



ASSESSMENT OF THE RETAIL ENVIRONMENT OF MALE CONDOMS IN KENYA, NIGERIA, SOUTH AFRICA, ZAMBIA, AND ZIMBABWE

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ACRONYMS

AIDSFree	Strengthening High Impact Interventions for an AIDS-free Generation
DHS	Demographic and Health Survey
DKT	DKT International
FP	family planning
HIV	human immunodeficiency virus
ILO	International Labour Organization
PSI	Population Services International
RHSC	Reproductive Health Supplies Coalition
UNFPA	United Nations Population Fund
USAID	United States Agency for International Development
US\$	US dollars

EXECUTIVE SUMMARY

The promotion and distribution of male condoms have been an important element of HIV prevention and family planning (FP) programs for host country governments and donors. Years of investment in condom programming have seen significant increases in condom use and total market volume of condoms. However, despite condoms being relatively inexpensive (in comparison to other health products), the majority of condoms distributed in sub-Saharan Africa are subsidized or distributed free through the public sector.

The “20 x 20” initiative, led by the United Nations Population Fund (UNFPA) in collaboration with the World Bank, the Reproductive Health Supplies Coalition (RHSC), the United States Agency for International Development (USAID), and the International Labour Organization (ILO), aims to foster a greater role of the commercial sector in the condom market as a means to bring greater efficiencies in the market. The initiative—in consultation with the public sector, social marketing organizations, and commercial marketers of condoms—prioritized five sub-Saharan African countries for initial exploration to determine whether there is an opportunity for commercial condom marketers to play a greater role in condom promotion and distribution. The countries selected were Kenya, Nigeria, South Africa, Zambia, and Zimbabwe, based on the population of the countries and the prevalence of condom use. As part of this exploration, the USAID-supported AIDSFree Project was tasked with conducting an assessment of the retail environment for condoms.

This assessment aims to describe the size and value of the current and potential market for condoms in the five countries, including the number of competing brands, distribution infrastructure present, and regulations pertaining to registration, importation, distribution and promotion of condoms. The AIDSFree team conducted the assessment using a combination of desk review, interviews with stakeholders involved in condom distribution and promotion, and field observations of retail outlets.

The findings suggest that Nigeria and South Africa have a much larger universe of need and larger realizable market potential. Nigeria is particularly attractive, as the volume of priced condoms is nearly 360 million annually and valued at US\$60 million. In South Africa, the volume of priced condoms is 85 million and is valued at US\$41 million. The volume and value of the condom market in the other three countries are large, but represent a lower market level than markets in Nigeria and South Africa. In addition, for its market size, Nigeria appears to have a less competition and potentially less extensive brand promotion in recent years. This is also true, to some extent, of Kenya, Zambia, and Zimbabwe. South Africa, with more than 58 brands of condoms in the market, appears to be the most competitive. Finally, challenges to registering new brands or in advertising and promoting condoms are not insurmountable. South Africa

presents a stronger opportunity because the retail environment is more organized, and particularly because modern trade with established systems contributes to a larger share of the market volumes. Therefore, Nigeria and South Africa are potentially very attractive markets for investment by condom marketers.

INTRODUCTION

Male condoms are dual-protection devices, offering protection against sexually transmitted infections, including HIV, as well as unintended pregnancies. Donors have supported both the promotion and distribution of male condoms as an important element of HIV prevention and FP programs. With notable exceptions, domestic funding for condom programming has been limited. Many countries, particularly in sub-Saharan Africa, rely on aid from private foundations and bilateral and multilateral donors for commodity procurement and other programming costs.

In comparison to other health products, condoms are a relatively low-priced commodity, costing less than US\$0.03 each. Additionally, they do not require a clinical service provider and are sold through both pharmaceutical and consumer goods channels in many countries. These factors may make it possible for large population segments in some countries to afford market prices for condoms, and the price does not become an inhibitor to condom use. In such a scenario, donors would be able to focus their investments where they are most needed, such as the targeted distribution of condoms in countries and among populations who cannot afford market prices for condoms. Commercial marketers of condoms would serve the remaining population segments.

