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INDONESIAN INTERNATIONAL DESIGN CENTER (IIDC) BUSINESS PLAN

HOME FURNISHING VALUE CHAIN

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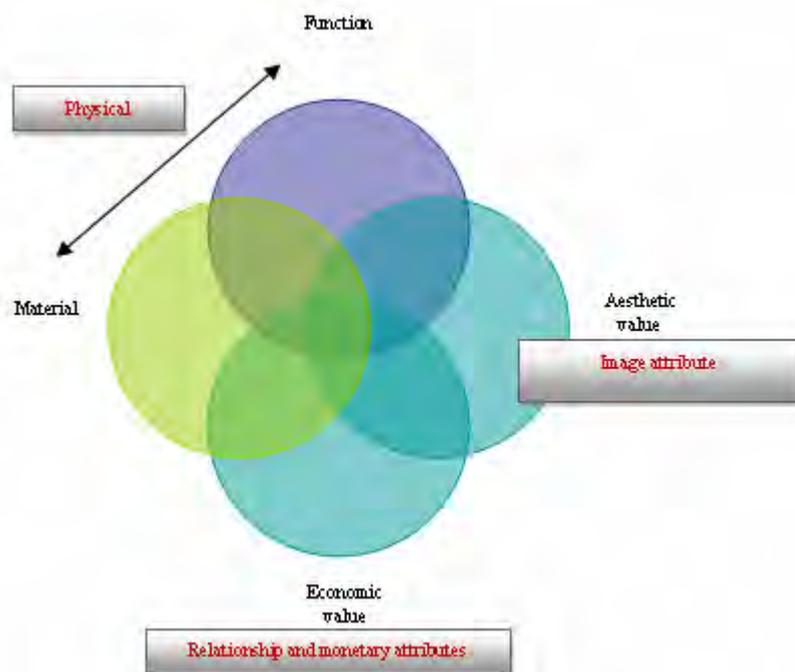
1. PROJECT BACKGROUND

1.1. WHAT IS DESIGN?

Design can be defined as a process of originating and developing a plan for a product, structure, system, or component. In its broadest meaning, design can be applied in various fields such as fashion, architecture, and engineering. To be precise, we can design in every human activity that encompasses creative endeavor. Through design, humanity seeks to make support devices, equipment, and instruments in response to perceived needs and in accordance with reasoning ability to make life more comfortable or efficient.

Design consists of four basic elements: material, function, economy, and aesthetic values. These elements determine the quality of a product and the competitive strength of the product against like products in the market. Design normally requires a designer to consider the aesthetic, functional, and other aspects of an object or a process, which usually requires considerable research, thought, modeling, interactive adjustments, and redesigns.

Figure 1. The Nature of Design



As discussed above and demonstrated in Figure 1, design basically comprises four salient elements: (1) material, (2) function, (3) aesthetic value, and (4) economic value. We can classify these elements into attributes based on marketing strategy. Therefore, material and function together form the physical attributes; aesthetic value represents the image attribute; and economic value is translated into the relationship and monetary attributes.

1.2. WHY IS DESIGN IMPORTANT?

To understand the ongoing trends in home accessories design in Indonesia, the following statement from Ton Has, a home accessories designer, provides valuable insight regarding the issue:

The 1990s' interest in local artisans has gone away, which is more difficult for developing countries. The really traditional pieces from Indonesia have a very small market... the market for really ethnic pieces is gone. Design has become global – world style, integrating element. It's less and less important where a product comes from. The emphasis is on design and trend.

Communities focused on home accessories and other creative industries in Indonesia have yet to become aware of the importance of design, especially among low- and mid-level industrialists. In general, the low- and mid-level industrialists are not well-equipped with design skills. They have limited understanding and technical knowledge of design elements such as aesthetic, production technology, market trends, etc. They tend to make products based on orders, traditional or established design, or simply by imitating products that have already been prepared by customers. This situation has rendered the Indonesian low- and mid-level industrialist's products weak in bargaining position compared to those made in other countries.

In other communities, especially those in which crafts making is an important source of income, the local circumstances of skills, creativity, and materials are equally accessible, but the capacity to design market-appropriate products is not so readily available. On the other hand, in Europe and the US, where most of the products are marketable, although companies have the capacity to design products for their markets, the understanding of the potential of Indonesia as a source of well-made handcrafted products and of sustainably-harvested natural materials is not prevalent. Unless these capacity and knowledge gaps are bridged, the economic potential of these industries and the businesses and employment opportunities that they can provide will never be fully realized.

In order to show the pivotal role of design, we try to associate design with the economic growth of nations. Design is basically derived from – or a product of – creativity, while creativity *per se* can be defined as the ability to create meaningful new forms.¹ New economies and economic development are driven by the creative class; technological and economic creativity are nurtured by artistic and cultural creativity. Subsequently, the economy is believed to move from company-centered systems to more people-driven mechanisms. The creative people are the norm-setting class, defining their own identities rather than identifying themselves with certain organizations, neighborhoods, or even families.

To illustrate the correlation between the level of creativity and economic welfare of countries, we will present the creativity indices of countries in Europe and the US (Table 1). We also present the countries' GDPs (Table 2), which allows a comparison of creativity to overall welfare.

Table 1. The Creativity Indices of Countries in Europe and the U.S.

| Rank | Country | Index |
|------|---------------|-------|
| 1. | Sweden | 0.81 |
| 2. | United States | 0.73 |

¹ Florida, R. and I. Tingali, February 2004, *Europe in the Creative Age*.

| Rank | Country | Index |
|------|----------------|------------|
| 3. | Finland | 0.72 |
| 4. | Netherlands | 0.67 |
| 5. | Denmark | 0.58 |
| 6. | Germany | 0.57 |
| 7. | Belgium | 0.52 (tie) |
| 8. | United Kingdom | 0.52 (tie) |
| 9. | France | 0.46 |
| 10. | Austria | 0.39 |
| 11. | Ireland | 0.37 (tie) |
| 12. | Spain | 0.37 (tie) |
| 13. | Italy | 0.34 |
| 14. | Greece | 0.31 |
| 15. | Portugal | 0.19 |

Source: Richard Florida and Irene Tinagli, *Europe in the Creative Age*, 2004.
Data are from various years within the period of 1997-2000

Table 2. Gross Domestic Products of Countries in Europe and the US

| Rank | Country | GDP (in USD million) |
|------|----------------|----------------------|
| 1. | United States | 8,230,397 |
| 2. | Germany | 2,134,205 |
| 3. | France | 1,426,967 |
| 4. | United Kingdom | 1,357,197 |
| 5. | Italy | 1,171,865 |
| 6. | Spain | 553,230 |
| 7. | Netherlands | 381,819 |
| 8. | Belgium | 248,184 |
| 9. | Sweden | 226,492 |
| 10. | Austria | 211,858 |
| 11. | Denmark | 174,870 |
| 12. | Finland | 123,502 |
| 13. | Greece | 120,724 |
| 14. | Portugal | 106,697 |
| 15. | Ireland | 81,949 |

Source: World Development Indicators 2000, World Bank

The facts above indicate that countries enjoying high GDPs also possess high creativity indices. Predicated upon this perspective, it is obvious that in the current global arena, the contribution of creativity to a country's economic performance is significant. Therefore, Indonesia must improve its people's creativity if it wishes to successfully compete with other countries. It must harness

creativity as a source of competitive advantage. In the following section of this business plan, we will focus our discussion on the aspects of design in the home accessories industry, particularly in the scope of Indonesia.

1.3. ROLE OF DESIGN CENTER

There are numerous and varied design centers, both in Indonesia and internationally. They are differentiated by their specific coverage, whether regional or in the types of product design. In order to tap the opportunities provided by the enormous global and domestic home accessories market, Warwick Purser, Biranul Anas Zaman of the Bandung Institute of Technology, and Soeprapto Soedjono of the Indonesian Institute of Art contemplate establishing a design center in Tembi that would facilitate information and knowledge dissemination; capacity building for developing market-appropriate products; and which would benefit and involve parties from the production side as well as the market side of the industries involved. This design center will be named the Indonesian International Design Center (IIDC).

The basic idea is that domestic entrepreneurs, especially those producing and marketing crafts and home accessories, lack competitive advantage compared to international traders. According to analysts, the loss of competitiveness is caused by several factors, including: (1) the lack of information on, and knowledge of, dominant designs; (2) the dearth of access to international markets; and (3) inconsistent quality standards for products. Among the aforementioned factors, the lack of knowledge of contemporary designs is the highest contributor to Indonesia's uncompetitive position. This circumstance is unfortunate, considering that Indonesia is endowed with abundant sustainable materials that could be exploited to create the excellent green products preferred by international consumers.

Design and market are a complicated combination in the Indonesian perspective. As recognized by industry players, the current market highly demands that producers use sustainable materials and production processes. Many producers have well-designed products, but fail to offer sustainable materials. Others have created and sold sustainable products, but unfortunately these products are not complemented with great design. To be truly competitive, the domestic producers and the country as a whole need to respond to the market-driven design demands and equip the next generation of designers with excellent design and analysis skills. This need led to the idea to establish the IIDC.

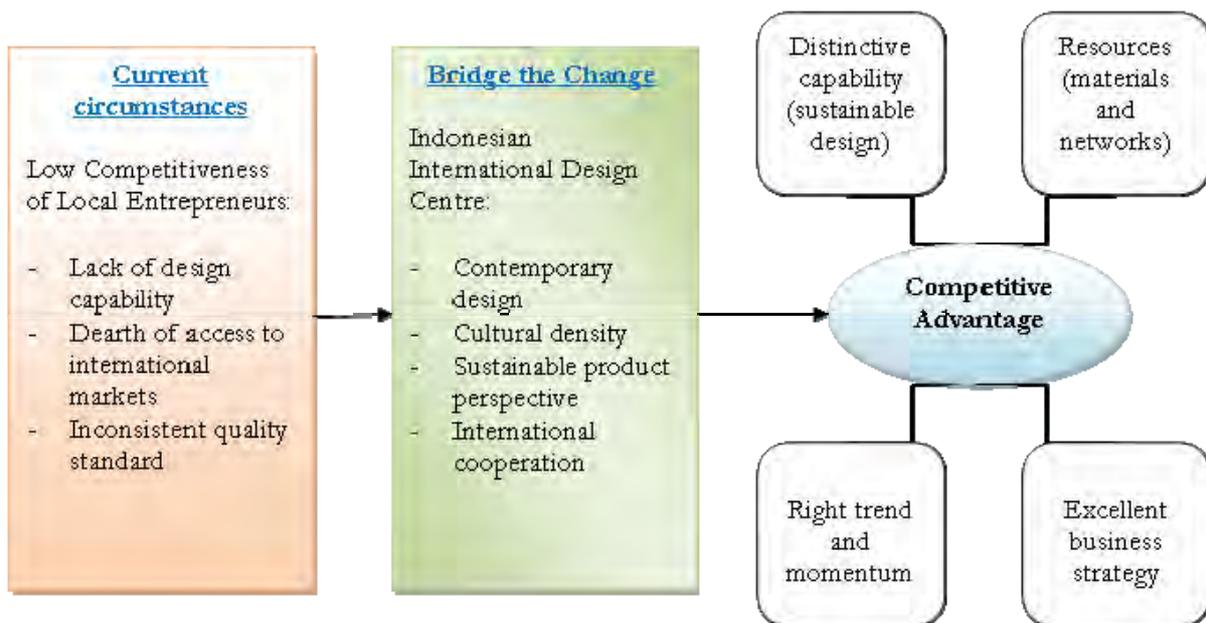
The IIDC, as a center for creativity learning and collaboration, will play a crucial role in improving Indonesian competence in creative design. Unlike conventional design centers (which commonly provide customers with design-making services and design consulting work as their revenue sources) the IIDC will be focused on design education with the goal of cultivating and leveraging the creative and innovative mind-set in Indonesia – both at present and in the future. Accordingly, the IIDC will emphasize the empowerment of local craftsmen, design students, industry players, and other stakeholders in the design industry. As a result, the IIDC will serve as a center and facilitator for all related parties to exchange ideas, experiences, and information about ongoing trends in the industry. As a starting point, the IIDC will focus on design education for home accessories products. In the future, the IIDC will expand into broader areas of design, such as graphic design, production design, art design, interior design, etc.

