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THE FEASIBILITY OF ESTABLISHING AN URBAN-BASED
COMMERCIAL RETAIL SALES PROJECT IN INDONESIA

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ABBREVIATIONS

AID	Agency for International Development/Washington
BKKBN	Indonesian National Family Planning Coordinating Board
CRS	Commercial Retail Sales
FDA	Federal Drug Administration
FP	Family Planning
GOI	Government of Indonesia
IDI	Indonesia Development Institute (Drug Control Administration)
IEC	Information Education, and Communication
OC	Oral Contraceptive
ORS	Oral Rehydration Salts
PSC	Personal Service Contract
UNFPA	United National Family Planning Association
USAID	United States Agency for International Development
YIS	Yayasans Indonesia Sejahtera
YKB	Yayasans Kusuma Buana

EXECUTIVE SUMMARY

An urban-based CRS project in Indonesia is both feasible and desirable. The Indonesian Government's commitment is strong, and assuming that certain institutional barriers can be eliminated, AID should support the project. Funding should be assured for a minimum of three years.

Three primary organizations could be involved directly in any proposed CRS project: AID, UNFPA and BKKBN. To ensure that a project can be initiated before the 1982 elections, each agency must accomplish the objectives listed below.

Agency for International Development/Jakarta

1. Fund the project at an adequate level to guarantee its success. Approximately \$850,000 per year, plus commodities and a resident advisor, would be needed.
2. Award a contract with a starting date no later than November 1, 1980, launch the product on April 1, 1981.
3. Make arrangements to provide commodities, particularly condoms, continually.
4. Commit to the project mission personnel time of at least 65 person-days per year. Nominate an individual to be responsible for the project.
5. Assist with logistics to establish a resident project manager in-country.
6. Fund short-term consultants to assist in developing a market plan.
7. Fund interim market research among males (approximately \$22,000).

United Nations Fund for Population Activities/Jakarta

1. Complete research as quickly as possible under project INS/79/P05
2. Fund additional research on attitudes and practices of wholesalers and retailers.

3. Fund a short-term in-country consultant to help AID consultants draft the initial marketing plan.

Indonesian National Family Planning Coordinating Board

1. Establish a mechanism to make oral contraceptives available through drug stores, and to advertise them in the public media.
2. Ensure an adequate supply of commodities for the project.
3. Determine the best way to establish and charter the new organization.
4. Determine what would be the best mechanism to ensure adequate medical supervision of first-time oral contraceptive users.
5. Obtain a priority position for radio and television advertising for the project.
6. Obtain necessary clearances for the resident project manager.
7. Designate a BKKBN counterpart.

I. INTRODUCTION

The Indonesian National Family Planning Coordinating Board (BKKBN) is interested in establishing an urban-based commercial retail sales program (CRS). Toward this end, BKKBN submitted a request to USAID for a consultant team to examine the feasibilities of such a project. This report documents the findings of the team which visited Indonesia June 15 to June 29, 1980.

Upon arrival in Jakarta, the team learned that the BKKBN appeared to be keenly interested in establishing a CRS project and that its major function should be to determine the degree to which the requirements of the project could be met by the various organizations to ensure success. Extensive discussions with BKKBN staff and members of other organizations that might participate in the project were held to both inform the representatives of the parameters of a successful program and to negotiate the terms and conditions under which a project could most likely be established. Part of this report is devoted to a summary of those discussions. Chapter IV, "Project Guidelines and Organizational Design," is a broad outline of the proposed project as initially agreed upon by the various Government of Indonesia (GOI) representatives. Further revisions are anticipated. Chapter V contains a "Draft Letter of Understanding." This letter was prepared for the BKKBN for transmittal to USAID/JAKARTA. It spells out the issues which must be resolved before the project can be authorized. The guidelines and draft letter were left with officials of the GOI and USAID/Jakarta.

II. CRITICAL ELEMENTS OF THE PROJECT

A separate organization organizationally tied to the BKKBN but functioning autonomously must be created. Representatives of the BKKBN and other designated individuals will sit on the Board of Directors of the new organization.

The functions of the organization will be to:

- a. Design a complete marketing plan for the major urban areas of Indonesia.
- b. Design and test-market approaches and advertising.
- c. Establish a distribution network for both oral contraceptives (OCs) and condoms.
- d. Hire and train a sales and marketing force.
- e. Establish auditing and control procedures.
- f. Establish medical back-up procedures.
- g. Collect acceptor data consistent with BKKBN needs.