In this context, the “20 x 20” condom initiative, led by the UNFPA in collaboration with the World Bank, RHSC, USAID, and ILO, aims to foster a greater role for the commercial sector in the condom market. Through consultative meetings with the public sector, social marketing organizations, and commercial marketers of condoms, the “20 x 20” initiative prioritized five sub-Saharan African countries for initial exploration: Kenya, Nigeria, South Africa, Zambia, and Zimbabwe. These countries were likely to offer greater potential for increased commercial sector investments compared to other African nations. The five countries are more populous, the consumers in these countries demonstrate reasonable purchasing power, and the retail infrastructure is more established to support sales and distribution of condoms. As part of this exploration, the USAID-supported, PEPFAR-funded Strengthening High Impact Interventions for an AIDSFree Generation (AIDSFree) Project was tasked with assessing the retail environment for condoms.

ASSESSMENT OBJECTIVES

The purpose of the assessment of the retail environment for condoms is to increase visibility of the characteristics of the condom market in the five sub-Saharan countries of Kenya, Nigeria, South Africa, Zambia, and Zimbabwe, and the opportunity of these countries offer to commercial marketers of condoms. Specifically, this assessment aims to describe the size and value of the current and potential market for condoms, the number of competing brands, the distribution infrastructure present, and regulations pertaining to registration, importation, distribution, and promotion of condoms in these countries.

METHODS

The Abt Associates Inc. and AIDSFree team conducted the assessment using a combination of desk review, interviews with stakeholders involved in condom distribution and promotion, and field observations of retail outlets.

Published and gray literature pertaining to the use of condoms reviewed were:

- The Demographic and Health Survey (DHS) for each country
- South African HIV Prevalence, Incidence and Behavior Survey 2012
- National health and condom strategy documents for Nigeria (2015–2020, draft), Zimbabwe (2011–2015), and Zambia (2014–2016)
- Contraceptive Social Marketing Statistics, 1991–2014, published by DKT International (DKT)
- Condom retail audit survey conducted by the Nielsen company in South Africa

Interviews were conducted with stakeholders in condom distribution and promotion.

Stakeholders interviewed included program managers from Population Services International (PSI), DKT, and Marie Stopes International. In addition, the team interviewed representatives from the Ministry of Health and two to three regional and national distributors of condoms in each country. Inputs from participants in the “20 x 20” workshops conducted in Bangkok (May 2015) and Windhoek (October 2015) also informed the report. To gather information on the brands of condoms available, and the price at which they were being retailed, the team visited approximately 20 purposively selected retail outlets selling condoms in the capital city of each country.

The assessment was conducted from September through November 2015 in Nigeria and Kenya, and from February to July 2016 in South Africa, Zambia, and Zimbabwe.

FINDINGS

Universe of Need

The universe of condom need in a country is the total number of condoms required to protect all sexual acts, and consequently is a function of a country's population and sexual behavior. The universe of need¹ reported here draws from published data on sexual behavior, condom use, HIV prevalence, population estimates, and certain assumptions in the published data. Five categories of sexual acts are considered in the needs estimation, as shown in Table 1. Because the estimates are based on self-reported behaviors and are sensitive to assumptions regarding frequency of sex acts, they are likely to represent an overestimate of the total need. However, these represent the best estimates of the potential market for condoms, and are likely to be relatively reliable for cross-country comparisons.

Table 1. Universe of Condom Need

Group	Estimated Annual Need in 2015				
	Kenya	Nigeria	South Africa	Zambia	Zimbabwe
Acts within couples in which both are HIV-positive	27,114,005	53,893,401	99,829,454	24,297,163	32,310,620
Acts within serodiscordant couples	52,478,719	118,370,000	219,262,695	34,265,230	35,478,328
Acts with non-regular partners	63,932,491	170,680,303	140,659,552	23,240,539	13,418,538
Acts with commercial partners	95,593,515	357,958,335	134,737,013	31,176,180	33,165,038
Acts among men who have sex with men	22,886,489	88,809,664	32,130,355	7,451,613	7,609,320
Acts with condoms for FP	20,986,867	191,494,608	46,317,977	13,514,905	9,257,219
Total number of acts to be protected	282,992,085	981,206,311	672,937,045	133,945,630	131,239,062
Total need for condoms, including wastage (pieces)	348,080,265	1,206,883,762	827,712,566	164,753,125	161,424,046

The potential market for condoms is more than 1.2 billion condoms annually in Nigeria, 800 million condoms in South Africa, and 348 million in Kenya. The potential market for condoms is relatively smaller in Zambia and Zimbabwe, at approximately 160 million condoms in each country.