The IIDC has a vision of leading Indonesia's designers and design industry to the best position in Asia by 2013. In order to achieve this, the IIDC has several smaller goals, which can be elaborated into the following points:

- To empower the competitiveness of local home accessories producers in design such that they will be capable of competing with international producers in national and international scopes.
- To increase the awareness of global design and trends in order to increase the level of income and welfare of Indonesian producers.
- To improve the ability of human resources to master techniques and know-how in design.
- To extract and improve the nation's cultural richness as creative design sources.
- To promote environmentally-sustainable production through design education that encourages respect for and preservation of natural resources.
- To balance the pressures of design from developed nations and the negative impacts of globalization, and to anticipate the fast growth of design and strong international competition.

The following figure depicts how the IIDC may bridge the gaps and enhance the nation's competitiveness.

Figure 2. Paths to Competitiveness through the Prevalence of the IIDC



2. BUSINESS PLAN METHODOLOGY

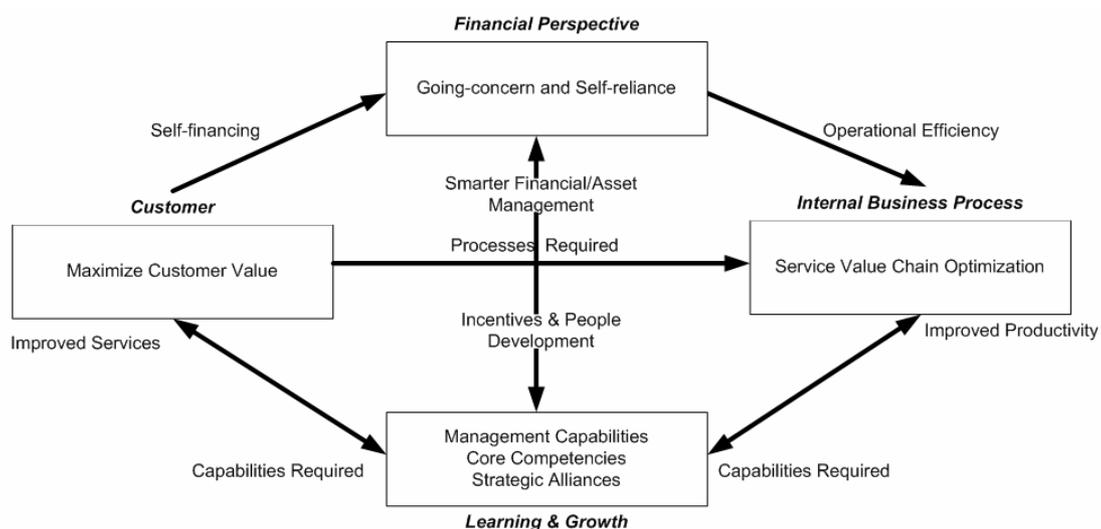
In order to design the business plan for the IIDC, the following methodology was used:

- The proposed idea of the establishment of the IIDC as an international standard design education center in Indonesia.
- Preliminary research to obtain essential information regarding the business plan.
 - Research on the design education center
 - Focus group discussions and interviews with stakeholders

The following are potential markets for, and stakeholders in, the project implementation:

 - Founding committee
 - Participating universities and institutes
 - Legal people
 - Furniture manufacturers
 - Associations
 - Yogyakarta government
 - Department of Industry, Trade, and Cooperatives
 - International and domestic buyers
 - Market research
 - Research on the home accessories industry to acquire facts and trends
- Development of the business plan will be based on the Balanced Scorecard (BSC) approach. From the Balanced Scorecard model, we can view the IIDC from the four perspectives presented below.

Figure 3. The Balanced Scorecard Perspective



- Implementation of the business plan.

3. MARKET FOR DESIGN SERVICES

The past success of the Indonesian handicraft industry was fueled by low international competition and the success of the tourism industry, which attracted motivated buyers. These buyers wanted to visit Bali and Java and were willing to make the effort in spite of the inconveniences of distance, language barriers, and low productivity associated with Indonesia. Because these buyers brought orders to Indonesia, the industry never had to search for buyers or think about the end users of their products, and thus never had to dig for or deal with raw data – such as design and market-related information.

Those circumstances made handicraft industry participants complacent, and they adopted a passive marketing business model. Unfortunately, this business model did not require them to develop many of the skills needed to respond to today's constantly changing and increasingly competitive landscape, thereby positioning the Indonesian handicraft industry at a disadvantage.

The establishment of the IIDC will help the industry meet the need for information access to export markets and design trends. All of the stakeholders in the industry, including producers, exporters, buyers, and service providers, will be able to utilize the potential of traditional Indonesian and sustainable designs, and benefit from increased awareness of international trends in design. By empowering students, designers, and manufacturers to realize the importance of design, the IIDC will be able to boost the competitiveness of local manufacturers in the global marketplace.

Prospective customers for the services provided by the IIDC can be categorized into three main categories:

- Immediate markets
 - Domestic universities
 - International universities
 - Domestic and international students
 - Designers
- Intermediate markets
 - Producers: local craftsmen, exporters, and manufacturers
 - Design associations
 - Other design centers
 - Regional governments, designers, and producers
- Long-term markets
 - Buyers: importers
 - International agencies

In the following section, the interrelationships among the prospective customers, a thorough description of their expectations of the IIDC, and suggestions regarding IIDC programs are illustrated.

3.1. IMMEDIATE MARKETS

3.1.1. DOMESTIC UNIVERSITIES

Research and focus group discussions show that domestic universities will be the most immediate markets for the IIDC. Following are the universities' expectations and reactions to the IIDC, as well as potential services to be delivered.

- **Enthusiasm for IIDC services**
The universities, such as ITB, ISI, and UKDW, may provide their faculty members as facilitators in IIDC programs. In addition, the founding committee members (ISI and ITB) will collaborate and provide resources necessary to operate the IIDC, such as books, materials, catalogs, educational programs, and international networks.
- **Types of services to be offered**
There are two major programs demanded by the universities:
 - Internship programs.
 - Short-term workshops or training programs.An ideal period of time for the internship is three months. The domestic universities normally allocate a three-credit course for practical work or internship. Students usually attend internships from June–August, September–November, or March–May. If the IIDC can convince domestic universities to send as many students as possible for an internship program, it will highly benefit the students, the universities, and the IIDC.
- **Preference of method of education**
Technical education is preferred since it can fill the gaps existing between formal education in the classroom and real world applications. Furthermore, the education process should be based on teamwork, and the program will emphasize the processes of production and introduction to materials.
- **Preferred length of education programs**
 - Internship programs should last for 2 to 3 months.
 - Workshops should last for 4 to 7 days.
- **Competency desired upon completion of the programs**
 - Broader network with designers and students from national and international universities.
 - Practical knowledge gained during the internship.
 - Trend setting and analysis skills that will lead to job and business opportunities.
- **Value added of the IIDC services**
The IIDC will be able to introduce the trends of international design to domestic students. Its programs are expected to become a place of reference for design education in Indonesia, combining the prevalent trend with sustainable materials and production techniques.

3.1.2. INTERNATIONAL UNIVERSITIES

Goldsmiths College of the University of London will be the main international partner in the beginning of IIDC operations. Over time, other international universities will be approached to join the network, such as Royal Melbourne Institute of Technology, University of Queensland,

Pforzheim University of Applied Sciences, and others. Internationalization is unanimously one of the most attractive elements of the IIDC to potential customers. By involving international partner universities, the IIDC will gain national and international recognition, making it more influential on the design industry in Indonesia.

- **Enthusiasm for IIDC services**
International universities are interested in sending students for internship programs. They are also keen on conducting research on sustainable design, and they realize that the research will be more realistic and substantial when done in a place such as Indonesia where sustainable materials are abundantly available.
- **Types of services to be offered**
Major programs demanded by the international universities:
 - Internship programs.
 - Technical exchanges.
 - Workshops and seminars on creativity and sustainable design.An ideal period for the internship program is the summer semester (June–August). Outside of the summer period, it will be difficult to attract international students to IIDC programs.
- **Preference of method of education**
Practices and research are to be balanced since they can fill the gaps existing between formal education in the classroom and real world applications. Furthermore, the education process should be based on teamwork, and the program will emphasize the process of production and introduction to sustainable materials.
- **Preferences regarding education programs**
 - Internship programs should last for 12 weeks.
 - Internships should be spread over several areas in Indonesia.
- **Competency desired upon completion of the programs**
 - Broader network with designers as well as students from Indonesian and international universities.
 - Practical knowledge gained during the internship.
 - Trend setting and analysis skills that will lead to job and business opportunities, especially with respect to sustainable design.
- **Value added of the IIDC services**
International students will gain a better understanding of sustainable materials and traditional designs. Meeting their Indonesian counterparts will add value to their experience because they will receive insights about traditional design, materials, and cultural diversity. In addition, networking with the IIDC will enhance an international university's reputation and global rating.

3.1.3. DOMESTIC AND INTERNATIONAL STUDENTS

As discussed in the previous section, national and international universities – as organizations – are considered potential markets. In addition, university students as individuals are also deemed to be the markets for the IIDC. Several benefits that will be enjoyed by the students are as follows:

- Students will receive an opportunity to enhance their conceptual, innovative, and technical skills in design.
- There are chances for direct employment from interested manufacturers who are searching for capable and competent workers in the field of design.
- They will gain the ability to share knowledge, networks, and skills with other students and lecturers on engaging issues in design.

IIDC programs must fulfill the following criteria for the students to participate:

- The courses must be integrated with their study requirements. Therefore, the IIDC will award a certificate officially recognized by their universities as part of the internship program.
- The IIDC must provide adequate accommodation for international and local students and lecturers for the length of the programs.

3.1.4. DESIGNERS

The IIDC will become a central hub for local and international designers to meet and develop their interests and passion for design. They will be able to share their expertise and experiences with other designers, students, and producers. There will be a process of mutual learning where the designers will reap the benefits of the sharing process. Such benefits include: 1) improved understanding of international trends; 2) networking with potential producers and buyers; and 3) the opportunity to conduct research with students, other designers, and local craftsmen in order to develop new breeds of local design. As a consequence, designers are enthusiastic about the establishment of the IIDC. The designers will act as contributors and participants in IIDC programs. They will be actively involved in the programs, either as lecturers or as participants.