In accord with the desire of USAID/Jakarta, the project will be funded initially by USAID/Jakarta through either a three-year PSC or institutional contract under which a resident marketing advisor will establish the project, recruit and train staff, and ultimately transfer the operation of the project to an all-Indonesian staff.

It is recommended that initial market research be carried out under the UNFPA project on Urban Family Planning Programs: Phase I. Additional research may also be carried out before the CRS project begins under the UNFPA project agreement with the Government of Indonesia.

Initial project promotion through the mass media should focus on the "smaller family" theme. The program must then move directly into product advertising, while still retaining the "small family" theme or a theme consistent with BKKBN promotion.

It is recommended the project begin with one brand of oral pills and one brand of condoms. Additional pills and condoms may be added later as line extensions.

Products must be made available by either AID or directly by the BKKBN. Each product should have a unique brand name and be packaged to meet the requirements of commercial distribution.

Before retail sales are initiated, it is recommended that all potential retailers attend an educational seminar to learn about the project and be educated in OC and condom use and patient screening procedures.

All women who wish to purchase OCs should be screened by the retailer in the same way that they are screened by the field worker in the BKKBN rural program. If a woman is eligible to receive oral contraceptives, she will be given a card which entitles her to re-purchase OCs at any designated outlet. If she is not eligible to receive OCs, she will be referred back to a clinic or to a participating physician for further advice.

Each retail outlet should display a poster which lists the nearest clinics to which one can go should any difficulties be encountered. In addition, the retailer must be trained to answer the most important questions about contraceptive use.

The project should be undertaken in phases. Initially, approximately three cities should be included. The project should be expanded to other cities after the first six to 12 months.

III. PROGRAM COMPONENTS

This chapter contains a description of the various components of the proposed urban CRS project and the functions and relationships of the various components. In general, there are five basic components to the proposed project: Project Management, Market Planning, Market Research, Advertising and Promotion, and Distribution and Sales.

Project Management

One of the elements most critical to the success of the proposed project is competent project management. In broad outline, the project is conceived as having a Managing Director who is responsible to a Board of Directors and to whom the various departments responsible for implementation will report. The organization of the management structure is shown in Figure 1.

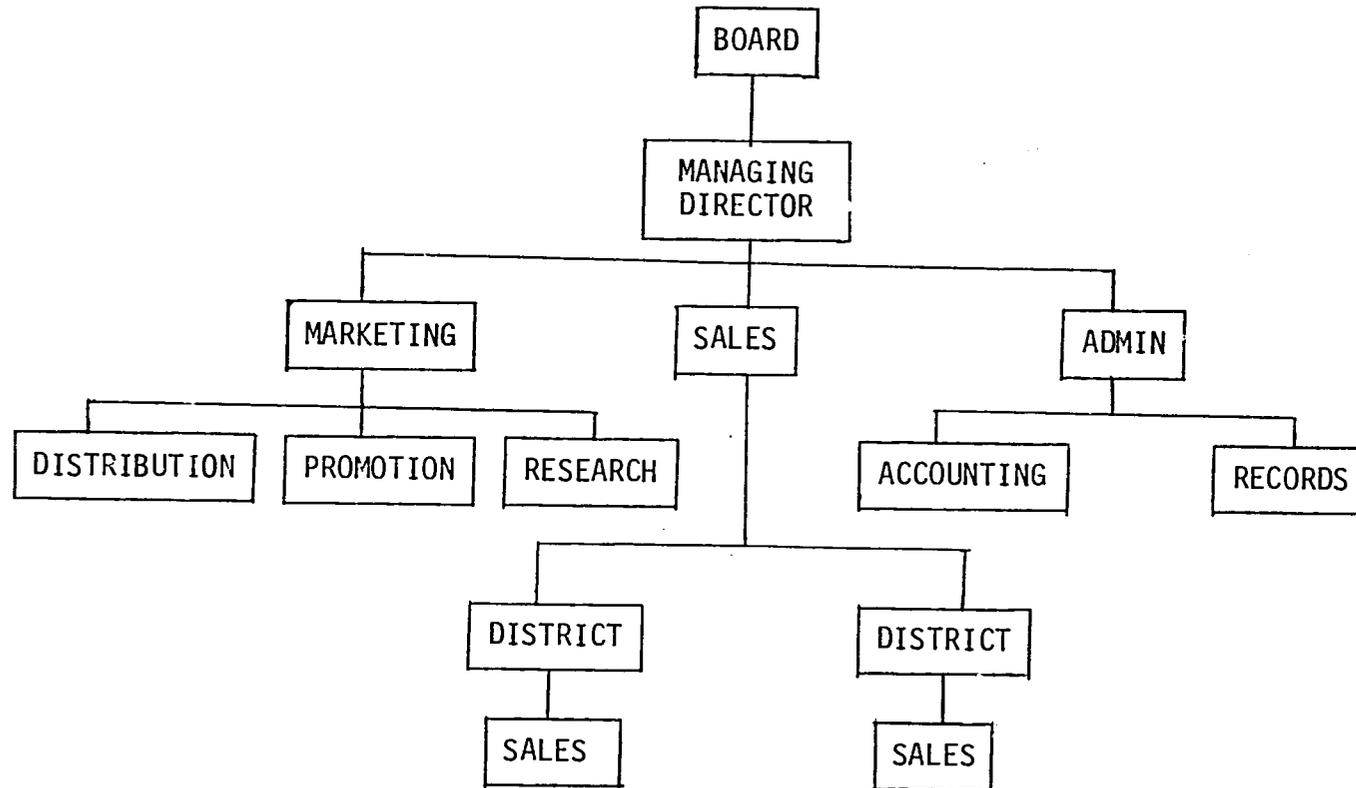
It will be the responsibility of the Managing Director to recruit initial staff, design the marketing plan, and ensure the timely implementation of the project. It will also be the responsibility of the Managing Director to account for all expenditures of funds under the project, whether or not they are provided through local funds or international donor assistance. The Managing Director's ability to thoroughly train local staff to assume full responsibility for the project at the end of the third or fourth year will be critical to the ultimate success of the project.