¹ Condom Needs Estimation Tool v0.5, presented by Clemens Benedikt at the Data for Fast-Tracking Condom Programmes meeting, convened by UNAIDS in Geneva, March 2016.

Current Market Volume

The current market volume of condoms (number of condoms) distributed annually is shown in Table 2. We obtained the number based on interviews with Ministry of Health representatives and data cited in reports and strategy papers. Estimates of the number of social-marketed condoms distributed were obtained from *Contraceptive Social Marketing Statistics* (2014), published by DKT. For South Africa, estimates of the condoms sold to customers in retail outlets as measured through syndicated retail audit surveys were used to approximate the volume of the commercial market. For other countries, since such data were not available, estimates provided by stakeholders involved in condom distribution and data cited in planning documents were used to estimate the volume of the commercial market.

The estimates of volume have some limitations:

1. Each of the sectors captures data at different points in the distribution process. For example, the numbers of condoms distributed free and by social marketing organizations refer to volumes distributed to the first point in a distribution system—usually a national or regional distributor, wholesaler, or warehouse. As a result, these volumes tend to fluctuate based on perceived pressures to liquidate available stocks. On the other hand, retail audit surveys measure the number of condoms purchased by customers, and tend to provide a better estimate of the number of condoms obtained by beneficiaries.
2. Because commercial marketers do not report their sales volume publicly, estimates of the commercial market are a rough approximation in the absence of established retail sales tracking systems in a country. Even where retail sales tracking systems are established, as in South Africa and Kenya, practitioners suggest that retail audit surveys may underestimate the volumes of condoms sold from small retail outlets, outlets in rural and remote areas, and volume sales of brands with very small market shares.
3. In all five countries, we found nonregistered brands of condoms being sold through retail outlets. The volume sales of these brands, by their very nature, are not captured in most tracking mechanisms.

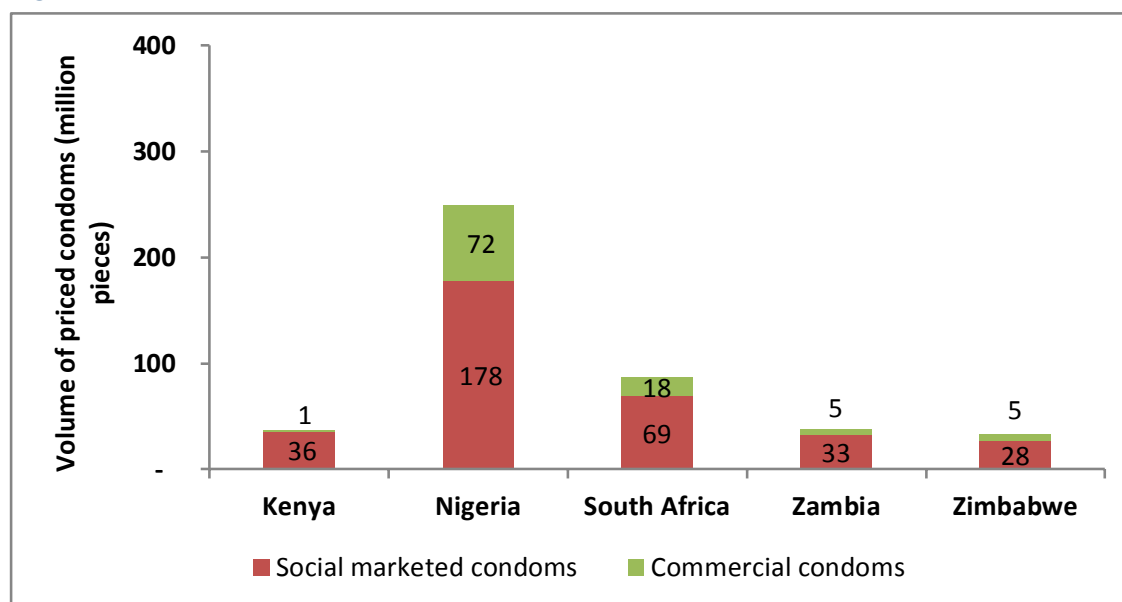
Table 2. Current Market Volume by Sector