3.2. INTERMEDIATE MARKETS

3.2.1. PRODUCERS

Producers are enthusiastic about the establishment of the IIDC. However, they should be considered an intermediate market because: (1) the IIDC is being established as an educational design center, thereby reducing direct benefits for the producers (such as consulting services); (2) the producers may wait and see if the IIDC will be effective before deciding to participate in IIDC programs.

- Enthusiasm for IIDC services
Producers are interested, provided that the programs offered are relevant to their industry or competency.

- Types of services demanded
Technical-type trainings which provide the skills needed to design and produce finished products. This is particularly important for producers whose markets are export markets.
- Preference of method of education
Case study on design and the implementation of design in the production process.
- Preferred length of education programs
Maximum period of a single program is two weeks.
- Competency desired upon the completion of the program
 - Understanding of international trends for the upcoming 1 or 2 years.
 - Creative thinking ability in designing products.
- Value added of IIDC services
The participation of foreign design students and lecturers will widen and enrich the exposure of local participants on progressive international trends.

3.2.2. INDUSTRY ASSOCIATIONS

There is a wide variety of industry associations in Indonesia, including *Asosiasi Mebel Indonesia*, *Asosiasi Desain Produk Indonesia*, *Himpunan Desainer Interior Indonesia*, *Asosiasi Desainer Grafis Indonesia*, and *Federasi Pengemasan Indonesia*, among others. As these associations play a role in gathering producers and/or designers, they too could be targeted as a potential market.

- Enthusiasm for IIDC services
Industry associations are eager to assist with IIDC programs, as they will reap benefits from cultivating a rapport with national and international designers and gain state-of-the-art knowledge of international trends and design. They will provide assistance and promotion for the programs organized by the IIDC. Meanwhile, they could facilitate the training process by sending members to be lecturers and participants.
- Types of services demanded
Cutting-edge training programs on design, trend, and materials, as well as production processes and technology.
- Preference of method of education
Practical training and technical exchanges are highly preferred.
- Preferred length of education programs
Workshops of one week apiece.
- Competency desired upon completion of the programs
Excellent design to meet international standards, as well as trend analysis and forecasting skills.
- Value added of IIDC services
IIDC is expected to provide training programs and services attractive to industry members. They will be particularly interested in those programs that focus on upgrading skills and the

sophisticated combination between great design and sustainable products – both of which are currently lacking in the associations’ internal design center.

3.2.3. OTHER DESIGN CENTERS

There are a great many design centers offering a variety of coverage, both in Indonesia and internationally. Although they involve various and influential stakeholders, including the Ministry of Trade, domestic design centers (such as National Design Center or Jepara Furniture Design Center) are not really progressing. This is due to several factors, the two most important of which are: (1) they focus on promoting the importance of design, and they do not offer practical applications; and (2) they have limited themselves to regional or product-based scopes.

Other domestic design centers agree that there is a need for a more pragmatic and practical design center that will strengthen design and the recognition of market-appropriate products currently and in the future. These design centers agree that they may coordinate their members to undergo an exchange with the IIDC, and have indicated a willingness to send their members to attend internships and workshops at the IIDC. Moreover, when the IIDC holds an exhibition, the other design centers will be obvious potential markets.

Similar interest is shown by international design centers, such as International Design Center Nagoya, RISDI, and others. These centers basically provide direct design and consulting services instead of offering design education. Cooperating with an Indonesian design center will enrich their networks, improve their access to domestic market, and encourage the exchange of creative ideas and innovation. These international design centers have firm motivation to send people to the IIDC.

3.2.4. REGIONAL GOVERNMENTS, DESIGNERS, AND ENTREPRENEURS

The governments, especially local governments, including the Departments of Industry, Trade, and Cooperative Development, have a deep interest in the concept of the IIDC, and will provide potential markets for the establishment and maintenance of the entity.

To be precise, the motivations of the government in developing the IIDC are:

- To support the government’s goal of enhancing the economic welfare of local craftsmen and home industries.
- To preserve the ingenuity of Indonesian traditional design concept.
- To bolster tourism activity by conducting visits to local crafts production centers. IIDC is expected to be able to provide those services to interested parties.

The specific contributions which will be provided by the governments are:

- Access to the government and private entities involved in design-related sectors.
- The willingness of the Departments of Industry, Trade and Cooperative Development to become a member of the Advisory Board of the IIDC.

Local governments in Indonesia are striving to make better use of their unique assets and resources, including the outcomes of creative industries. Therefore, the local governments could potentially be important markets. They may send local designers (from Aceh to Papua) to participate in internships, workshops, seminars, exhibitions, and research.

3.3. LONG-TERM MARKETS

3.3.1. BUYERS

As the purchasers of export merchandise from domestic producers in Indonesia, buyers are also interested in design development. In their opinion, the IIDC has the potential to become a think-tank for the improvement and promotion of Indonesian authentic design. They expect that the IIDC will educate future designers who will then be aware of international trends and able to apply their skills and knowledge of design into the manufacturing of finished merchandise.

Furthermore, buyers are interested in supporting the operations of the IIDC by providing internship students with the opportunity for permanent recruitment or temporary placement in their institutions. This partnership will benefit those students interested in expanding their experiences in the real-life process of designing and producing exported products.

International buyers usually allocate a certain amount of margin for corporate social responsibility (CSR) activities. Accordingly, they may also contribute to the IIDC through CSR grants. IIDC is eligible for those grants as it will be managed as a non-profit entity which aims to revitalize the competitiveness of Indonesia.

3.3.2. INTERNATIONAL AGENCIES

International agencies, such as USAID, AusAID, JICA, British Council, and GTZ, are not direct customers of the IIDC; rather, they could function as donors by awarding grants and making other contributions to the IIDC.

4. LEGAL PERSPECTIVE

To be legally acknowledged as an institution, the IIDC founders need to decide on what kind of legal entity will be applicable for the IIDC. There are several forms of organization available: (1) proprietorship; (2) partnership; (3) corporation; (4) cooperative; and (5) foundation (*yayasan*). The founders agree that the IIDC will be managed professionally, although it will operate as a non-profit organization. To fulfill this non-profit vision, foundation is the most appropriate form of organization. The following section will discuss the features and characteristics of foundation.

4.1. LEGAL CHARACTERISTICS OF FOUNDATION

Before the enactment of Undang-Undang No. 16 Tahun 2001 (henceforth referred to as UU 16/2001), a foundation was not a legal entity, and therefore the establishment of a foundation did not require approval from the Ministry of Justice. Prior to the enactment of UU 16/2001, the establishment of a foundation was based on social norms such that agreement before the public notary was enough to establish the foundation. After the enactment of UU 16/2001, a foundation only obtains legal entity status after receiving approval from the Minister of Justice.²

The legal principle behind the establishment of a foundation is that it is not profit-oriented, but instead community-oriented. The differences between the legal entity and the entity itself are:

- Legal entity is an entity which has rights and responsibilities, like a person. It has separate rights and responsibilities, including liabilities, meaning that a foundation requires the separation of its legal structure into the Board of Founders (*Pembina*), Advisory Board (*Pengawas*), and the Board of Management (*Pengurus*).
- Entity itself is different where the responsibility of the entity is attached to the person per se.
- The capital of the legal entity must be kept separate from the equity of its founders and managers. The capital of the legal entity is treated as the capital of the foundation, and at the end of each year, it should be reported in the form of Financial Statements.³
- The legal entity is established after receiving approval from the Minister of Justice, but the entity is established when the deed of establishment is signed by the appropriate parties before a notary.

Once it has been established, the foundation has specific financial consequences, as follows:

- Grants, contributions, and donations intended for educational purposes that are not possessed by the Board of Founders, Advisory Board, and/or Board of Management, and that are not used for the benefits orientation are not taxable and not subject to the income tax. However, if after a period of time the foundation receives benefits from the accumulation of income such as tuition and administration fees, the existing benefits of the foundation are subject to the provision related to the income tax.
- The Board of Founders, Advisory Board, and Board of Management are not allowed to withdraw their contributed capital nor the foundation's income out of the foundation in any way or form (this relates to both dividends and private withdrawal).

² See Article 11 Section 1 UU 16/2001.

³ See Article 9 Section (1), Article 48 Section (2), and Article 49 Sections (1) and (2) UU 16/2001.

- The foundation's income tax is calculated in the following manner: The operational costs are subtracted from the revenues and the result is considered net income. The net income of the foundation is taxable under the applicable income tax regulation.

4.2. LEGAL REQUIREMENTS AND ESTABLISHMENT OF A FOUNDATION

The steps and requirements for a foundation to be officially established are as follows.

- The minimum number of members in the Board of Founders is one person or one organization. Similarly, the minimum number of members in the Advisory Board is one person or one organization. The minimum number of members in the Board of Management is three people or three organizations.
- The Board of Founders meets to discuss and establish the charter or articles of incorporation of the foundation with assistance from a notary.
- The notary then submits the foundation's charter to the Ministry of Justice for approval (this takes approximately two weeks).
- In addition to the foundation's charter, the notary also arranges a disturbance license from local authority (HO) and a tax file number (NPWP) from a local tax service office. These procedures will take approximately two additional weeks to complete.
- After all of the above licenses and permissions are granted, the foundation will be legally able to operate.

5. LOCATION, INFRASTRUCTURE, AND PHYSICAL ASSETS

IIDC is national in scope, and international in orientation. Accordingly, the IIDC will operate throughout, and can offer services to any area in, Indonesia. Nevertheless, one of the founders, Warwick Purser, has managed certain property in Tembi, and is willing to offer the location to be the first headquarters of the IIDC. Tembi is a cultural village in Yogyakarta, which has sufficient facilities to support the IIDC because PT Out of Asia, the IIDC's local partner, bases its operations there.

In addition, Bandung, the home base of Bandung Institute of Technology (another local partner), can also function as an operational venue for internships, workshops, seminars, etc. Yogyakarta and Bandung are considered creative centers in Indonesia because they possess the 3 T's of:

- Tolerance;
- Talent; and
- Technology.

The following facilities are ready at the Tembi headquarters:

- Classroom

The classroom in Tembi is designed to accommodate approximately 40 domestic and international students who are pursuing the internship programs in the IIDC. The classroom will have standard facilities for conducting learning and discussion.

- Production and Design Workshop

The workshop will provide the students and facilitators adequate equipment to support their training in the applications of design concepts and knowledge into real-world practice in the workshop. The facilities will include necessary equipment including design computers, machines, materials supply, etc.

- Product Showroom

Finished products which are produced by the participants, facilitators, or IIDC designers will be exhibited in this showroom. This facility can also serve as a design gallery that features local products designed by indigenous craftsmen.

- Design Research and Material Library

The library will contain a collection of raw materials sourced from Tembi, Yogyakarta, and other locations throughout Indonesia. This material library will also encompass traditional research resources, such as books and internet facilities. The IIDC plans to enlarge the material library's collection with materials from international countries. Support from partner universities is expected in the establishment and operation of the representative material library at the IIDC.

- Administrative Offices

- Operational Vehicle (pick-up truck)
The pick up truck will be used for the daily operational activities of the IIDC.
- Computers
The IIDC will use four computers equipped with graphic design software.

