

SEAM Tanzania

Accredited Drug Dispensing Outlets: Can Support for Small Business Owners Improve the Quality of Pharmaceutical Services?

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Background

Together with Management Sciences for Health (MSH) and the Summa Foundation, Mennonite Economic Development Associates (MEDA) has been helping to implement SEAM's Accredited Drug Dispensing Outlet (ADDO) Program in Tanzania, which began in July 2003 and will end in June 2005. MEDA's role has consisted of providing business training for ADDO owners; managing a micro-loan program; and providing regular technical assistance as part of monthly monitoring visits to the ADDO shops.

In an effort to gauge the impact of its support to ADDO businesses, MEDA proposed a simple business assessment to compare the performance of Duka la Dawa Muhimu (DLDM, or "local essential drug shops") before and after being accredited as ADDO shops. This survey was not part of the original project design, but was proposed as a way to test whether this business-support component of the program should be included in any rollout of the pilot. The relatively small sample was not ideal (23 businesses, or 17% of the total number of ADDOs, participated), but it included old and new businesses in both urban and rural areas of the Mbinga District.

Objectives

- ❖ To gauge the impact of business support provided to small private drug shops through the ADDO Program.
- ❖ To assess whether these private drug shops, with appropriate support, could afford and sustainably implement the investments necessary to increase the quality of their pharmaceutical services.

Methodology

- ❖ A team of three MEDA staff with experience in monitoring and evaluation of urban and rural businesses visited 33 of the 36 private drug shops that had applied for accreditation in the Mbinga area.
- ❖ Data on business status and practices was gathered through interviews, on-site observation, and a questionnaire.
- ❖ A similar MEDA team returned to the Mbinga District eight months later, gathering information using the same tools applied during the initial assessment.
- ❖ Only 23 of the 33 shops that participated in the baseline survey could be reached for follow-up. Of the 10 shops that could not be visited—
 - One had been shut down by the authorities.
 - Two were temporarily closed.
 - Four shop owners had traveled outside of Mbinga.
 - Three could not be reached due to rain and transport difficulties.
- ❖ Only results from the 23 shops that were visited in both the baseline and follow-up surveys are discussed in this poster.
- ❖ These 23 shops represent about 17% of the total number of ADDOs participating in the program.
- ❖ About one-third of the businesses participating in the survey were start-up businesses.
- ❖ All research was conducted in Swahili.

Results: Financial Record Keeping

- ❖ The percentage of businesses that keep financial books increased from 48% to 96%.
- ❖ Business owners cited the following reasons for wanting to keep financial records—
 - To determine if the business is operating at a profit or a loss
 - To examine business progress
 - To track whether income is increasing or decreasing
 - To determine how much stock is purchased and sold (stock management)
 - To establish operating costs
 - To help in negotiating taxes with the Tanzania Revenue Authority (TRA)

Results: Profitability

- ❖ All businesses were able to gauge profitability, and the majority were earning a profit every month.
- ❖ Forty-three percent of respondents reported an increase in profits; 17% reported a decrease in profits; 39% reported no change.

Results: Access to Financial Services

- ❖ ADDO access to financial services has increased since the baseline survey.
- ❖ ADDO owners have been able to reduce their reliance on friends, family, and savings to finance their businesses.

Results: Purchasing Decisions

- ❖ ADDOs are purchasing from a wider range of suppliers, most of whom are local.
- ❖ Local access makes the supply of drugs cheaper in absolute terms and in terms of opportunity cost (e.g., purchasing supplies in the capital city can involve a twelve-hour bus ride each way).
- ❖ The diversification of suppliers lowers the shops' exposure to risk (e.g., fluctuations in price and stock availability from a single supplier).

Results: Improved Service to Customers

- ❖ Higher-quality services are being provided by professional dispensers.
- ❖ A wider range of approved drugs and a larger number of recognizable brands are available.
- ❖ The shops have a more reliable, constant supply of drugs and non-drug items.
- ❖ Signage is much more common and more attractive.
- ❖ Shops have improved cleanliness, and better ventilation and/or better climate control.
- ❖ Operating hours have been extended to be more convenient for customers.
- ❖ Licenses and certificates are clearly displayed.
- ❖ Several businesses have created a place for customers to sit while waiting for service.
- ❖ Some customers are allowed to buy on credit.
- ❖ Two owners have initiated post-sales follow-up, which has helped to build long-term relationships with customers.
- ❖ One owner visits sick patients door-to-door for home treatment.

Results: Benefits of Becoming an ADDO

- ❖ Ninety-six percent of shop owners mentioned access to business training as one of the benefits of being an ADDO.
- ❖ Owners ranked the most important benefits of participation in the ADDO Program as follows—
 - Increase in customers
 - Ability to provide better advice and guidance to customers
 - Free advertising obtained as part of the Duka la Dawa Muhimu marketing campaign
 - Ability to sell a wider range of drugs
 - Increase in profits
 - Access to business training
 - Access to dispenser training
 - Lower taxes
 - Access to credit



Implications/Conclusions

- ❖ All but one business owner believed that it was worth the investment to become an ADDO.
- ❖ This positive response was recorded despite the fact that 78% of all ADDOs went into debt in order to finance their accreditation investments.
- ❖ This last observation is particularly important given initial concerns that the investment required by ADDOs to deliver higher-quality pharmaceutical services might be too great for the businesses to support.
- ❖ The research suggests that, with appropriate support to business owners—including training, ongoing monitoring, and links to financial service providers—small drug shops can improve the quality of their products and services and do so in a profitable, and therefore sustainable, manner.