Sector Condom Volumes (Million Pieces)	Kenya	Nigeria	South Africa	Zambia	Zimbabwe
Free condoms ^{2,3,4}	75	40	550	82	105
Social-marketed condoms ^{5,6}	36	178	69	33	28
Commercial condoms ^{7,8,9}	1	72	18	5	5
Total	113	290	637	120	138

Ratio of current market volume to universe of need	32%	24%	77%	73%	86%
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Table 2 shows that South Africa and Nigeria are much larger markets in terms of total condoms distributed, and that current market size in Kenya, Zambia, and Zimbabwe are similar. We also see that the current market represents a relatively lower proportion of the universe of need (Table 1) in Kenya and Nigeria than in other countries, suggesting that Kenya and Nigeria require enhanced investments in HIV prevention programming and investments in promoting condom use.

Figure 1. Annual Volume of Priced Condoms Distributed



² Estimates for Kenya, South Africa, and Zimbabwe were provided by condom program managers.

³ Estimates for Nigeria were obtained from the Nigeria condom promotion strategy, 2015–2020 (draft).

⁴ Estimates for Zambia were obtained from the National HIV/AIDS Strategic Framework, Zambia, 2014–2016.

⁵ From 2012, PSI (South Africa) began selling its brands of condoms at prices above the cost of goods sold. For simplicity, we have categorized the volume sales of these brands in the social-marketed category.

⁶ DKT International 2014.

⁷ Estimates of volume in 2015 based on interviews with program managers in Kenya, Zambia, and Zimbabwe.

⁸ Estimates from Nielsen's retail audit survey for condoms in South Africa, 2015.

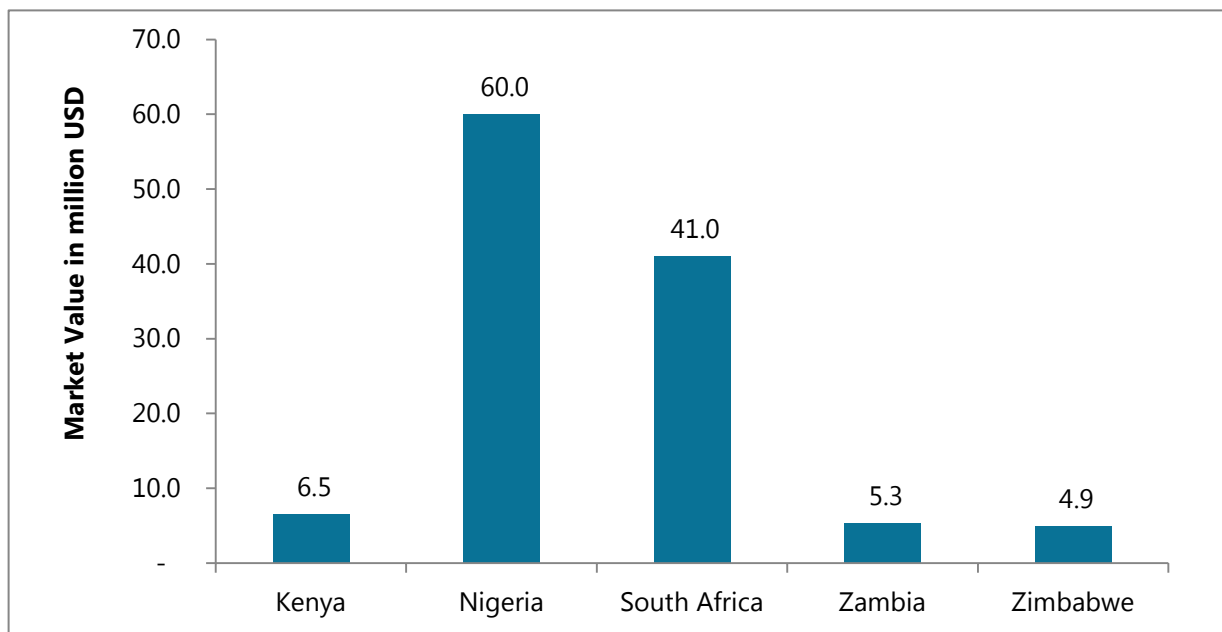
⁹ Federal Ministry of Health [Nigeria], n.d.

