

# SMC to launch for-profit venture to fund social projects

SARWAR A CHOWDHURY

**S**Ocial Marketing Company (SMC), a not-for-profit organisation, plans to set up a for-profit venture to finance its endeavours to improve the lives of the poor.

The new venture, SMC Enterprise, will market and distribute health and family planning-related products that SMC is now doing through its network. SMC Enterprise will focus on profit maximisation, which makes it different from non-for-profit SMC.

SMC Enterprise will also finance new projects such as hospitals and services to the poor, Ashfaq Rahman, managing director of SMC, told The Daily Star in a recent interview.

Financial sustainability, although achieved by SMC two years ago, motivated the organisation to set up the new venture, where it will have a 100 percent stake.

Revenues in 2012 from SMC's self-financed products were large enough to cover its non-programme related expenditures, according to Rahman. In other words, the not-for-organisation is "completely sustainable without external or donor support".

SMC was established in 1974 as the Family Planning Social Marketing Project under a tripartite agreement between the Bangladesh government, US-based nongovernmental organisation Population Services International and the US government's aid agency USAID.

In 1990, the organisation was renamed the Social Marketing Company or SMC with a voluntary board of directors.

SMC today is one of the largest and most successful private sector social marketing organisations in family planning and child health



Ashfaq Rahman

globally, Rahman said.

It is a major contributor to Bangladesh's family planning programme, providing more than one-third of the contraceptives.

"We pioneered the large-scale use of lifesaving ORS (oral saline) in the country and operate one of the largest private sector ORS manufacturing facilities in the world."

SMC's business operations are fully sustainable and, along with donor funds, contribute in the implementation of a number of initiatives designed to enhance social good, Rahman said.

At present, SMC is working on a project to help build bus stands for waiting passengers and provide latrine services and drinking water, in a bid to ease the sufferings of those who have to wait in long queues to get on a bus.

"SMC is also taking an active

role in tree plantation focusing on creating a clean and green environment for our children in future," he said, adding that the company plans to use some of the surplus funds from SMC Enterprise to expand its CSR activities.

It is structured and operates much like any commercial operation except that its objectives are to bring social good.

SMC's marketing strategy is based on the concept of cross-subsidisation, where revenues from high-priced profitable products are used to subsidise low-priced products to make them more affordable to the low-income group.

"We can sustain our low-priced brands without depending on donor commodity support."

SMC's own distribution network is one of the largest in the country, with increasing access to

products like contraceptives, ORS and Monimix through pharmacies, grocery shops and NGOs in remote corners of the country.

"Our marketing and communications are well-recognised and effective in generating demand and changing behaviour of our target groups. It is wide-ranging -- from brand promotion to generic communication, using both community mobilisation medium as well as mass media to reach our target audience."

SMC also has a very strong training component that is primarily engaged in mobilising the private sector health providers in family planning and particularly in expanding the services of long-acting contraceptives like IUD and implants, diarrhoeal management, tuberculosis prevention and prevention of HIV and STIs, he added.

# Amazing rural transformation

SADIQ AHMED

**O**VER the past 40 years the rural economy of Bangladesh has undergone an amazing transformation. In the 1970s, close to 80 percent of the rural population was poor. By 2010, the poverty rate had decelerated to 35 percent. Life expectancy climbed from a low of 45.6 years in 1974 to 67.7 years in 2011, which is a remarkable 49 percent increase in less than 40 years. Over the same period, infant mortality rate was brought down from a high of 148 per thousand to below 38, while crude death rate fell from 20.8 per thousand to only 4.8.

Census data and Household Income and Expenditure Survey (HIES) data suggest that these substantial improvements in the fundamental indicators of wellbeing of the rural population were also accompanied by enhancements in the quality of life in terms of quality of dwelling, access to electricity, access to rural roads, access to telephone, access to internet, better health facilities and growing education of rural children at the primary and secondary levels. The adult literacy rate also improved significantly, from only 23 percent in 1974 to 53 percent in 2011. The Bangladesh rural economy and the social scenario today is vastly different from the 1970s.

What factors have brought about such remarkable transformation of the rural economy? In a thoughtful keynote paper presented to the recent Bangladesh Economist's Forum, June 21-22, Professor Michael Lipton of the University of Sussex in England emphasised the important role played by the three Fs: fertility, food and farming. He convincingly argues that the sharp cutback in fertility in Bangladesh, the rapid growth in food production and expansion in farm productivity contributed substantially to the increase in the welfare of the rural poor. The urban poor also benefitted from low food prices and fertility rate cutbacks, but the biggest improvements happened in the rural areas.