Marketing Planning

A marketing plan must be written as early as possible, given the relatively short time available before the project is launched. Because it will take some time to recruit a Managing Director and then locate that person in Jakarta, short-term consultants should be retained during the next few months to begin the initial design of the plan.

Some of the preliminary market research which will be useful to the designers has already begun. However, additional research, as well as thorough discussions among the various advertising agencies and potential distributors, will be needed. It is anticipated that the interim consultants will be able to prepare a complete outline of the plan and offer useful suggestions about the details of a portion of the plan, and that the Managing Director will be able to begin implementing the initial activities shortly after he arrives in Jakarta.

Figure 1
MANAGEMENT STRUCTURE OF PROPOSED PROJECT



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Throughout the life of the project the plan should be continuously updated and revised if necessary. Initially, it may be desirable to retain the services of an outside organization, though planning should ultimately become a function solely of the CRS organization.

Market Research

Commercial research firms sufficiently skilled to support the research requirements of the project exist in Jakarta. The cost of doing research appears to be high (over \$20.00 per case), but it is probably justified, given the diversity of the population and the difficulties in constructing an urban sampling frame.

Initial research on the overall urban family planning (FP) program is at this time being carried out by IN-SEARCH with funds provided by the BKKBN under an agreement with the UNFPA. Additional areas of inquiry have been added to gather information useful to the CRS project. A request has been made to include a sub-sample of male respondents in the overall survey.

Before the Managing Director arrives, research should be undertaken on the attitudes and practices of distributors, pharmacists, and toko obot owners. Preliminary identification of brand names and package design should also begin immediately.

It is anticipated that research requirements throughout the life of the project can be met by using local organizations. However, short-term consultants who have direct experience in questionnaire design and the analysis of commercial marketing activities also should be considered.

Advertising and Promotion

A number of competent advertising firms exists in Indonesia. It is estimated that the initial advertising budget should be in the range of \$300,000 per year, plus cost of production and design. All outdoor advertising in Jakarta is subject to a local tax. It is recommended that the BKKBN seek an exemption from the tax.

All available media, including radio, television, newspapers, magazines, billboards, posters, point-of-sale, and direct selling to consumers, should be used for the project.

It is illegal to advertise oral contraceptives outside of the normal ethical pharmaceutical channels. The BKKBN is considering this problem and is attempting to obtain a clearance to promote the project and its products. There are no prohibitions on the promotion of condoms.

Media and Media Costs

The general characteristics of media in Indonesia are listed below. It should be noted that the availability of prime media (particularly television) is generally limited, that rate increases are likely to be significant, and that the market is generally a "sellers" market vis-a-vis the purchase of advertising space.

A. Television

o Number of Licensed Sets	1,268,000
o Number of Unlicensed Sets (estimated 75 percent)	<u>950,000</u>
Total	<u>2,218,000</u>

Viewers: 4.1 - 5.5 viewers per set

Advertising buys: SN II National (8:30 a.m. - 9:00 p.m.)