6. OPERATIONAL PLAN

6.1. ORGANIZATIONAL STRUCTURE

As discussed in the legal status section of the business plan, the IIDC will be established legally as a foundation. Therefore, the organizational structure of the IIDC will be that of a typical foundation; it will consist of the Board of Founders, Advisory Board, and Board of Management.

6.1.1. BOARD OF FOUNDERS

The Board of Founders of the IIDC will consist of:

- Warwick Purser, representing the private sector of the Indonesian home accessories industry.
- Soeprapto Soedjono, acting as ex-officio representative of Indonesian Institute of Art.
- Biranul Anas Zaman, acting as ex-officio representative of Bandung Institute of Technology.

The Board of Founders will possess the authority to:

- Make decisions on modifications to the founding charter of the IIDC.
- Appoint and dismiss the members of the Advisory Board and the Board of Management.
- Set the main policy of the IIDC as derived from the founding charter.
- Endorse the annual operational programs and budget.
- Make merger or liquidation decisions.
- Endorse the annual report.
- Appoint a liquidator if the foundation is to be liquidated.

In addition, the Board must hold meetings at least once per year. In the meeting, the Board of Founders will discuss vital issues and problems faced during the course of running the foundation.

Aside from the annual meeting, the Board of Founders is also obligated to arrange an annual meeting with the other main bodies of the foundation – the Advisory Board and the Board of Management. The role of the Board of Founders in the annual meeting is as follows:

- Evaluating the number and amount of assets, rights, and obligations of the foundation in the preceding year as a benchmark for estimating future goals and targets for the foundation.
- Endorsing the annual report prepared by the Board of Management.
- Determining general objectives and policies for the foundation.
- Endorsing the annual operational programs and budget of the foundation.

6.1.2. ADVISORY BOARD

The Advisory Board will supervise and provide counsel and recommendations for the Board of Management in the daily operations of the foundation. The proposed members of the Advisory Board of the IIDC are:

- Alison Jones (West-Elm/International Buyer's Design Advisor)

- Ted Barber (SENADA Consultant)
- Caroline Knowles (Sociology Department, Goldsmiths College, University of London)
- Rony Siswandi (Bin House, Jakarta)
- Eko Prawoto (Head of Product Design of Duta Wacana University, Yogyakarta)
- Feraldi W. Loeis (Balibiz Senior Consultant, Bali)

The Advisory Board will have authority to:

- Gain full access to any documents and facilities of the IIDC.
- Be told of any action taken by the Board of Management.
- Provide assistance and advice to members of the Board of Management with respect to their duties in managing the foundation.

In addition, the Advisory Board must participate in the annual meeting or any other meeting held by the Board of Founders or the Board of Management.

6.1.3. BOARD OF MANAGEMENT

The Board of Management is a vital part of the foundation as it will perform the daily managerial activities of the IIDC. The Board of Management will consist of:

- General Manager, who will be responsible for overall operational programs.
- Vice Manager for Financial Affairs, who will perform general treasurer duty. The main role of the Vice Manager for Financial Affairs is to compile an annual financial summary for the operations of the foundation to be presented during the annual meeting.
- Vice Manager for Operational Affairs, who will design and implement the programs and services offered.
- General Secretary, who will be responsible for managing all administrative affairs of the IIDC. In addition, the General Secretary must maintain close relationships with users and clients of the IIDC by providing information and support regarding the services provided.

The main functions and responsibilities of the Board of Management will be as follows:

- Taking full responsibility for the management of the IIDC.
- Reporting to the Board of Founders, and taking advice from the Advisory Board.
- Designing activities or programs and preparing the annual operational budget to be authorized by the Board of Founders.
- Responding proactively to any inquiry from the Board of Founders or the Advisory Board.
- Leading and participating in the annual meeting and other required meetings held by the Board of Founders.

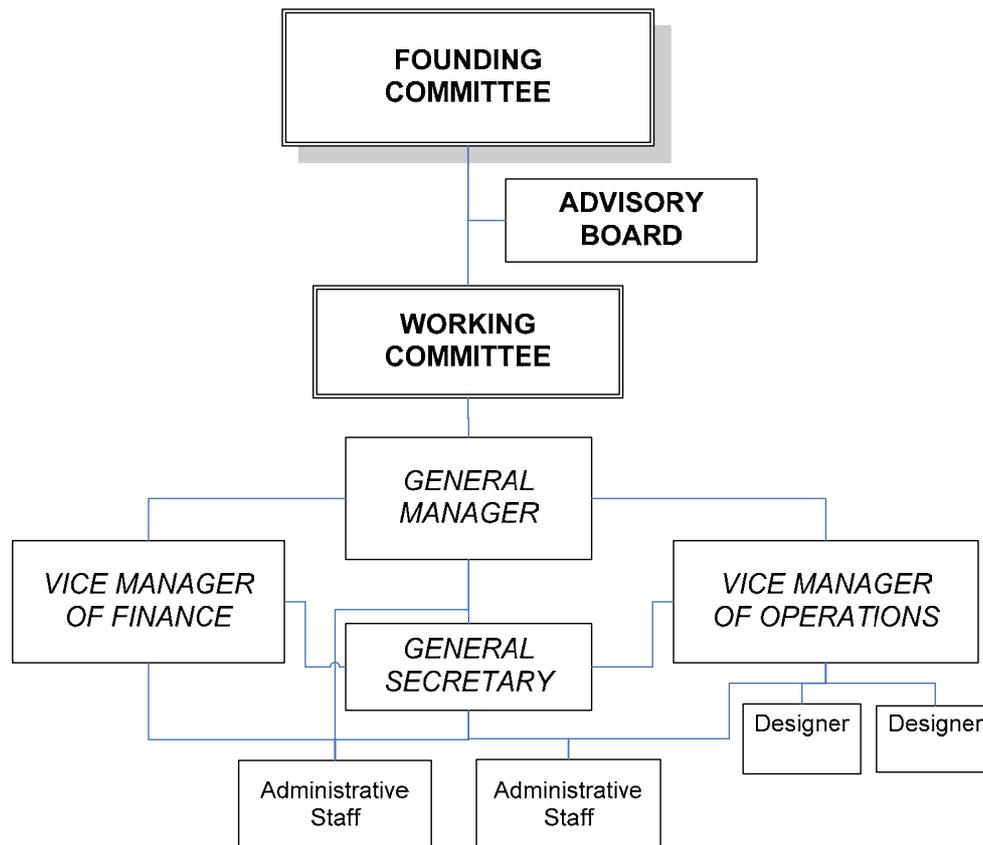
In addition, there will be supporting staff members for the IIDC, comprising:

- Two administrative staff members
The administrative staff will report to the General Manager, the Vice Managers, and the General Secretary. They will perform the administrative tasks of the IIDC and bookkeeping activities of the foundation's operations. In addition, they will also assist the Vice Manager for Financial Affairs in compiling the annual budget and financial statements.

- Two designers
The designers will be directly responsible to the Vice Manager for Operational Affairs. They will be responsible for researching trends and information regarding the development of design. Basically, they will perform research activities on design for the IIDC such as updating the catalogues, design, and material databases.

To summarize, the organizational structure for IIDC is depicted by the following figure:

Figure 4. Organizational Structure of the IIDC



6.2. PROGRAMS AND SERVICES

The detailed descriptions of the services and programs which will be offered by the IIDC are as follows:

- Design Training and Creativity Classes
 - The classes are part of the internship program.
 - The classes will be delivered in the form of group discussions and lectures in the classroom by facilitators designated by the IIDC.
 - Each session will consist of two classes and each class will last for 2.5 hours.
 - The theme for the discussion will be set by the Board of Management.
 - The participants in the classes will be the interns enrolled in the internship program at the IIDC.

- Workshops
 - The workshops will deliver training series in practical design to the participants. By being involved in the process of implementing the design theory from raw materials to finished products, the participants of the workshops are expected to gain practical skills in design.
 - Each workshop will last for six days.
 - The theme for each workshop will be set by the Board of Management.
 - The participants in the workshops will be the interns enrolled in the internship program at the IIDC and industry-related people (designers, buyers, professionals, association members, lecturers, researchers, government officers, etc.) who are interested in the applications of design.

- Seminars
 - The seminars will discuss engaging issues in the design industry. In these event, the participants will be guided by the facilitators to go into detailed discussions on the themes of the seminars. Seminars will be designed to update the participants on current trends, issues, and developments in the design industry, especially in the international context.
 - Each seminar will take place for two days.
 - The participants in the seminars will be the interns enrolled in the internship program at the IIDC and industry-related people (designers, buyers, professionals, association members, lecturers, researchers, government officers, etc.) who are interested in current developments in design.

- IIDC Publication
 - The IIDC will issue a design magazine aimed at informing the general public and design society of design trends and issues in Indonesia. This magazine is intended to be a medium for boosting public awareness and image building on the IIDC. In addition, this publication will be an important part of the IIDC's contribution to the development of the design industry in Indonesia.
 - The magazine will be issued every three months (quarterly) and will be circulated nationally and internationally. Five hundred copies of each issue will be printed and distributed to national and international book distributors.
 - The members of the Editorial Board of the publication will be elected by the Board of Management.
 - The stakeholders and participants in the IIDC will be strongly encouraged contribute to and support the development of the publication.

- Exhibitions
 - The IIDC will organize exhibitions which will be attended by the major participants in the design industry in Indonesia. The exhibitions are expected to promote the potential of the design industry in Indonesia to the general public in Indonesia and abroad. The IIDC's goal with these events is to further contribute to the development and promotion of Indonesian design to the international community.
 - The participants in these events will be national and international players in the design industry.
 - These events will be held regularly twice per year (each exhibition will take place for two days).

In order to design a detailed operational plan for the first year of IIDC operations, the following assumptions are made:

- It is estimated that twenty participants from the industry-related public will participate in each workshop and each seminar held by the IIDC. This assumption is based on a conservative approach.
- The internship students will be eligible to attend the Design Training and Creativity Classes and Workshops during their internship period.
- The international students will attend their internship program during the summer break, while the domestic students will have the flexibility to attend the program in any month of the year. IIDC will organize three periods of internship programs for each year.