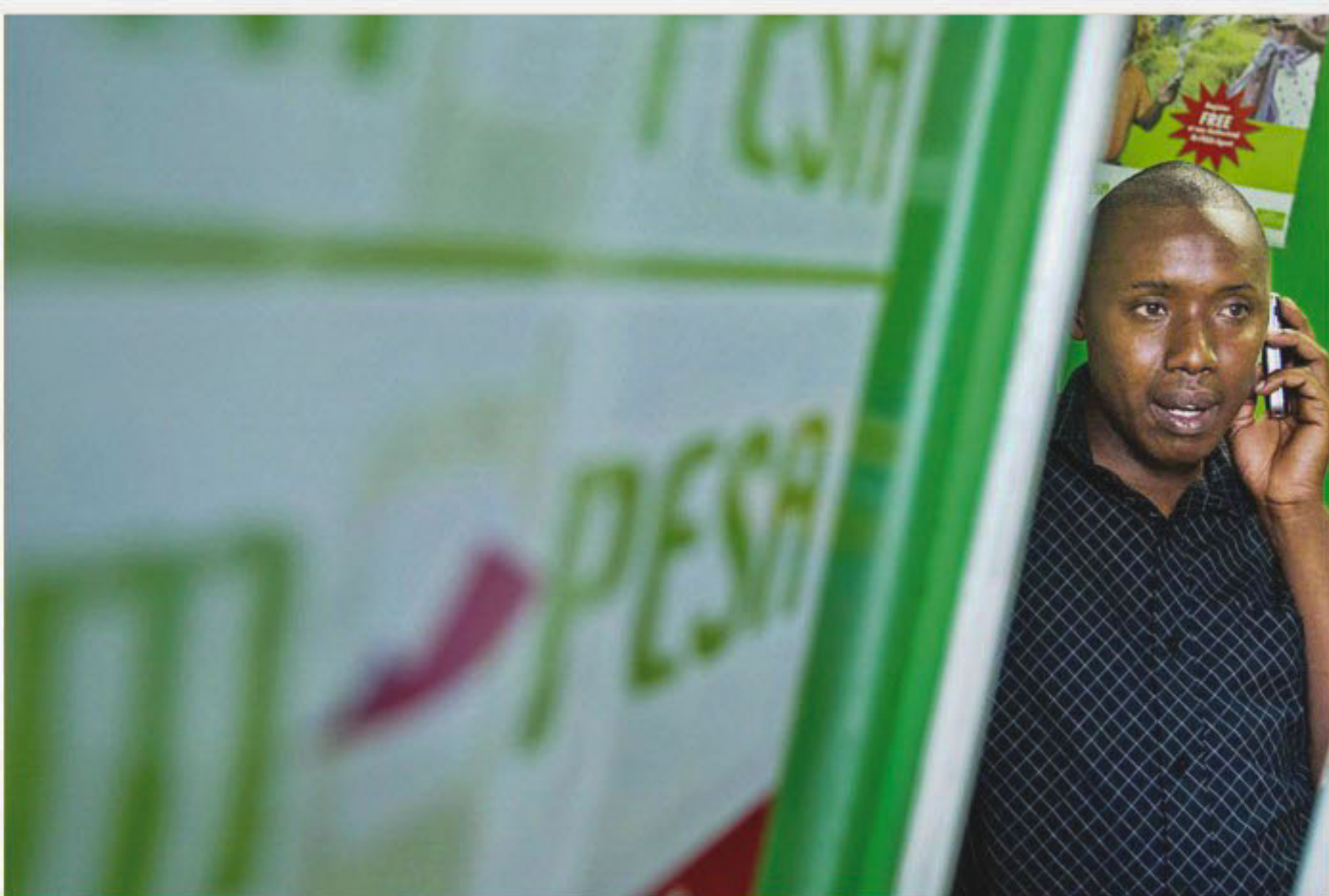
As a result of a very successful population control policy, the rural fertility rate came down from a high of 6.7 percent in

1974 to 2.2 percent in 2011. This sharply reduced the growth of population in the rural areas. Combined with urban migration, the rural population growth rate has now fallen to below 1 percent per year (0.7 percent in 2011) as compared with 2.3 percent in 1974. The average household size has fallen substantially, from 5.73 in 2011 to only 4.29 in 2011. The large reduction in household size has been an important driver of rural poverty reduction.