SN I National, less major

Regionals (6:30 a.m. - 7:00 p.m.)

Sponsorships

CPM (1978): 160

B. Magazines

	<u>Circulation</u>	<u>Readership</u>	<u>CPM</u>	<u>ABC Reach</u>
1. <u>Fortnightly</u>				
Femina	120,000	839,000	656	12.6
Kartini	112,000	507,000	888	10.7
Gadis	75,000	401,000	493	10.2
Dewi	109,000	966,000	3,571	2.2
2. <u>Monthly</u>				
Intisari	144,000	966,000	311	13.5

C. Radio

- o 580 Stations
- o 7.5 Million Sets Reaching
- o 50 Million Listeners

D. Cinema

- o 1,200 Cinemas

E. Media Costs

<u>T.V. Spot Rate Increases</u>	<u>Magazine Rate Increases</u>	<u>Newspaper Rate Increases</u>
1975 + 30%	+ 15%	+ 30%
1976 + 51%	+ 15%	+ 40%
1977 + 40%	+ 19%	+ 42%
1978 + 50%	+ 28%	+ 30%
1979 + 127%	+ 22%	+ 28%
1980 + 40%	+ 26%	+ 38%
1981 + 60%	+ 20%	+ 25%
1982 + 60%	+ 20%	+ 25%

Distribution and Sales

The distribution network for both pharmaceutical and consumer products is similar, although the markups vary by product type. In general, for a high volume consumer product the markup by the distributor is 15 percent over the net manufacturer's price. The wholesaler adds another 5 percent, although discounts of 1 percent to 2 percent are offered to obtain new business, and the retailer adds an additional 10 percent to 15 percent. In pharmaceuticals the markups are 20 percent to 25 percent for the wholesaler and 30 percent to 35 percent for the retailer.

It is anticipated that the CRS project will use a combination of drug and general merchandise distributors and wholesalers. Were the price of pills, for example, to be 300 Rps. per cycle, the implied selling price to the distributor would be approximately 160 Rps. (approximately U.S. \$0.25).

Since wholesalers are primarily order-takers and stockists, it will be the responsibility of the CRS project itself to generate sales to the retailers. Toward this end, the project will ultimately employ at least 11 sales representatives and it may employ ad hoc house to house "field" workers who can screen potential new acceptors and sell the first cycle of oral pills or the first unit of condoms.

IV. PROJECT GUIDELINES AND ORGANIZATIONAL DESIGN

The Indonesian Family Planning Program and Indonesian National Family Planning Board

Over the past decade, the Indonesian Family Planning Program has shown remarkable success in reaching fertile couples in the rural areas of the country. Over five million Indonesians are now using family planning methods. The program has necessarily and appropriately been targeted to rural residents, because they comprise almost 80 percent of the approximately 142 million inhabitants of the country.

The family planning success rate--over 30 percent of all eligible couples in the country--is unequally distributed, with significantly lower use reported in the major urban centers. A recent survey of Jakarta completed by the School of Public Health of the University of Indonesia showed that slightly more than 50 percent of married couples of reproductive age had never practiced any form of family planning. In general, it is estimated that contraceptive use in urban Indonesia is at least 10 percentage points less than contraceptive use in the rural areas.

Because of the problems encountered in urban areas, the Indonesian National Family Planning Coordinating Board has placed a high priority on increasing urban acceptor rates by strengthening the urban family planning program and by using a multi-pronged approach that includes the establishment of a commercial retail sales program.

A. Program Strategies

The following program strategies have been proposed to accelerate the implementation of the urban family program:

- o Expand the range and quality of existing government-operated family planning services and facilities in cities.
- o For those who desire private services, use these and other existing facilities on a fee-for-service basis in relation to income levels and affordability.

It is not visualized that more capital investments will be diverted to urban areas for new hospitals, clinics, and other facilities. What is proposed is marginal improvements to increase accessibility.

- o Stimulate participation of private doctors, midwives, clinics, and traditional midwives in the family planning program through IEC and promotional activities.
- o Distribute contraceptives at low subsidized prices through retail outlets, such as apotiks and other possible distribution points, in consultation with the Department of Health and FDA. This program is known as the Commercial Retail Sales Program (CRS).

At this time, governments of 21 countries use CRS channels to deliver FP services. Among these countries are India, Bangladesh, Thailand, Nepal, Ghana, Sri Lanka, Mexico, Jamaica, Egypt (proposed). In most of these countries contraceptives are sold for a modest price through a variety of retail outlets similar to apotiks, drug stores, and warongs. The products have brand names and are advertised through the mass media.