The programs and services delivered by the IIDC during its first year of operations can be depicted by the following timeline:

Table 3. Detailed Operational Plan of the IIDC for the First Year

| 2008 | | | | | | | | |
|--|--|---|---|--|--|--|--|--|
| | September | October | November | December | | | | |
| Internship Period | | | | | | | | |
| Participants: - Domestic students - International students | 15 students No international students | | | No internship | | | | |
| Programs | Design Training and Creativity Classes (1 session) | Design Training and Creativity Classes (1 session) | Design Training and Creativity Classes (1 session) | Workshop (1 session) | | | | |
| | Workshop (1 session) | Workshop (1 session) | Workshop (1 session) | | | | | |
| | Seminar (1 session) | Seminar (1 session) | | Exhibition | | | | |
| Participants from public | 20 participants (Workshop) 20 participants (Seminar) | 20 participants (Workshop) 20 participants (Seminar) | 20 participants (Workshop) 30 players (Exhibition) | 20 participants (Workshop) | | | | |
| 2009 | | | | | | | | |
| | January | February | March | April | May | June | July | August |
| Internship Period | | | | | | | | |
| Participants: - Domestic students - International students | No internship | No internship | 20 students No international students | | | 20 students 10 students | | |
| Programs | Workshops (2 sessions) | Workshop (1 session) | Design Training and Creativity Classes (1 session) | Design Training and Creativity Classes (1 session) | Design Training and Creativity Classes (1 session) | Design Training and Creativity Classes (1 session) | Design Training and Creativity Classes (1 session) | Design Training and Creativity Classes (1 session) |
| | | Seminar (1 session) | Workshops (2 sessions) | Workshops (2 sessions) | Workshops (2 sessions) | Workshops (2 sessions) | Workshops (2 sessions) | Workshops (2 sessions) |
| | | IIDC Publication | Seminar (2 sessions) | Seminar (2 sessions) | IIDC Publication | Seminar (2 session) | Exhibition | IIDC Publication |
| Participants from public | 20 participants (Workshops) 500 exemplars (Publication) | 20 participants (Workshop) 20 participants (Seminar) | 20 participants (Workshops) | 20 participants (Workshops) 500 exemplars (Publication) | 20 participants (Workshops) 30 players (Exhibition) | 20 participants (Workshops) | 20 participants (Workshops) 500 exemplars (Publication) | 20 participants (Workshops) |

After the first year of operations, the IIDC will have established itself as a prominent design education center. Therefore, it will be able to expand its scope of operations into more in-depth services such as:

- **Design Clinic**
A design clinic will be established to help visiting producers receive comments and guidance on existing designs and to assist design development. For this service, the visitor could be given an appointment to meet with a designer who is registered as part of the designer network of the center, who has experience and is successful in designing products for the target market.
- **Reference Services**
The IIDC will be a place where the main stakeholders (i.e., buyers and producers) will come looking for information that they need. Therefore, the center will also provide a referral service to make it easier for these stakeholders to find information on each other.

The services will be set up by requiring users to register, thus enabling the center to collect contact information and details of what each customer provides (for producers or service providers) or what they are looking for (for buyers). With the permission of the registered users, the IIDC will list the users' particulars to be accessed by other users. Therefore, the service will be able to provide referrals on:

- Producers and their products;
- Buyers and what they are looking for; and
- Service providers and their services, including designers, banks and financial services providers, suppliers, and others.

The IIDC could also facilitate the stakeholders who are interested in international certification, particularly in sustainable design and product certifications.

In addition, the IIDC will be able to accept more interns in subsequent years of its operations. A more detailed description of this assumption will be described in the financial plan section of this business plan.

To make an overall summary of the programs and services that will be offered by the IIDC, three strategic models are utilized.

Table 4. Customer Value Propositions

| Services | Value | | |
|-----------------------------------|--|--|--|
| | Attributes | Image | Relationship |
| Internship and Creativity Classes | Effective study method | Integrated internship and employment opportunity | Establishing networks with practitioners and industry players |
| Seminars/Workshops | Discussion on engaging issues in design; practical skill enhancement; learning of design | Promoting the importance of design to the public, and providing an opportunity for wider audiences to study design | Fostering closer relations among industry players and decreasing the gap between designers and producers |
| Publication | Medium for knowledge and experience dissemination on design | Substantial contributions to the advancement of the area of design in Indonesia | Increasing the national and international public awareness on the existence of the IIDC and its programs |
| Exhibitions | Showcase of the latest trends and developments in the design industry | The highpoint of the contributions of the IIDC to the development of design in Indonesia | Further fostering the relationship between key industry players, designers, students, and the public |
| Design Clinic | Excellent, customer-oriented design sharing and consulting | Applied contributions to the development of the design industry | Targeting industry players and practitioners in design |
| Reference Services | Excellent, customer-oriented information and reference provider | Applied contributions to the development of the design industry | Targeting industry players and practitioners in design |

The IIDC will introduce new services and programs of design education, which is an entirely new education concept in Indonesia. The prospective participants of the services have primarily been served by formal education conducted by universities and institutes offering degrees in design.

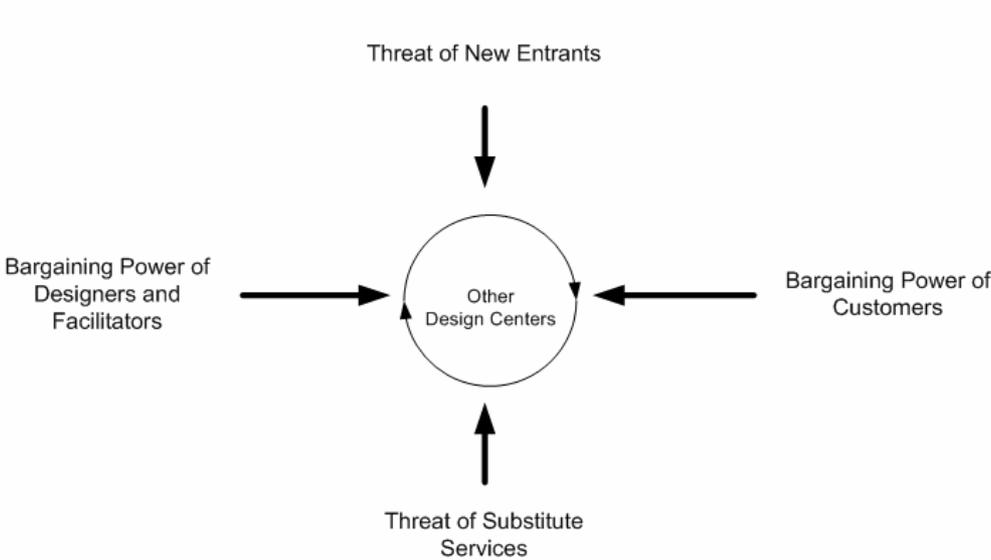
From this point of view, it is critical for the IIDC to carefully identify the expectations of each customer and develop programs compatible with demand.

Figure 5. Business Development Opportunity Matrix

| | | Markets | |
|----------|----------|---------|----------|
| | | New | Existing |
| Products | Existing | | |
| | New | | |

IIDC programs will operate in a market that already exists and which will continue to grow in the future. However, the IIDC will provide an entirely different concept of design center which will specialize in providing education in design. IIDC will utilize its expertise in design education as the main competitive advantage over the existing design centers in Indonesia.

Figure 6. Porter’s Five-Force Analysis



Bargaining power of designers and facilitators

- The bargaining power of designers and facilitators of workshops, classes, and seminars is high, and this will be even more true in the future, since expertise in sustainable design and international trend is uniformly specific and limited.

- Due to this high bargaining power, the IIDC must cultivate and carefully maintain close relationships with domestic and international universities, professional designers, and design associations.

Bargaining power of customers

- The bargaining power of customers is moderate. Students and designers attending programs at the IIDC expect to gain knowledge of new designs and international trends as well as receive the opportunity to network globally. This kind of service is rare in Indonesia, positioning the IIDC to be a service leader.
- Customer satisfaction then should be enhanced to attract more customers.

Threat of substitute services

- The main threat comes from universities as they also provide design education combined with marketing networks. However, the universities offer degree-oriented programs which tend to be more time consuming as they spend more time on basic concepts and research.
- Strong relationships with domestic and international universities are necessary.

Threat of new entrants

- The threat of new entrants is low. It is difficult to build an international network of stakeholders (from students to suppliers, designers, buyers, and agencies).
- In addition, there are few people who are enthusiastic about establishing a non-profit design center whose goal is to increase the nation's competitiveness.

Competitive rivalry among design centers

- Competitive rivalry is low since each design center has its own scope and purpose. For instance, National Design Center in Jakarta (although it is supported by universities, associations, and the government) is more focused on building awareness among designers and industry players than on the importance of design, and on motivating designers and associations to update their knowledge through exhibitions, competitions, etc. Another example is Jepara Furniture Design Center; its scope is tailored to be more geographical and furniture oriented.
- Cooperation with other design centers is therefore highly desirable to optimize all potentials.

7. FINANCIAL PLAN

The capital budgeting process of the financial plan consists of three stages:

- Description of key assumptions used in the financial plan.
- Projected (pro forma) income statement.
The detailed pro forma income statement for the first year of operations will be presented along with the annual income statement for the second and third years of operations.
- Cash flows and investment analysis.
We will develop a cash flow analysis to determine the net present value (NPV), internal rate of return (IRR), modified internal rate of return (MIRR), and payback period of the business plan. These variables are employed to assess the feasibility of the project from the financial perspective.

7.1. DESCRIPTION OF KEY ASSUMPTIONS

In order to compile the financial plan, we must develop a set of detailed assumptions regarding the conditions in which the entity will operate throughout the year. Firstly, we determine the specification of participants and related financial information pertaining to the programs to be offered by the IIDC.

Table 5. Assumptions on Design Training and Creativity Classes for the First Year

| I. | Design Training and Creativity Classes (Internship Programs) | |
|-----------|---|--------------|
| | Duration of the program: 3 months | |
| | Number of participants (first year estimation) | |
| | - Domestic students | 15–20 |
| | - International students | 5 |
| | Fee per program: | |
| | - Domestic students | Rp 500,000 |
| | - International students | Rp 1,500,000 |

The IIDC will hold three sessions of the internship program during the year:

- First session: September–November
- Second session: March–May
- Third session: June–August

The international students will only attend the internship program during the third period of the program (June-August) in the first year of operations. As a result, the first and second periods of the program will only be attended by domestic students.

In addition, during the second and third periods of the program in the first year of operations, the number of domestic students attending the internship program will increase to twenty participants as awareness of the IIDC programs increases.

The assumptions on the number of participants for the second and third years of the program are as follows:

- Second year (first session of internship program):
 - Domestic students: 30 students.
 - International students: 20 students.
- Third year (first session of internship program):
 - Domestic students : 40 students.
 - International students : 25 students.

Table 6. Assumptions on Workshops for the First Year

| II. | Workshops | |
|-----|---------------------------------|---------------|
| | Duration of the program: 6 days | |
| | Fee per session: | 2,500,000 |
| | Number of participants | 20 |
| | Total expected revenue | Rp 50,000,000 |

The workshops are to be attended by the students who are enrolled in the internship program and public participants who are interested in developing practical skills in design. We assume that each workshop will be attended by twenty participants from the public who will be charged Rp 2,500,000 per workshop. The internship students will be able to attend the workshop for free. Each workshop will take place for six days.

Table 7. Assumptions on Seminars for the First Year

| III. | Seminars | |
|------|---------------------------------|---------------|
| | Duration of the program: 2 days | |
| | Fee per session: | 1,000,000 |
| | Number of participants | 20 |
| | Total expected revenue | Rp 20,000,000 |

The seminars are to be attended by the students who are enrolled in the internship program and public participants who are interested in enriching their knowledge of the latest developments in design. We assume that each workshop will be attended by twenty participants from the public who will be charged Rp 1,000,000 per seminar program. The internship students will be able to attend the seminar for free. Each seminar will be held for two days.

Table 8. Assumptions on IIDC Publication for the First Year

| IV. | IIDC Publication | |
|------------|---|---------------|
| | Duration of the program: every 3 months | |
| | Price per issue: | 50,000 |
| | Number of issues published | 500 |
| | Total expected revenue | Rp 25,000,000 |

The IIDC will publish a quarterly design magazine or journal with a total of 500 issues printed per edition starting in 2009. The estimated selling price for the magazine is Rp 50,000 per issue.