Rural Bangladesh also benefitted from the ongoing demographic dividend in another way: through growing labour force participation. As the age structure changed in favour of the working age and away from child dependency, more contributors to rural household income emerged.

The emphasis on food production from the early years of independence has been a hallmark of public policy in Bangladesh that has served well the cause of poverty reduction overall, but especially in rural areas. Investment in irrigation and rice technology has yielded huge dividends. Rice production soared from a low of only 9.3 million tonnes in 1972 to a remarkable 33.8 million tonnes in 2013. Along with some production of wheat, per capita foodgrain availability almost doubled from 133 kilograms per person per year in 1972 to 258 kilograms in 2013. This rapid expansion of food per capita has been an important contributor to the sharp reduction in the incidence of mass hunger and poverty. Due to land constraint, acreage under food production did not increase much (less than 1 percent per year) but production growth mostly happened from a strong increase in productivity. As a result of adoption of better production technology (seeds, fertiliser and water based green revolution) and multiple cropping, per acre rice productivity increased from only 403 kilograms in 1972 to 1,158 kilograms in 2013, which is almost a three-fold growth. This productivity improvement along with generous input subsidies allowed the government to keep the price of rice low for consumers. The productivity growth and subsidies protected farmer income and incentives from falling while low rice prices protected the consumers, especially the poor who have a much larger share of foodgrain in their consumption basket than the non-poor.

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AFF/FILE

A customer talks on his mobile phone at an M-pesa shop in Nairobi, Kenya.

# Role reversal as African technology expands in Europe

AFF, Nairobi

**A**FRICANS have long used technology developed abroad, but now a Kenyan cash transfer network which bypasses banks is being adopted in Europe.

The M-Pesa mobile money transfer system which allows clients to send cash with their telephones has transformed how business is done in east Africa, and is now spreading to Romania.

"From east Africa to eastern Europe, that's quite phenomenal when you think about it," Michael Joseph, who heads Vodafone's Mobile Money business, told AFP in the Kenyan capital Nairobi.

"I think that this is something the rest of the world can look at, to say that there are ideas that can emanate out of the developing world, and take it to the developed world."

M-Pesa -- or "mobile money" in east Africa's Swahili language -- was introduced in Kenya in 2007 by Safaricom, the country's largest mobile telecommunications company, in partnership with British giant Vodafone.

Since then the service has grown exponentially, with about \$40 billion (30 billion euros) flowing through the service in Kenya alone.

In Kenya, the system has become a part of daily life, with more than 18 million

customers, and is used by almost two-thirds of the population with more than eight million transactions daily.

The network allows customers to bypass the traditional banking system, using an application available on the simplest of mobile phones to pay utility bills, buy a drink in a bar, or send cash to family and friends.

Romania is the latest nation Vodafone is tapping, with its first European launch last March.

For Michi Carstoiu, an engineer in the capital Bucharest, M-Pesa complements established online payment services.

"Most importantly, I save time - plus I think the transaction fees are smaller," Carstoiu told AFP, shortly after activating his mobile phone account at one of the 1,000 outlets already open.

The number of distribution points is expected to triple by the end of the year.

"Everyone has a mobile phone, and it is very simple to send and receive money or make payments," he added.

Users can charge up their phones by paying in cash at mobile-money agency points, and often at one of the points where they are doing a transaction.

Similarly they can withdraw cash against mobile-money credits at an agency, or when settling a bill, much in the same way as customers in Europe can obtain cash at some supermarkets when using bank cash cards.

# Coupon websites make merry as deal-hunting Indians go online

DAVID LALMAISAWMA

**F**OUR years ago, Kaveri Nandan bought a discount coupon for a session at a hair salon in New Delhi from Snapdeal, which at the time was a website for daily online deals and a pioneer in the segment in India. When Nandan called up the salon to book an appointment, she found that the place had closed.

"The segment (digital coupons) was just starting out, so I guess they had not sorted out many things. They were idiots for not doing their homework. I complained and got my refund," said 35-year-old Nandan, who works at a business magazine.

But as daily deals vendors refine their services and India's growing online population increasingly go online to look for discounts, coupon websites say customers are using discount vouchers for almost everything from baby diapers and television sets to body massages and five-star hotel stays.