B. Commercial Retail Sales

It is recommended that an urban-based commercial retail sales program be established as soon as possible in Indonesia to assist the BKKBN in meeting its goal of increasing urban contraceptive use. Such a program has great potential for success because:

- o Compared to the costs of establishing an extensive urban clinic-based system, the incremental costs of a CRS project are modest.
- o Indonesia's commercial capabilities for distribution, retailing, promotion, and research are more than adequate to support the project.
- o The management of the BKKBN will not be overburdened with a CRS project since the project will be conducted by a semi-autonomous organization with non-BKKBN staff.
- o The market place is active and dynamic.
- o The potential market is large (approximately 2.7 million eligible couples), heterogenous, literate (about 60 percent) and with adequate income levels.

1. Corporate Structure

As in other countries, the BKKBN proposes to implement a CRS program through a separate entity, either by creating an autonomous agency or by incorporating the program as an independent activity within an existing organization. These approaches should be examined further and the capabilities of the existing organizations assessed.

Experience shows that wherever it is undertaken, a commercial social marketing activity has to be implemented in a businesslike, professional manner. Experience also shows that social service-type agencies and public administration organizations may not be the agencies best suited to accomplish the business and social marketing tasks.

The proposed CRS organization would be responsible and accountable to the BKKBN, but it would have total functional, operational, financial, and managerial autonomy. The CRS activities would constitute an integral part of the national family planning program. BKKBN would constitute a governing board to oversee the activities; its members would include representatives from BKKBN, Department of Health, FDA, IDI, Indonesia Mid-Wife Association, YIS, YKB, Kimia Farma, pharmaceutical firms, etc. As a funding agency, USAID could be represented as an ex officio member.

The Vice Chairman of the BKKBN would be the Chairman of the Governing Board and the Deputy (Family Planning Programs) would be the Executive Vice Chairman. There would be an Executive Committee of about three members chaired by the Executive Vice Chairman. The head of the CRS program would be the Member Secretary of the Governing Board and the Executive Committee. The Governing Board would meet once a year and the Executive Committee would meet every quarter. The head of the CRS organization (the designation will be determined later) would be the Chief Executive Officer of the organization and would have management, financial, and operational responsibility.

The CRS organization is conceived as a non-profit organization. This means that any surpluses or revenues of the operation would not be distributed as dividends or bonuses to staff members or to the Governing Board. The appropriate use of the funds thus generated will be determined by the Governing Board in consonance with the norms established by the Government of Indonesia.

The consultants have suggested to BKKBN that the revenues thus generated could form a corpus and revolving fund, the returns on which could be used to finance CRS activities once bilateral assistance is withdrawn.

As envisioned, CRS activity will require the full use of existing organizational and commercial resources and agencies in Indonesia. Duplication of effort in these areas will be avoided as far as possible. The services of the relevant yayasans, Kimia, Farma, other private firms, commercial distribution agencies, advertising agencies, and other related organizations will be used wherever necessary and service charges levied and fees paid.

2. Areas of Activity: Immediate and Future Directions

Initially, the CRS program would concentrate on the sales of contraceptives (condoms and oral pills) at a modest price. These contraceptives would be available through retail outlets to married eligible couples of reproductive age, which is the target group of the BKKBN program.

Depending upon the success of the program, IUDs also could be distributed through these channels. Subject to decisions at appropriate levels, private family planning services and facilities could also be operated in cities under these auspices.

It is feasible to market nutritional support products and oral rehydration salts (ORS) for children through these channels.

The BKKBN would provide contraceptive products to the CRS organization at no cost.

3. Operational Issues: Delivery System

The existing BKKBN family planning (field) program operates through lay field workers who are technically under the supervision of family planning clinic staff. Field workers issue the first cycle of the oral contraceptive after the clients are examined by medical personnel. The field workers also make available subsequent supplies of the contraceptives.

The number of family planning workers and centers in the cities is rather limited, given the size of the population. City dwellers face problems other than the lack of clinics. Among the problems are clinic hours, overcrowding, etc.

The operational problems can be resolved by approving the apotiks as recognized BKKBN family planning centers. Pharmacists and assistant pharmacists are better qualified and more highly trained than lay field workers. The BKKBN would provide additional relevant orientation and training for these individuals. Trained pharmacists from apotiks would be recognized as family planning workers and supervised by the staff of the family planning clinic located in the area. The family planning staff would visit these outlets periodically. The pharmacists and trained staff in apotiks would perform the required examination and provide an acceptor card. As in the existing program, the acceptor card will indicate whether subsequent cycles of OCs should be supplied.

