per capita income, as seen in Table 1, is that the richer a country is, the more likely it can cover a wider range of operational expenses.

As a result, some DKT operations in middle income countries are able to provide funds for new programs in lower income countries.

As profits are generated, new programs can be financed. Indonesia helped fund the program in Ghana, a country with very low contraceptive use and high maternal mortality. [DKT Philippines](#) provided seed money for start-up operations in Pakistan and French West Africa. And [DKT Brazil](#) has been contributing funds to support DKT operations in Mozambique for many years.

## Increasing Equity

DKT believes that sexual and reproductive health should be available regardless of income, gender, age, sexual orientation and geographic location. To ensure such



**DKT Liberia's sales executive delivers emergency contraception and other products to a sales outlet.**

equity, DKT makes markets work for low-income and marginalized people in two fundamental ways — ensuring that products and services are both *affordable* and *accessible* to the low-income people who need them.

- **Affordability:** DKT makes products affordable to people at different socioeconomic levels through cross-subsidization, always keeping the price of at least one product in each category affordable to low-income people. One of the primary ways DKT ensures this is through a commitment to contraceptive affordability guidelines, which requires that the price of one year of contraceptive protection does not exceed 0.25% of the gross domestic product per capita.



- **Accessibility:** DKT expands access to products and services by tailoring distribution strategies to ensure women and men can access DKT contraceptives and abortion products in pharmacies, drug stores, clinics and, for over-the-counter products, in places like grocery stores, convenience stores, bars and hotels. In DRC — the DKT country with the lowest GNI per capita — DKT relies on outreach by traveling nurses who go door to door to bring counseling, products and services the “Last Mile” to more than 350,000 women. In this way, DKT expands the diversity of outlet types and geographic locations in order to reach as many people as possible.

DKT ensures its products and services are in as wide a range of outlets as possible in urban, peri-urban, and rural areas. This includes pharmacies, drug shops and clinics but also grocery stores, markets, gas stations and kiosks. DKT works with health professionals like midwives, doctors and nurses to increase access but also with the informal sectors like hotels, street vendors and nightclubs.

Programs that generate solid revenues in profitable urban areas can use these resources to cross-subsidize unprofitable and more expensive Last Mile distribution in rural and remote areas.

Some of the demand creation activities DKT uses to make products and services affordable and accessible actually work against financial sustainability because they go beyond the “low hanging fruit”

and increase costs of reaching people living in poverty and other difficult-to-reach populations. But these activities support *institutional sustainability* because they increase health impact by creating and maintaining customers who will support DKT social marketing platforms over the long term.

## Conclusion

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DKT’s sustainability approach involves a three-step process: 1) using traditional donor funds to establish a program that achieves increasing levels of cost-recovery; 2) using cross-subsidization — in which higher-priced, profitable brands subsidize lower-priced brands — to build up revenues; and 3) achieving profitability by producing more revenues than are needed to sustain operations, thus creating dividends that can be used to help other programs.

Regardless of where a program is in the three-step process, DKT is committed to ensuring sexual and reproductive health equity by ensuring that its products and services are affordable and accessible to the lower-income consumers who need them.

DKT’s unique take on sustainability allows it to have greater health impact with less reliance on donors. As resources are freed up, donors benefit as well. These funds can be used for other purposes — such as helping more women like Supriyati get the contraceptives they need to manage their families better.

## Table 1 — Realities and Possibilities of Sustainability for DKT

DKT Country	GNI per capita, PPP (1)	Affordable Consumer Cost/CYP (\$) (2)	Commodity Cost per CYP (\$) (3)	Commodity Cost Recoverable	Operating Cost Recoverable	Marketing Cost Recoverable	Start-up and/or Special Activities
Turkey	27,875	69.69	3.75	✓	✓	✓	Donor
Mexico	20,410	51.03	3.75	✓	✓	✓	Donor
Thailand	19,228	48.07	3.75	✓	✓	✓	Donor
China	16,784	41.96	3.75	✓	✓	✓	Donor
Brazil	15,258	38.15	3.75	✓	✓	✓	Donor
Indonesia	12,301	30.75	3.75	✓	✓	✓	Donor
Egypt	12,250	30.63	3.75	✓	✓	✓	Donor
Philippines	9,156	22.89	3.75	✓	✓	✓	Donor
Vietnam	8,374	20.94	3.75	✓	✓	Donor	Donor
India	7,034	17.59	3.75	✓	✓	Donor	Donor
Ghana	5,637	14.09	3.75	✓	✓	Donor	Donor
Cote d'Ivoire	5,455	13.64	3.75	✓	Donor	Donor	Donor
Myanmar	5,355	13.39	3.75	✓	Donor	Donor	Donor
Nigeria	5,348	13.37	3.75	✓	Donor	Donor	Donor
Pakistan	4,884	12.21	3.75	✓	Donor	Donor	Donor
Kenya	4,509	11.27	3.75	✓	Donor	Donor	Donor
Cameroon	3,804	9.51	3.75	✓	Donor	Donor	Donor
Senegal	3,535	8.84	3.75	✓	Donor	Donor	Donor
Tanzania	2,770	6.93	3.75	✓	Donor	Donor	Donor
Ethiopia	2,311	5.78	3.75	✓	Donor	Donor	Donor
Uganda	2,271	5.68	3.75	✓	Donor	Donor	Donor
Sierra Leone	1,789	4.47	3.75	Donor	Donor	Donor	Donor
Liberia	1,487	3.72	3.75	Donor	Donor	Donor	Donor
Mozambique	1,333	3.33	3.75	Donor	Donor	Donor	Donor
Congo, Dem Rep.	1,143	2.86	3.75	Donor	Donor	Donor	Donor

Sources: GNI per capita, PPP, [World Bank Data Bank](https://data.worldbank.org/)

(1) All data is converted as constant 2011 \$. All data from 2017 except Myanmar (2011) and Tanzania (2016).

(2) Estimated based on affordability guidelines (0.25% of PPP per capita)

(3) Estimated commodity cost for a year's supply of contraception.



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