"The Indian mentality is getting something for free or getting some offers. [As long as] that thing remains, this will work perfectly," said Ramneek Jhamb, a marketing professional in Mumbai who uses deals websites to get discounts for restaurants.

"The last coupon I used was around four months back. I went for breakfast with two of my friends at Ramada hotel in Gurgaon. It was pretty OK. No hassles, no worries."

Experts say e-coupons are gaining traction because they can be easily targeted, and are cheaper compared to distributing physical coupons. The rising number of Indians online is helping. The Internet and Mobile Association of India estimates that the country has an online population of 243 million.

Industry watchers say the daily deals business, which includes sites such as Groupon, Mydala, Freekaamaal and CouponDunia, will soon grow faster than India's \$13 billion e-commerce industry, which is expanding at a compound



REUTERS

Coupon websites say customers are using discount vouchers for almost everything from baby diapers and television sets to body massages and five-star hotel stays.

annual growth rate of 34 percent.

"This is just the beginning of a trend. It'll have a steep growth as e-commerce has a very steep growth in India. And as the usage of smartphones increases very, very rapidly, we will also see couponing as one of the activities to get much more traction," said Arvind Singhal, chairman of consulting firm Technopak.

There is little data on how big the nascent online coupons industry is, but Groupon India CEO Ankur Warikoo estimates coupon sites could potentially drive deals worth \$2 billion to merchants in India, although he didn't say by when this would be achieved.

Groupon India says it sells a voucher every 23 seconds. Freekaamaal gets close to 3,500 transactions per day worth 3 million to 5 million rupees (\$48,971 to \$81,645), while Mydala says it sells 120,000 to 150,000 coupons daily.

Mydala founder Anisha Singh said her four-year-old company relies on a large mobile phone user base to help them expand to more than 100 locations and tie up with 110,000 merchants.

Ashish Jhalani, founder of eTailing India, an e-commerce knowledge platform, estimates that deals sites contribute about

10 percent to 15 percent of e-commerce traffic in India.

"You'll see at some point that maybe 30-35 percent of e-commerce traffic will be driven from the couponing sites. I think within the next one year to 18 months, we should see that thing happen," he said.

Freekaamaal founder Ravi Kumar says he expects several coupon sites to come up in the next two years as more players in the highly competitive e-commerce market -- where most compete on price -- use coupons to woo customers.

"One or two years ago, when we used to talk to these guys [Flipkart], they were saying we are not focused about coupons and deals. But [in June] they did a promotion through Freekaamaal. Amazon is also planning to target this deal and coupon market. So when big players are targeting it, the potential this market has is very big," Kumar said.

Physical establishments such as spas, hotels and restaurants are also turning to deals websites to reach a wide customer base without any upfront payment for advertisement. Deals sites make money either through a fixed commission for every sale or by getting a percentage cut from the merchants.

"As an individual property, it's very difficult for us to target the whole market. We tied up with Groupon because it has a very wide reach pan-India. On average, we do 10-12 room nights in a month and about 20-30 vouchers per month for F&B [food and beverages] through the Groupon deal," said Upen Anand, general manager of the Express Sarovar Portico hotel near New Delhi.

The hotel has worked with Groupon India for the past year, offering discounts of 30 percent to 50 percent on rooms and F&B through digital coupons.

"Today you would see on Groupon five-star hotels listing themselves, the likes of Taj, Oberoi, Hyatt -- names which you would not even think need promotion. And they are offering absolutely unreal crazy deals," said Warikoo of Groupon India. Around 80 percent of the company's business is brick-and-mortar. "We are clocking way more than a 100 percent growth on a year-on-year basis."

Despite the attractiveness of discount vouchers, product and service quality concerns persist, with many customers turning to review sites like MouthShut.com to share bad experiences.

"I recently purchased an online photography course on Groupon. I was to get access to contents on the photography website using redemption voucher bought at Groupon website. Just a few days after I bought this, the photography website stopped working. When I tried to call up on the no. of the photography co., I got a message that the no. did not exist!" wrote user chandangc2003 on MouthShut.com.

Deals website executives say that complaints are rare if one takes into account the number of sales. "Complaints very rare. Less than 1 percent. It does not represent a big challenge [to the business]," said Kumar of Freekaamaal.

David Lalmaisawma is a multimedia journalist for Reuters India.