In following this procedure, the BKKBN family planning program will attempt to co-opt and incorporate the private sector and seek its cooperation in the national program.

Drug stores such as toko obats are expected to employ assistant pharmacists. Staff for the drug stores would be trained and recognized as family planning workers, thus enabling the establishments to participate in the program under the joint supervision of the pharmacists of one of the apotiks in the area and BKKBN family planning staff. The extension of the network of family planning workers would greatly facilitate the CRS program.

Each apotik would ensure that all of the acceptors receive information about FP clinics and recognized doctors to whom they can go if they have any problems.

Every participating apotik and other possible distribution points in this program would display in the shops the BKKBN approval certificate, as well as the list of the BKKBN and Department of Health family planning clinics in the area.

4. Promotion, Information, and Communication

The contraceptives marketed through the CRS program should have specific brand names and should be promoted under these brand names through the mass media.

BKKBN information, education, and communication (IEC) activities include promotion of the oral pill as one of the methods of the national family planning program. Under the CRS program, the oral contraceptive pill should be promoted with the condom as a branded product. The promotion of branded products should be in keeping with the national norms. There should be no difficulty in promoting the pill, even though it is an ethical product, since the current practice is to promote the pill as part of a national program for the public good and familial and personal well-being.

Products should be promoted in newspapers and magazines, on television and radio, and in the cinema. Billboards, hoardings, and point-of-sale promotion should also be used. The products should be promoted as brand products and sold through retail outlets. The promotional campaign should be viewed as part of an accepted BKKBN-sponsored information, education, and communication program. The services of the private professionally-qualified advertising agencies should be used.

5. Distribution

One of the aims of the CRS program is to make contraceptive products available through as many urban retail outlets as possible. To reach these outlets and, ultimately, the consumer, the products will have to be distributed through the existing chain of distributors, wholesalers, and dealers. No single distributor has access to every kind of outlet in every region and province. The CRS program would have to use more than one distributor channel,

including Kimia Farma, other private distributors, and private companies. The retailers and distributors would be paid normal trade commissions and margins.

6. Pricing Policy

Initially, the contraceptive products must be made available by BKKBN for the CRS program at no cost. They should be sold at a modest and reasonably low price, within the purchasing capacity of the average urban wage earner. The products should be sold at a pre-determined fixed price, which would be marked on the package and promoted. The retail price to the consumer should include commissions to the retailer(s), wholesalers, and distributors, as well as some overhead.

The objective of the BKKBN program is to provide free contraceptives to the population. The CRS program is, nevertheless, an attempt to recover partial costs from those who can afford to pay for a product.

C. CRS Urban Program Potential and Justification

There are over four million eligible married couples in the 10 largest cities of Indonesia. Approximately 30 percent of those couples are protected through the family planning program. Accounting for protection through private sources, about 60 percent of the four million couples in the 10 cities have yet to be reached. This appears to be the hard-core target group. Even if the CRS program were to protect an additional 10 percent of eligible couples through promotional retail distribution interventions, its achievement would be significant. Approximately 400,000 eligible couples would receive protection.

The target is attainable if a proper sales, marketing, and promotional strategy is adopted. A study sponsored by BKKBN, Jakarta, indicates that of a total of 314 oral pill users, 63 purchased pills through commercial channels and 251 received contraceptives through the BKKBN program. Of a total of 71 condom users, 44 purchased condoms through the commercial channels, 27 through the government program. Of a total of 232 IUD users, 40 purchased the contraceptive through the commercial channels, 192 through the BKKBN program. The study indicates that in Jakarta over 10 percent of oral pill users and over 65 percent of condom users buy their products through commercial outlets. The study, though based on a small sample, is significant. People in urban areas do use commercial outlets.

The findings on the knowledge and practice of FP methods among women aged 15 to 49 are interesting. In DKI Jakarta 65 percent of the women have heard of a method; in West Java, East Java, and Bali the figures are 69 percent, 64 percent, and 65 percent, respectively. Of those who have heard of a method, 32 percent are users in DKI Jakarta, 20 percent in West Java, 44 percent in East Java, and 47 percent in Bali. Seventy-seven percent of the women in DKI Jakarta are using a program method. In West Java, the figure is 85 percent, in East Java 97 percent, and in Bali 95 percent.

Given these observations, there is reason to believe that urban dwellers do use commercial outlets; the knowledge and practice of family planning, however, is relatively lower in the cities than in other regions in Indonesia. Contraceptive products that are reasonably priced and adequately and properly promoted could attract urban married eligible couples.