Table 2 also shows that the total number of condoms distributed in four of the countries is dominated by supplies of free condoms. We expect that, for commercial marketers, the immediate market is better represented by the volume of priced condoms (Figure 1). Thus, though the total market for condoms in South Africa is the largest, Nigeria presents the largest immediate market for commercial marketers, with a volume of 250 million condoms sold annually.

Current Market Value

The assessment team estimated the current market value of annual condom sales in each country based on the average price at which each brand of condoms was being sold to customers. The average price was arrived at through observations in approximately 20 retail outlets in each country. For social-marketed brands of condoms, we estimated the market value of each brand of condoms separately. Because there are many commercially marketed brands, and because the volume share of each of these brands was not available,¹¹ the team estimated the market value of commercial brands as a product of the total volume of commercial brands and a simple average of the prices of observed commercially marketed brands. The estimated current market value is shown in Figure 2. The current market value of condoms in Nigeria and South Africa is approximately US\$60 million and US\$41 million, respectively. In Kenya, Zambia, and Zimbabwe, the current market value is approximately US\$5 million to \$7 million.

Figure 2. Estimated Current Market Value



¹¹ The volume and market value for commercially marketed brands of condoms in South Africa were available through Nielsen's retail audit survey, which has been used in this analysis.

Reported Condom Use and Growth in Usage

The team compared the trends in reported condom use in the last sex act among males and females reporting having had two or more partners in the preceding 12 months (Table 3). Changes in reported condom use do not necessarily translate to an equivalent increase in condom market volumes, as the market volumes are influenced by the number of condoms used by individuals. However, the trends can be indicative of whether the market is growing (and hence a more attractive opportunity for investment). Table 3 shows that the condom usage, without accounting for population growth, is stagnant or declining in most countries, with the exception of Kenya.

Table 3. Trends in Reported Condom Use in Last Sex Act among Males and Females Ages 15–49

Percentage condom use in last sex act among people with 2 or more partners in the preceding 12 months ¹²	Kenya		Nigeria		South Africa		Zambia		Zimbabwe	
	Year	%	Year	%	Year	%	Year	%	Year	%
Males, 15–49	2009	37.0	2008	33.1	2008	44.1	2007	28.0	2006	n/a*
Males, 15–49	2014	44.0	2013	19.8	2012	36.1	2014	29.0	2011	33.0
Females, 15–49	2009	32.0	2008	22.9	2008	40.8	2007	33.1	2006	n/a*
Females, 15–49	2014	40.0	2013	29.3	2012	32.7	2014	29.7	2011	48.0
Average annual growth rate	4.0%		(2.4%)		(5.1%)		(0.5%)		—	

*References were unavailable for these periods.

Major Brands and Price Points

In each country we observed many commercial brands of condoms in addition to the social-marketed brands, as shown in Table 4. In general, social-marketed brands were priced at the lower end of the spectrum, and established international brands such as Durex, Carex, Skyn, and Moods were priced at the higher end of the spectrum. We observed far more brands in the mid-price segment (brands priced at US\$.04–\$0.60), suggesting that this segment is fragmented. Furthermore, the mid-priced brands were least likely to invest in brand advertising.

¹² Reported condom use is as stated in DHS reports for Kenya, Nigeria, Zambia, and Zimbabwe. For South Africa, the reported condom use is as stated in the South African National HIV Prevalence, Incidence and Behavior Survey, 2012.