Table 9. Assumptions on Exhibition for the First Year

| V. | Exhibition | |
|-----------|--------------------------------------|----------------|
| | Duration of the program: 2 days | |
| | Number of participants | 30 |
| | Booth rental payment per participant | 7,500,000 |
| | Total expected revenue | Rp 225,000,000 |

The IIDC will hold international design exhibitions twice a year; each exhibition will last for two days. It is estimated that thirty national and international participants will participate in each exhibition. The participants will be charged Rp 7,500,000 for the rent of the exhibition booth.

Exhibition attendees will attend the exhibition for free. The exhibitions are designed to attract as many visitors as possible to promote the existence of design industry to the public; the policy of not charging attendees is expected to improve attendance.

In addition the revenue that will be generated by the Design Clinic and Reference Service in the second year of IIDC operations is as follows:

- Design Clinic: 83,333,333
- Reference Service: 41,666,667

We describe the assumptions on the cost of services delivered for the corresponding programs offered by the IIDC in the following table:

Table 10. Cost of Services Delivered for the IIDC Programs

| | | |
|-------------|--|----------------------|
| I. | Design Training and Creativity Classes | |
| | Duration of the program: 3 months | |
| | Number of classes | 2 |
| | Lecturer rate per session | 1,000,000 |
| | Supplies expenses | 1,000,000 |
| | Total expenses | Rp 4,000,000 |
| II. | Workshops | |
| | Workshop facilitators | 3,600,000 |
| | Rent expense | 6,000,000 |
| | Materials expenses | 12,000,000 |
| | Total expenses | Rp 21,600,000 |
| III. | Seminars | |
| | Seminar facilitators | 1,200,000 |
| | Rent expense | 2,000,000 |
| | Total expenses | Rp 3,200,000 |
| IV. | IIDC Publication | |
| | Publication direct cost (70% of revenue) | Rp 17,500,000 |
| V. | Exhibition | |
| | Exhibition expenses (50% of revenue) | Rp 12,500,000 |
| VI. | Design Clinic and Reference Service | |
| | Design Clinic direct expenses (70% of revenue) | Rp 58,333,333 |
| | Reference Service expenses (70% of revenue) | Rp 29,166,667 |

The amounts presented above are the amount of estimated direct expenses that are expected to be incurred by IIDC programs. The revenues of each program will be deducted by the corresponding cost of services delivered to arrive at the gross margin for each program of the IIDC.

Afterwards, we calculate the necessary initial investment needed by the IIDC to be established and operate properly.

Table 11. Initial Outlay of the IIDC

| Initial Investment | |
|--|-----------------------|
| Infrastructure improvements | 15,000,000 |
| Furniture and furnishings | 25,000,000 |
| Legal (permits, licenses, attorney) | 10,000,000 |
| Stationery, office supplies and equipment | 15,000,000 |
| Library materials and catalogues | 20,000,000 |
| Operational vehicle | 80,000,000 |
| Insurance | 10,000,000 |
| Initial marketing efforts | 20,000,000 |
| Administrative computers (1 set @ 5,000,000) | 5,000,000 |
| Design computers (3 sets @ 10,000,000) | 30,000,000 |
| Working capital (start-up cash) | 20,000,000 |
| Total initial investment | Rp 250,000,000 |

The initial investment specifies the description of total capital needed for the establishment and commencement of operational activities and programs of the IIDC. This amount will influence the investment feasibility analysis performed in the last part of this financial plan.

In addition, we also need to calculate the value of fixed assets to be owned by the IIDC and determine the annual depreciation expense for each of the assets.

Table 12. Assumptions on Fixed Assets of the IIDC

| Description of Fixed Assets | | | | | | |
|------------------------------------|-------------------------|------------------------------|----------------------|------------------------------|-------------------|-------------------|
| Fixed Assets | Acquisition Cost | Economic Life (Years) | Salvage Value | Depreciation Schedule | | |
| | | | | 2008 | 2009 | 2010 |
| Furniture and furnishings | 25,000,000 | 5 | - | 5,000,000 | 5,000,000 | 5,000,000 |
| Computers | 35,000,000 | 3 | - | 11,666,667 | 11,666,667 | 11,666,667 |
| Operational vehicle | 80,000,000 | 20 | - | 4,000,000 | 4,000,000 | 4,000,000 |
| Library materials | 20,000,000 | 5 | - | 4,000,000 | 4,000,000 | 4,000,000 |
| Office equipment | 10,000,000 | 5 | - | 2,000,000 | 2,000,000 | 2,000,000 |
| Total (Rp) | | | | 26,666,667 | 26,666,667 | 26,666,667 |

Subsequently, we need to determine the cost of capital by which we will discount the cash flows and determine the feasibility of the project. Since the IIDC will not use any long-term debt to finance its operations, we only need to determine the cost of equity (fund) invested in the foundation to calculate the cost of capital.

We use the cost-of-debt-plus-premium-risk approach to determining the cost of capital. The proxy used for the risk-free interest rate in Indonesia is 8.25 percent, which is added to the risk premium of 10 percent. We determine the cost of capital (fund) of the IIDC as the sum of the risk-free interest rate and the risk premium, resulting in the IIDC's cost of capital of 18.25 percent.

For the second and subsequent years, we assume that all revenues and expenses (except for depreciation expenses) will increase at a rate of 10 percent annually.

7.2. PRO FORMA INCOME STATEMENT

Based on the assumptions discussed in the previous section, we can use the data to compile a detailed income statement for the first year of IIDC operations. All amounts are given in Indonesian Rupiahs (Rp).

Table 13. Projected Income Statement for the First Year of Operations (September–December 2008)

| Items | Description | 2008 | | | | | | | | <i>Subtotal 2008</i> |
|--|-----------------------------|-----------|-------------------|---------|-------------------|----------|-------------------|----------|--------------------|----------------------|
| | | September | | October | | November | | December | | |
| | | Volume | Total | Volume | Total | Volume | Total | Volume | Total | |
| <i>Revenue:</i> | <i>Revenue per program:</i> | | | | | | | | | |
| - Design Training and Creativity Classes | Varies | 1/3 | 2,500,000 | 1/3 | 2,500,000 | 1/3 | 2,500,000 | - | - | 7,500,000 |
| - Workshops | 50,000,000 | 1 | 50,000,000 | 1 | 50,000,000 | 1 | 50,000,000 | 1 | 50,000,000 | 200,000,000 |
| - Seminars | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | - | - | - | - | 40,000,000 |
| - Exhibition | 225,000,000 | - | - | - | - | - | - | 1 | 225,000,000 | 225,000,000 |
| - IIDC Publication | 25,000,000 | - | - | - | - | - | - | - | - | - |
| Total revenue | | | 72,500,000 | | 72,500,000 | | 52,500,000 | | 275,000,000 | 472,500,000 |
| <i>Costs of services delivered:</i> | <i>Costs per program:</i> | | | | | | | | | |
| - Design Training and Creativity Classes | 4,000,000 | 1 | 4,000,000 | 1 | 4,000,000 | 1 | 4,000,000 | - | - | 12,000,000 |
| - Workshops | 21,600,000 | 1 | 21,600,000 | 1 | 21,600,000 | 1 | 21,600,000 | 1 | 21,600,000 | 86,400,000 |
| - Seminars | 3,200,000 | 1 | 3,200,000 | 1 | 3,200,000 | - | - | - | - | 6,400,000 |
| - Exhibition | 112,500,000 | - | - | - | - | - | - | 1 | 112,500,000 | 112,500,000 |
| - IIDC Publication | 17,500,000 | - | - | - | - | - | - | - | - | - |
| Total cost of services delivered | | | 28,800,000 | | 28,800,000 | | 25,600,000 | | 134,100,000 | 217,300,000 |
| Gross surplus | | | 43,700,000 | | 43,700,000 | | 26,900,000 | | 140,900,000 | 255,200,000 |
| <i>Indirect Expenses:</i> | <i>Expenses per volume:</i> | | | | | | | | | |
| - Depreciation expenses | - | | 2,222,222 | | 2,222,222 | | 2,222,222 | | 2,222,222 | 8,888,889 |
| - - Marketing expenses | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 10,000,000 |
| - - Office and utilities expenses | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 20,000,000 |

| Items | Description | 2008 | | | | | | | | Subtotal 2008 |
|---|-------------|-----------|---------------------|---------|---------------------|----------|---------------------|----------|-------------------|---------------------|
| | | September | | October | | November | | December | | |
| | | Volume | Total | Volume | Total | Volume | Total | Volume | Total | |
| - Fixed assets maintenance expenses | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 8,000,000 |
| - Board of Founders salary | 2,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 30,000,000 |
| - Advisory Board salary | 1,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 24,000,000 |
| - General Manager salary | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 80,000,000 |
| - Vice Manager salary | 10,000,000 | 2 | 20,000,000 | 2 | 20,000,000 | 2 | 20,000,000 | 2 | 20,000,000 | 80,000,000 |
| - General Secretary salary | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 10,000,000 |
| - Administrative staff salary | 1,500,000 | 2 | 3,000,000 | 2 | 3,000,000 | 2 | 3,000,000 | 2 | 3,000,000 | 12,000,000 |
| - Office boy salary | 1,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 8,000,000 |
| - Designer salary | 4,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 32,000,000 |
| Total expenses | | | 80,722,222 | | 80,722,222 | | 80,722,222 | | 80,722,222 | 322,888,889 |
| Net surplus (deficit) before taxes | | | (37,022,222) | | (37,022,222) | | (53,822,222) | | 60,177,778 | (67,688,889) |

Table 14. Projected Income Statement for the First Year of Operations (January–August 2009)