The distribution of contraceptives through the clinic-based program is inadequate to reach the target population in the urban areas.

The size in absolute numbers of the group of urban eligible couples of reproductive age would increase in proportion to population size. The number of women of reproductive age (15-49) is projected to be 29.5 million in 1980, 33.7 million in 1985, 38 million in 1990, 45.4 million in 1995, and 50.4 million in the year 2000.

Twenty-nine cities in Indonesia have a population above 100,000. Of these, 16 are in Java, seven in Sumatra, four in Kalimantan, and two in Sulawesi. Of these, three have a population of one million. The rate of growth of six cities is more than twice the national population growth rate. While urbanization is slow in Indonesia, the major cities seem to be growing rapidly. The urban population in Indonesia is approximately 19 percent of the total: this is a deceptive figure, the result of urban definitional problems. The urban fringe areas around larger cities and temporary migration swell the urban population to more than 19 percent.

The average urban wage earner has reasonable purchasing capacity. The per capita income is higher than the national average of U.S. \$370. Nationwide, male literacy is 72 percent and female literacy is 50 percent, but urban literacy rates are higher. More urban than rural Indonesians read newspapers and magazines, watch television, go to the cinema, and listen to the radio.

In view of these rates and the various aspects of the urban profile, one can conclude that with adequate promotion, there is a good potential for marketing contraceptives through commercial outlets. Easy accessibility and convenience are the most important considerations for the average busy and hard-working urban dweller.

D. Organizational Structure

The corporate structure was outlined broadly in Figure 1, page 5. Figure 2 illustrates the proposed management organization. The Chief Executive of the CRS program would be the chief operating officer. He would be assisted by three functional heads in charge of marketing and promotion, sales, and administration and accounts. The sales force would include sales supervisors for groups of cities. These persons would be assisted by field salesmen.

The entire staff would receive remunerations and compensations commensurate with their experience and at par with current remuneration levels in business and industry.

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Figure 2

PROPOSED MANAGEMENT ORGANIZATION:
SYSTEMS CHART FOR THE CRS PROGRAM

Chairman
Executive Vice Chairman

Chief Executive

Administration
and Accounts

Marketing and Promotion

Sales

Regional Sales
Supervisor I
(RSS)

RSS
II

RSS
III

RSS
IV

Field Salesmen
(FS)

FS

FS

FS

E. Implementation Strategy

BKKBN would like to approach USAID for assistance to implement the CRS program over the next three to four years. It would submit to USAID the necessary protocol and an outline of the contents of the program and the financial requirements. It is proposed that USAID provide financial assistance directly to the proposed CRS organization according to the terms of the agreement reached between the two agencies. The CRS program would be implemented in phases in 10 cities beginning April 1, 1981.

F. Responsibilities of the Parties

1. BKKBN

1. BKKBN will write a letter of intent to USAID outlining the CRS project and requesting assistance to:
 - set up the CRS organization to market and promote contraceptives;
 - retain the services of a short-term (three to four months) consultant at the beginning of September 1980 to assist in project preparation and planning;
 - obtain the assistance needed to undertake special studies to prepare marketing and promotional plans; and,
 - retain the services of a long-term (three to four years) program advisor to assist in institution-building, the training of staff, and the nationwide implementation of CRS program. This consultant may be needed at the beginning of November or December 1980, after preparatory work and planning work are completed.
2. BKKBN will begin internal planning and hold consultations with various other government agencies to define the corporate and legal structure of the proposed CRS organization and to take preliminary steps to incorporate it; and to examine and issue policy directives on operational issues (see numbers 2-4 above), the delivery system, promotion, distribution, and pricing.

Policy clarifications should be made available by the beginning of September 1980.

3. BKKBN may have difficulty securing or ensuring adequate supplies of condoms. It would like USAID to consider a special dispensation (grant purchases) for condom supplies from the U.S. or other sources.
4. BKKBN would assure the supply of free contraceptives for the CRS program for three to four years.
5. BKKBN would provide assurance that it would continue to financially support the CRS program upon termination of USAID assistance.

2. USAID

Subject to the commitments listed above, USAID would consider BKKBN's request to provide a short-term consultant for three to four months and to consider providing long-term assistance and making available the services of the long-term program advisor. (USAID's decisions would be based on the review of final project proposal.)