Table 4. Major Brands and Price Points of Condoms by Country

	Kenya	Nigeria	South Africa	Zambia	Zimbabwe
Number of brands (conservative estimates)	40	30	58	25	20
Price range per condom in US\$	\$0.10–\$1.10	\$0.05–\$1.10	\$0.17–\$1.25	\$0.09–\$1.00	\$0.10–\$1.00
Major brands	Trust, Salama, Wet n' Wild, Durex, Moods, Carex, Skyn	Fiesta, Kiss, Gold Circle, Rough Rider, Bareback, Moods, Durex, Skyn	Trust, Lovers+, Rough Rider, Bareback, Durex, Skyn	Maximum, Carex, Rough Rider, Durex	Protector Plus, Carex, Rough Rider, Durex

We also noted the import of brands from neighboring countries. In Kenya, PSI Tanzania's condom brand Salama has reasonable market volumes, even though it is sold at a higher price than the PSI Kenya condom brand Trust. Similarly, condom brands from Zimbabwe were reported to be widely available in Zambia. We also noted that DKT's introduction and advertising of Kiss and Fiesta brand condoms in Nigeria may have resulted in a shift in market volumes from Gold Circle to DKT's brands. These findings suggest that buyers of condoms are willing to pay a higher price for brands that appeal to them.

During interviews, the team also received reports of the presence of nonregistered (and by implication, not quality-assured) brands, as well as spurious brands (brands packaged to mimic the appearance of registered premium brands). However, we were not able to verify the extent to which these brands are available and purchased.

Registration, Importation, Advertising, and Distribution Infrastructure

There is an established process for registration of new brands and brand variants in all countries, and it appears that the process is largely followed. In general, registration can take three to nine months. Legal costs and fees for registration can vary from US\$150 (Kenya) to US\$10,000 (South Africa). In Nigeria, post-shipment testing is mandatory for all imports, in addition to pre-shipment testing. In other countries, pre-shipment testing is necessary and considered sufficient. Recently, there have been efforts to simplify and harmonize registration and importation processes among Southern African Development Community member states. Where it would be fruitful, registration and importation of condoms will be further simplified.

Condoms are advertised and promoted in all countries, and there are no restrictions on the display and stocking of condoms in retail outlets. However, some media companies or retail outlets may need to be persuaded to accept advertising and show images of condoms.

South Africa has robust distribution, quality assurance, and brand protection systems. In South Africa, modern trade (supermarkets, department stores, and gas stations) account for approximately 25 percent of the total sales of condoms. In the other countries, though condoms are increasingly available in modern trade, the majority are sold through traditional trade (drug shops, individually owned stores). All countries have robust distribution infrastructure comprised of importers, distributors/wholesalers, and retailers. Importers and distributors with national or regional reach allow for extensive distribution through a limited number of partnerships.

CONCLUSIONS

We summarize our findings in three categories: (1) realizable market potential, (2) competitiveness/threats, and (3) regulations and feasibility of promotion and distribution. To reiterate the main limitation in this assessment—as described in the previous chapter—it is the lack of robust data regarding the need for condoms and the volume of condoms currently distributed.

Realizable market potential: Nigeria and South Africa have a much larger universe of need, as well as a larger realizable market potential. Nigeria is particularly attractive, as the volume of priced condoms is nearly 360 million annually, and valued at US\$60 million. In South Africa, the volume of priced condoms is 85 million and is valued at US\$41 million. The volume and value of the condom market in the other three countries is large, but smaller than the markets in Nigeria and South Africa.

Competitiveness/threat: For its market size, Nigeria appears to have less competition, and potentially lower levels of brand promotion. This makes Nigeria an attractive market for investment for a condom marketer. This is also true of Kenya, Zambia, and Zimbabwe to some extent. South Africa, with more than 58 brands of condoms in the market, appears to be the most competitive.

Regulations and feasibility of promotion and distribution: There appear to be no insurmountable challenges to registering new brands or to advertising and promoting condoms. South Africa presents a stronger opportunity because the retail environment is more organized, and particularly because modern trade, with established systems, contributes to a larger share of market volume.

In summary, we conclude that Nigeria and South Africa are potentially very attractive markets for investment by condom marketers.

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