| Items | Description | 2009 | | | | | | | | | | | | | | | | Subtotal 2009 | TOTAL |
|--|-----------------------------|---------|-------------|----------|------------|-------|-------------|-------|-------------|-----|-------------|------|-------------|------|-------------|--------|-------------|------------------|---------------|
| | | January | | February | | March | | April | | May | | June | | July | | August | | | |
| | | Vol | Total | Vol | Total | Vol | Total | Vol | Total | Vol | Total | Vol | Total | Vol | Total | Vol | Total | | |
| <i>Revenue:</i> | <i>Revenue per program:</i> | | | | | | | | | | | | | | | | | | |
| - Design Training and Creativity Classes | Varies | - | - | - | - | 1/3 | 3,333,333 | 1/3 | 3,333,333 | 1/3 | 3,333,333 | 1/3 | 8,333,333 | 1/3 | 8,333,333 | 1/3 | 8,333,333 | 35,000,000 | 42,500,000 |
| - Workshops | 50,000,000 | 2 | 100,000,000 | 1 | 50,000,000 | 2 | 100,000,000 | 2 | 100,000,000 | 2 | 100,000,000 | 2 | 100,000,000 | 2 | 100,000,000 | 2 | 100,000,000 | 750,000,000 | 950,000,000 |
| - Seminars | 20,000,000 | - | - | 1 | 20,000,000 | 2 | 40,000,000 | 2 | 40,000,000 | - | - | 2 | 40,000,000 | - | - | - | - | 140,000,000 | 180,000,000 |
| - Exhibition | 225,000,000 | - | - | - | - | - | - | - | - | - | - | - | - | 1 | 225,000,000 | - | - | 225,000,000 | 450,000,000 |
| - IIDC Publication | 25,000,000 | - | - | 1 | 25,000,000 | - | - | - | - | 1 | 25,000,000 | - | - | - | - | 1 | 25,000,000 | 75,000,000 | 75,000,000 |
| Total revenue | | | 100,000,000 | | 95,000,000 | | 143,333,333 | | 143,333,333 | | 128,333,333 | | 148,333,333 | | 333,333,333 | | 133,333,333 | 1,225,000,000 | 1,697,500,000 |
| <i>Costs of services delivered:</i> | <i>Costs per program:</i> | | | | | | | | | | | | | | | | | | |
| - Design Training and Creativity Classes | 4,000,000 | - | - | - | - | 1 | 4,000,000 | 1 | 4,000,000 | 1 | 4,000,000 | 1 | 4,000,000 | 1 | 4,000,000 | 1 | 4,000,000 | 24,000,000 | 36,000,000 |
| - Workshops | 21,600,000 | 2 | 43,200,000 | 1 | 21,600,000 | 2 | 43,200,000 | 2 | 43,200,000 | 2 | 43,200,000 | 2 | 43,200,000 | 2 | 43,200,000 | 2 | 43,200,000 | 324,000,000 | 410,400,000 |
| - Seminars | 3,200,000 | - | - | 1 | 3,200,000 | 2 | 6,400,000 | 2 | 6,400,000 | - | - | 2 | 6,400,000 | - | - | - | - | 22,400,000 | 28,800,000 |
| - Exhibition | 112,500,000 | - | - | - | - | - | - | - | - | - | - | - | - | 1 | 112,500,000 | - | - | 112,500,000 | 225,000,000 |
| - IIDC Publication | 17,500,000 | - | - | 1 | 17,500,000 | - | - | - | - | 1 | 17,500,000 | - | - | - | - | 1 | 17,500,000 | 52,500,000 | 52,500,000 |
| Total cost of services delivered | | | 43,200,000 | | 42,300,000 | | 53,600,000 | | 53,600,000 | | 64,700,000 | | 53,600,000 | | 159,700,000 | | 64,700,000 | 535,400,000 | 752,700,000 |
| Gross surplus | | | 56,800,000 | | 52,700,000 | | 89,733,333 | | 89,733,333 | | 63,633,333 | | 94,733,333 | | 173,633,333 | | 68,633,333 | 689,600,000 | 944,800,000 |
| <i>Indirect Expenses:</i> | <i>Expenses per volume:</i> | | | | | | | | | | | | | | | | | | |
| - Depreciation expenses | - | | 2,222,222 | | 2,222,222 | | 2,222,222 | | 2,222,222 | | 2,222,222 | | 2,222,222 | | 2,222,222 | | 2,222,222 | 17,777,778 | 26,666,667 |
| - Marketing expenses | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 20,000,000 | 30,000,000 |
| - Office and utilities expenses | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 40,000,000 | 60,000,000 |
| - Fixed assets maintenance expenses | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 16,000,000 | 24,000,000 |

| Items | Description | 2009 | | | | | | | | | | | | | | | | Subtotal 2009 | TOTAL |
|---|-------------|---------|--------------|----------|-------------|-------|------------|-------|------------|-----|--------------|------|------------|------|------------|--------|--------------|------------------|--------------|
| | | January | | February | | March | | April | | May | | June | | July | | August | | | |
| | | Vol | Total | Vol | Total | Vol | Total | Vol | Total | Vol | Total | Vol | Total | Vol | Total | Vol | Total | | |
| - Board of Founders salary | 2,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 60,000,000 | 90,000,000 |
| - Advisory Board salary | 1,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 48,000,000 | 72,000,000 |
| - General manager salary | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 160,000,000 | 240,000,000 |
| - Vice manager salary | 10,000,000 | 2 | 20,000,000 | 2 | 20,000,000 | 2 | 20,000,000 | 2 | 20,000,000 | 2 | 20,000,000 | 2 | 20,000,000 | 2 | 20,000,000 | 2 | 20,000,000 | 160,000,000 | 240,000,000 |
| - General secretary salary | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 20,000,000 | 30,000,000 |
| - Administrative staff salary | 1,500,000 | 2 | 3,000,000 | 2 | 3,000,000 | 2 | 3,000,000 | 2 | 3,000,000 | 2 | 3,000,000 | 2 | 3,000,000 | 2 | 3,000,000 | 2 | 3,000,000 | 24,000,000 | 36,000,000 |
| - Office boy salary | 1,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 16,000,000 | 24,000,000 |
| - Designer salary | 4,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 64,000,000 | 96,000,000 |
| Total expenses | | | 80,722,222 | | 80,722,222 | | 80,722,222 | | 80,722,222 | | 80,722,222 | | 80,722,222 | | 80,722,222 | | 80,722,222 | 645,777,778 | 968,666,667 |
| Net surplus (deficit) before taxes | | | (23,922,222) | | 28,022,222) | | 9,011,111 | | 9,011,111 | | (17,088,889) | | 14,011,111 | | 92,911,111 | | (12,088,889) | 43,822,222 | (23,866,667) |
| Income tax | | | | | | | | | | | | | | | | | | | 2,386,667 |
| Net surplus (deficit) after taxes | | | | | | | | | | | | | | | | | | | (21,480,000) |

Table 15. Annual Projected Income Statements

| Items | Year | | |
|--|----------------------|----------------------|----------------------|
| | 2008–2009 | 2009–2010 | 2010–2011 |
| <i>Revenue:</i> | | | |
| - Design Training and Creativity Classes | 42,500,000 | 82,500,000 | 117,975,000 |
| - Workshops | 950,000,000 | 1,045,000,000 | 1,149,500,000 |
| - Seminars | 180,000,000 | 198,000,000 | 217,800,000 |
| - Exhibition | 450,000,000 | 495,000,000 | 544,500,000 |
| - IIDC Publication | 75,000,000 | 82,500,000 | 90,750,000 |
| - Design Clinic | - | 83,333,333 | 91,666,666 |
| - Reference Services | - | 41,666,667 | 45,833,334 |
| Total revenue | 1,697,500,000 | 2,028,000,000 | 2,258,025,000 |
| <i>Cost of services delivered:</i> | | | |
| - Design Training and Creativity Classes | 36,000,000 | 39,600,000 | 43,560,000 |
| - Workshops | 410,400,000 | 451,440,000 | 496,584,000 |
| - Seminars | 28,800,000 | 31,680,000 | 34,848,000 |
| - Exhibition | 225,000,000 | 247,500,000 | 272,250,000 |
| - IIDC Publication | 52,500,000 | 57,750,000 | 63,525,000 |
| - Design Clinic | - | 58,333,333 | 64,166,666 |
| - Reference Services | - | 29,166,667 | 32,083,334 |
| Total cost of services delivered | 752,700,000 | 915,470,000 | 1,007,017,000 |
| Gross surplus | 944,800,000 | 1,112,530,000 | 1,251,008,000 |
| <i>Indirect Expenses:</i> | | | |
| - Depreciation expenses | 26,666,667 | 26,666,667 | 26,666,667 |
| - Marketing expenses | 30,000,000 | 33,000,000 | 36,300,000 |
| - Office expenses | 60,000,000 | 66,000,000 | 72,600,000 |
| - Fixed assets maintenance expenses | 24,000,000 | 26,400,000 | 29,040,000 |
| - Founding committee salary | 90,000,000 | 99,000,000 | 108,900,000 |
| - Advisory board salary | 72,000,000 | 79,200,000 | 87,120,000 |
| - General manager salary | 240,000,000 | 264,000,000 | 290,400,000 |
| - Vice managers salary | 240,000,000 | 264,000,000 | 290,400,000 |
| - General secretary salary | 30,000,000 | 33,000,000 | 36,300,000 |
| - Administrative staffs salary | 36,000,000 | 39,600,000 | 43,560,000 |
| - Office boy salary | 24,000,000 | 26,400,000 | 29,040,000 |
| - Designers salary | 96,000,000 | 105,600,000 | 116,160,000 |
| Total expenses | 968,666,667 | 1,062,866,667 | 1,166,486,667 |
| Operating surplus (deficit) before taxes | (23,866,333) | 49,663,333 | 84,521,333 |
| Income tax | (2,386,667) | (4,966,333) | (10,178,200) |
| Net surplus (deficit) after taxes | (21,479,666) | 44,697,000 | 74,343,133 |

Key Assumptions:

- Revenues and expenses annual growth rate: 10%
- Amount of gross profit (revenue minus direct cost) derived from supplementary income in 2009:
 - Design Clinic: Rp 25,000,000
 - Reference Services: Rp 12,500,000

7.3. CASH FLOWS AND INVESTMENT ANALYSIS

Table 16. Monthly Cash Flows Estimation Report for the First Year of Operations (September–December 2008)

| Items | Description | 2008 | | | | | | | | Subtotal 2008 |
|--|-----------------------------|-----------|-------------------|---------|-------------------|----------|-------------------|----------|--------------------|--------------------|
| | | September | | October | | November | | December | | |
| | | Volume | Total | Volume | Total | Volume | Total | Volume | Total | |
| <i>Revenue:</i> | <i>Revenue per program:</i> | | | | | | | | | |
| - Design Training and Creativity Classes | Varies | 1/3 | 2,500,000 | 1/3 | 2,500,000 | 1/3 | 2,500,000 | - | - | 7,500,000 |
| - Workshops | 50,000,000 | 1 | 50,000,000 | 1 | 50,000,000 | 1 | 50,000,000 | 1 | 50,000,000 | 200,000,000 |
| - Seminars | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | - | - | - | - | 40,000,000 |
| - Exhibition | 225,000,000 | - | - | - | - | - | - | 1 | 225,000,000 | 225,000,000 |
| - IIDC Publication | 25,000,000 | - | - | - | - | - | - | - | - | - |
| Total revenue | | | 72,500,000 | | 72,500,000 | | 52,500,000 | | 275,000,000 | 472,500,000 |
| <i>Costs of services delivered:</i> | <i>Costs per program:</i> | | | | | | | | | |
| - Design Training and Creativity Classes | 2,000,000 | 1 | 4,000,000 | 1 | 4,000,000 | 1 | 4,000,000 | - | - | 12,000,000 |
| - Workshops | 17,100,000 | 1 | 21,600,000 | 1 | 21,600,000 | 1 | 21,600,000 | 1 | 21,600,000 | 86,400,000 |
| - Seminars | 2,700,000 | 1 | 3,200,000 | 1 | 3,200,000 | - | - | - | - | 6,400,000 |
| - Exhibition | 112,500,000 | - | - | - | - | - | - | 1 | 112,500,000 | 112,500,000 |
| - IIDC Publication | 17,500,000 | - | - | - | - | - | - | - | - | - |
| Total cost of services delivered | | | 28,800,000 | | 28,800,000 | | 25,600,000 | | 134,100,000 | 217,300,000 |
| Gross surplus | | | 43,700,000 | | 43,700,000 | | 26,900,000 | | 140,900,000 | 255,200,000 |
| <i>Indirect Expenses:</i> | <i>Expenses per volume:</i> | | | | | | | | | |
| - Depreciation expenses | - | | 2,222,222 | | 2,222,222 | | 2,222,222 | | 2,222,222 | 8,888,889 |

| Items | Description | 2008 | | | | | | | | Subtotal 2008 |
|---|-------------|-----------|---------------------|---------|---------------------|----------|---------------------|----------|--------------------|---------------------|
| | | September | | October | | November | | December | | |
| | | Volume | Total | Volume | Total | Volume | Total | Volume | Total | |
| - Marketing expenses | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 10,000,000 |
| - Office and utilities expenses | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 20,000,000 |
| - Fixed assets maintenance expenses | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 8,000,000 |
| - Board of Founders salary | 2,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 30,000,000 |
| - Advisory Board salary | 1,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 24,000,000 |
| - General manager salary | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 80,000,000 |
| - Vice manager salary | 7,500,000 | 2 | 20,000,000 | 2 | 20,000,000 | 2 | 20,000,000 | 2 | 20,000,000 | 80,000,000 |
| - General secretary salary | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 10,000,000 |
| - Administrative staff salary | 1,500,000 | 2 | 3,000,000 | 2 | 3,000,000 | 2 | 3,000,000 | 2 | 3,000,000 | 12,000,000 |
| - Office boy salary | 1,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 8,000,000 |
| - Designer salary | 4,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 32,000,000 |
| Total expenses | | | 80,722,222 | | 80,722,222 | | 80,722,222 | | 80,722,222 | 322,888,889 |
| Net surplus (deficit) before taxes | | | (37,022,222) | | (37,022,222) | | (53,822,222) | | 60,177,778 | (67,688,889) |
| Add: Depreciation expense | | | 2,222,222 | | 2,222,222 | | 2,222,222 | | 2,222,222 | 8,888,889 |
| Foreign grants | | | - | | - | | - | | 100,000,000 | 100,000,000 |
| Net cash flow | | - | (34,800,000) | - | (34,800,000) | - | (51,600,000) | - | 162,400,000 | 41,200,000 |