V. DRAFT LETTER OF UNDERSTANDING

Dear :

This letter summarizes recent discussions between USAID/Jakarta, BKKBN, and other representatives on the establishment of a subsidized urban commercial retail sales of contraceptives (CRS) program in Indonesia. Based on the consultants' report, and on one's own interests, the CRS program does indeed appear to be a feasible alternative for increasing the family planning program acceptor rates among the over 4 million eligible couples now living in Indonesia's 10 largest cities. However, there remain a number of issues which must be addressed by us before a program such as the one proposed can be undertaken. Specifically, we are going to resolve the following issues within the next eight weeks to ensure that the program, if implemented, will be successful:

1. What is the best way to establish a new organization which will be linked to the BKKBN but still function autonomously in the normal commercial environment?
2. What is the most appropriate mechanism for ensuring adequate medical supervision of first-time oral contraceptive users in the program?
3. How can the supply of commodities be assured throughout the life of the project:
4. How can oral contraceptives be advertised through the public media?
5. How can oral contraceptives be made available through appropriate retail outlets?

Assuming that the above five issues can be resolved favorably, we will request that USAID supply a short-term consultant to the BKKBN around the latter part of August or early September to assist in developing the specifics of the project design. Once the project is designed, we will request that a long-term advisor, skilled in the area of CRS implementation, be assigned by USAID to the project. We expect the resident advisor to assist in establishing the project and in training an Indonesian staff to assume full responsibility after a period of three to four years. In addition, direct participation by the Office of Population, USAID/Jakarta, is considered essential to the success of this project. We will also request that USAID/Jakarta participate in funding the required elements of the project for the first three or four years, with the GOI assuming such costs on a phased basis at the start of the third year. Elements include promotion, personnel, transport and travel, facilities, research, and packaging. In addition, in the event that we are unable to procure condoms for the program, we will request that USAID/Jakarta supply American-made condoms to

ensure continuous product availability. While we have not yet developed a detailed budget, it appears that the project will cost about U.S. \$850,000 per year, exclusive of commodities.

As you may know, we have already started the initial market research which will be necessary to begin the CRS project. We are indeed committed to this project and anticipate that it will make a significant contribution of the achievement of our national family planning objectives. We trust that we can count on USAID to support us in this activity.

Sincerely yours,

VI. CONCLUSION

The BKKBN is strongly committed to improving urban family planning acceptor rates. It is recognized that an urban-based CRS project would be instrumental in achieving the goals set by the program. While interest does exist, a major constraint is the requirement that the project begin before April 1, 1980. This timetable implies that the resident advisor must be in Jakarta by the first of November and that the effort to design the preliminary marketing plan and conduct the required research begin almost immediately.

The team recognizes that timing is a potentially serious problem; it therefore encourages AID/Jakarta to begin recruiting a resident advisor as soon as possible. AID/W can assist in the nominating and interviewing potential candidates and in writing a personal services contract. If an institutional contract is required, and if normal competitive procurement procedures are followed, it is unlikely that the project can be successfully implemented within the required time frame. Failure to meet the GOI timetable will result in a delay until sometime in 1983.

In addition, both AID/W and AID/J should move quickly to supply the BKKBN with additional consultant services before the resident advisor arrives to assist in conducting the appropriate market research and in drafting the initial marketing plan.

Ensuring an adequate supply of commodities, and particularly condoms, is another potential area of concern. At this time, the BKKBN obtains Japanese-manufactured condoms, which are considered more appropriate for Indonesia than U.S.-manufactured supplies. Whether the BKKBN budget will allow for the purchase of condoms for the life of the project is unknown. However, before the project is initiated, the issue of continuing support must be resolved. Kimia Farma will not be able to produce a sufficient quantity of oral contraceptives for the CRS project. Since AID support is scheduled to terminate within the next few years, the issue of continuing supply also must be resolved.

Appendix
PERSONS INTERVIEWED

BKKBN

Dr. Cholil (BKKBN/Jakarta)

Dr. Haryono

Dr. Hermi

Dr. Soeyatni

Dr. Sudomo

Dr. Sumbung

Department of Health (FDA)

Dr. Marisi

USAID

Mr. Blumburg

Mr. Johnson

Mr. Nibblock

Mr. Piet

UNFPA

Mrs. Piet (Consultant)

Mr. Parson

Schering

Dr. Susanto

Upjohn

Mr. Kai

Kimia Farma

Mr. Thaib

Organon

Mr. Von Kemenade

In-Search

Mr. Sparkes

Mr. Stirling

Johnson & Son

Mr. Chapman

Indo-Ad

Mr. Campbell

Inter Vista

Mr. Niradi

YKB

Dr. Lubus