Table 17. Monthly Cash Flows Estimation Report for the First Year of Operations (January-August 2009)

| Items | Description | 2009 | | | | | | | | | | | | | | | | Subtotal 2009 | TOTAL |
|--|----------------------|---------|--------------------|----------|-------------------|-------|--------------------|-------|--------------------|-----|--------------------|------|--------------------|------|--------------------|--------|--------------------|----------------------|----------------------|
| | | January | | February | | March | | April | | May | | June | | July | | August | | | |
| | | Vol | Total | Vol | Total | Vol | Total | Vol | Total | Vol | Total | Vol | Total | Vol | Total | Vol | Total | | |
| Revenue: | Revenue per program: | | | | | | | | | | | | | | | | | | |
| - Design Training and Creativity Classes | Varies | - | - | - | - | 1/3 | 3,333,333 | 1/3 | 3,333,333 | 1/3 | 3,333,333 | 1/3 | 8,333,333 | 1/3 | 8,333,333 | 1/3 | 8,333,333 | 35,000,000 | 42,500,000 |
| - Workshops | 50,000,000 | 2 | 100,000,000 | 1 | 50,000,000 | 2 | 100,000,000 | 2 | 100,000,000 | 2 | 100,000,000 | 2 | 100,000,000 | 2 | 100,000,000 | 2 | 100,000,000 | 750,000,000 | 950,000,000 |
| - Seminars | 20,000,000 | - | - | 1 | 20,000,000 | 2 | 40,000,000 | 2 | 40,000,000 | - | - | 2 | 40,000,000 | - | - | - | - | 140,000,000 | 180,000,000 |
| - Exhibition | 225,000,000 | - | - | - | - | - | - | - | - | - | - | - | - | 1 | 225,000,000 | - | - | 225,000,000 | 450,000,000 |
| - IIDC Publication | 25,000,000 | - | - | 1 | 25,000,000 | - | - | - | - | 1 | 25,000,000 | - | - | - | - | 1 | 25,000,000 | 75,000,000 | 75,000,000 |
| Total revenue | | | 100,000,000 | | 95,000,000 | | 143,333,333 | | 143,333,333 | | 128,333,333 | | 148,333,333 | | 333,333,333 | | 133,333,333 | 1,225,000,000 | 1,697,500,000 |
| Costs of services delivered: | Costs per program: | | | | | | | | | | | | | | | | | | |
| - Design Training and Creativity Classes | 2,000,000 | - | - | - | - | 1 | 4,000,000 | 1 | 4,000,000 | 1 | 4,000,000 | 1 | 4,000,000 | 1 | 4,000,000 | 1 | 4,000,000 | 24,000,000 | 36,000,000 |
| - Workshops | 17,100,000 | 2 | 43,200,000 | 1 | 21,600,000 | 2 | 43,200,000 | 2 | 43,200,000 | 2 | 43,200,000 | 2 | 43,200,000 | 2 | 43,200,000 | 2 | 43,200,000 | 324,000,000 | 410,400,000 |
| - Seminars | 2,700,000 | - | - | 1 | 3,200,000 | 2 | 6,400,000 | 2 | 6,400,000 | - | - | 2 | 6,400,000 | - | - | - | - | 22,400,000 | 28,800,000 |
| - Exhibition | 112,500,000 | - | - | - | - | - | - | - | - | - | - | - | - | 1 | 112,500,000 | - | - | 112,500,000 | 225,000,000 |
| - IIDC Publication | 17,500,000 | - | - | 1 | 17,500,000 | - | - | - | - | 1 | 17,500,000 | - | - | - | - | 1 | 17,500,000 | 52,500,000 | 52,500,000 |
| Total cost of service delivered | | | 43,200,000 | | 42,300,000 | | 53,600,000 | | 53,600,000 | | 64,700,000 | | 53,600,000 | | 159,700,000 | | 64,700,000 | 535,400,000 | 752,700,000 |
| Gross surplus | | | 56,800,000 | | 52,700,000 | | 89,733,333 | | 89,733,333 | | 63,633,333 | | 94,733,333 | | 173,633,333 | | 68,633,333 | 689,600,000 | 944,800,000 |
| Indirect Expenses: | Expenses per volume: | | | | | | | | | | | | | | | | | | |
| - Depreciation expenses | - | | 2,222,222 | | 2,222,222 | | 2,222,222 | | 2,222,222 | | 2,222,222 | | 2,222,222 | | 2,222,222 | | 2,222,222 | 17,777,778 | 26,666,667 |
| - Marketing expenses | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 20,000,000 | 30,000,000 |
| - Office and utilities expenses | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 1 | 5,000,000 | 40,000,000 | 60,000,000 |
| - Fixed assets maintenance expenses | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 1 | 2,000,000 | 16,000,000 | 24,000,000 |

| Items | Description | 2009 | | | | | | | | | | | | | | | | Subtotal 2009 | TOTAL |
|---|-------------|---------|--------------|----------|--------------|-------|------------|-------|------------|-----|--------------|------|------------|------|------------|--------|--------------|------------------|--------------|
| | | January | | February | | March | | April | | May | | June | | July | | August | | | |
| | | Vol | Total | Vol | Total | Vol | Total | Vol | Total | Vol | Total | Vol | Total | Vol | Total | Vol | Total | | |
| - Board of Founders salary | 2,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 3 | 7,500,000 | 60,000,000 | 90,000,000 |
| - Advisory Board salary | 1,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 6 | 6,000,000 | 48,000,000 | 72,000,000 |
| - General manager salary | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 160,000,000 | 240,000,000 |
| - Vice manager salary | 7,500,000 | 2 | 20,000,000 | 2 | 20,000,000 | 2 | 20,000,000 | 2 | 20,000,000 | 2 | 20,000,000 | 2 | 20,000,000 | 2 | 20,000,000 | 2 | 20,000,000 | 160,000,000 | 240,000,000 |
| - General secretary salary | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 1 | 2,500,000 | 20,000,000 | 30,000,000 |
| - Administrative staff salary | 1,500,000 | 2 | 3,000,000 | 2 | 3,000,000 | 2 | 3,000,000 | 2 | 3,000,000 | 2 | 3,000,000 | 2 | 3,000,000 | 2 | 3,000,000 | 2 | 3,000,000 | 24,000,000 | 36,000,000 |
| - Office boy salary | 1,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 2 | 2,000,000 | 16,000,000 | 24,000,000 |
| - Designer salary | 4,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 2 | 8,000,000 | 64,000,000 | 96,000,000 |
| Total expenses | | | 80,722,222 | | 80,722,222 | | 80,722,222 | | 80,722,222 | | 80,722,222 | | 80,722,222 | | 80,722,222 | | 80,722,222 | 645,777,778 | 968,666,667 |
| Net surplus (deficit) before taxes | | | (23,922,222) | | (28,022,222) | | 9,011,111 | | 9,011,111 | | (17,088,889) | | 14,011,111 | | 92,911,111 | | (12,088,889) | 43,822,222 | (23,866,667) |
| Income tax | | | | | | | | | | | | | | | | | | | 2,386,667 |
| Net surplus (deficit) after taxes | | | | | | | | | | | | | | | | | | | (21,480,000) |
| Add: Depreciation expense | | | 2,222,222 | | 2,222,222 | | 2,222,222 | | 2,222,222 | | 2,222,222 | | 2,222,222 | | | | 2,222,222 | 17,777,778 | 26,666,667 |
| Foreign grants | | | - | | - | | - | | - | | - | | - | | | | - | - | 100,000,000 |
| Net cash flow | | | (21,700,000) | | (25,800,000) | | 11,233,333 | | 11,233,333 | | (14,866,667) | | 16,233,333 | | | | (9,866,667) | 61,600,000 | 105,186,667 |

Before we can apply investment analysis techniques to the financial plan, we need to extend the annual cash flow reports of the IIDC for three periods. The following is the annual cash flow reports of the IIDC for the three years from opening. All amounts are given in Indonesian Rupiahs (Rp).

Table 18. Annual Cash Flows Reports

| Items | Period | | | |
|-------------------------------|-----------------------|--------------------|--------------------|--------------------|
| | <i>Initial Outlay</i> | 2008-2009 | 2009-2010 | 2010-2011 |
| Operating surplus before tax | | (23,866,667) | 49,663,333 | 84,521,333 |
| Income tax | | 2,386,667 | (4,966,333) | (10,178,200) |
| Operating surplus after tax | | (21,480,000) | 44,697,000 | 74,343,133 |
| Depreciation expense | | 26,666,667 | 26,666,667 | 26,666,667 |
| <i>Contributions:</i> | | | | |
| <i>International agencies</i> | | 70,000,000 | 70,000,000 | 70,000,000 |
| <i>Buyers</i> | | 30,000,000 | 30,000,000 | 30,000,000 |
| Net cash flow | (250,000,000) | 105,186,667 | 171,363,667 | 201,009,800 |
| Cumulative cash flow | (250,000,000) | (144,813,333) | 26,550,333 | 227,560,133 |
| Cost of fund | 18.25% | | | |
| Investment Analysis | | | | |
| NPV | Rp83,070,131.01 | | | |
| IRR | 36% | | | |
| MIRR | 30% | | | |
| Payback period | 1.85 years | | | |

The amount of the NPV shows a very positive figure of Rp 83,070,131 which indicates a favorable result. Subsequently, the IRR figure is 36 percent, showing a feasible figure compared to the cost of capital (18.25 percent). MIRR also reveals a similar result with a comfortable figure of 30 percent. In addition, the payback period of the investment, which indicates the period in which the amount of cash invested will break even, is 1.85 years; which translates into a favorable investment.

Using the investment feasibility analysis techniques above, we conclude that the operations of IIDC are feasible.

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