CLINICAL SOCIAL FRANCHISING CASE STUDY SERIES

DKT's Andalan Indonesia

The Global Health Group
University of California, San Francisco
September 2012

UCSF GLOBAL HEALTH SCIENCES
THE GLOBAL HEALTH GROUP
From evidence to action

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INTRODUCTION

About the Global Health Group

The Global Health Group (GHG) at the University of California San Francisco, Global Health Sciences is an "action tank" dedicated to translating major new paradigms and approaches into large-scale action to positively impact the lives of millions of people. Led by Sir Richard Feachem, the founding and former executive director of the Global Fund to Fight AIDS, Tuberculosis and Malaria, the GHG works across the spectrum—from analysis, through policy formulation and consensus building, to comprehensive implementation of programs in collaborating low- and middle-income countries.

One of the GHG's programmatic focuses is strengthening private sector components of health systems. The GHG studies a variety of innovative delivery platforms that leverage the strengths of the private sector to achieve public health goals. The GHG has identified the networking of private health providers through social franchising as one of the most effective ways to rapidly scale up clinical health interventions in developing countries. Building upon existing expertise in poor and isolated communities, social franchising organizations engage private medical practitioners to add new services to those they already offer, attracting them with training, technical support, subsidized goods, advertising, links to other providers, and with a brand that represents quality, accessibility, and affordability.

This report on DKT Indonesia's social franchise is part of a series of case studies produced by the GHG, and is a complement to GHG's *Clinical Social Franchising Compendium: An Annual Survey of Programs, 2012*. For more information about the GHG, visit: www.globalhealthsciences.ucsf.edu/global-health-group. More information about this case study series and social franchising in general can be found at www.SF4Health.org.

Definition and goals of clinical social franchising

Social franchises create and support a network of existing private providers to offer needed health services. A social franchise is characterized by the following definition:

- Outlets are operator owned
- Payments to outlets are based on services provided, although the mechanism of payment may vary (out-of-pocket, insurance)
- Services are standardized (although additional, nonfranchised products and services may be offered)
- Clinical services are offered, with or without franchise-branded commodities

Social franchises have five primary goals:

- Access—Increase the number of service delivery points (providers) and services offered
- Cost-effectiveness—Provide a service at an equal or lower cost to other service delivery options, inclusive of all subsidy or system costs
- Quality—Provide services that adhere to quality standards and improve the preexisting level of quality
- Equity—Serve all population groups, emphasizing those most in need
- Health Impact—Contribute to good health or to improving health

EXECUTIVE SUMMARY

DKT was founded in 1989. The organization is now one of the largest private providers of contraceptives and family planning services in the developing world, operating programs in 20 countries worldwide. In 1996 DKT began a social marketing program in Indonesia that has grown to become the largest DKT affiliate in the world, supplying 25 percent of the privately provided modern contraception in the country.

In 2000 DKT established the Andalan franchise, using midwives to distribute condoms and other family planning products. There are approximately 45,000 private midwives in Indonesia; they provide the vast majority of reproductive health and family planning care to lower- and middle-income women in the country. The Andalan franchise is a one-stop solution for family planning products, including IUDs, implants, injectables, oral contraceptives, emergency contraception, and condoms. DKT offers private midwives incentive-based sales contracts and, in return, supports the franchised midwives in the areas of promotion and capacity building. The network is currently made up of 4,144 franchisees located throughout Indonesia, with the highest concentrations on the islands of Java and Sumatra.

The Andalan franchise is unique in that it is customer and sales oriented, and has achieved financial sustainability through a well-defined strategy of offering high-quality and low-cost branded products. It has avoided, where possible, offering products that compete with the basic line of products offered by the government. This strategy has allowed the organization to remain profitable while serving lower-middle-income women. In recent years, the franchise has prioritized shifting the method mix of contraception away from short-term contraception (e.g., injectables) to long-term contraception (e.g., IUDs and implants) by offering midwives financial incentives to stock IUDs and also providing training on long-term methods.

Case study methodology

This case study is based on qualitative research carried out in Indonesia by researchers from the GHG in April 2012. Researchers interviewed lead staff from DKT Indonesia's headquarters, as well as regional sales supervisors and midwife coordinators based at regional sites. Researchers also conducted interviews with Ikatan Bidan Indonesia, the national midwife association, and with a representative from the World Bank in Jakarta.

Researchers visited 13 franchised midwife clinics; four in the greater Jakarta area and nine in the greater Bandung area of West Java province. This case study provides an accurate but not exhaustive overview of the Andalan franchise at a given point in time.

1. CONTEXT

A. National population and health status

Situated in Southeast Asia between the Indian Ocean and the Pacific Ocean, Indonesia is home to an estimated 238 million individuals,[1] with an annual population growth of 1.49 percent. Indonesia has the 16th largest economy in the world, with one of the largest labor forces in the world, however, it remains firmly a lower-middle-income country. GDP per capita, is $4,955 USD.[2] In 2011, the official unemployment rate was 6.6 percent, and 13.3 percent of the population lived below the poverty line; real rates of unemployment and poverty are estimated to be much higher. Eighty-six percent of Indonesians are Muslim.[2]

While modern contraceptive use has increased over time, family planning challenges continue, including high levels of mistimed or unintended pregnancies.

Indonesia faces significant health challenges. Life expectancy at birth is 72 years, ranking 135th in the world, and the country's health expenditures rank 128th in the world, accounting for just 5.5 percent of GDP.[2] Maternal and child health remains a major health issue in Indonesia. The maternal mortality rate (MMR) is one of the highest in the region at 228 deaths per 100,000 live births, although this rate is declining.[3] The infant mortality rate is also high, at 27 deaths per 1,000 live births. There are significant regional and socioeconomic inequities in maternal and child health outcomes.[4] For example, while nationwide a majority of births are attended by a skilled provider (73 percent), skilled birth attendance ranges from 97 percent in Jakarta to only 33 percent in Maluku.[4] In addition, only 63 percent of rural Indonesians and 44 percent of Indonesians in the lowest income quintile report birth attendance by skilled providers, compared to 88 percent of urban residents and 95 percent of Indonesians in the highest income quintile.[4]

Andalan client with her newborn baby

Women of reproductive age account for 21 percent of the population, and the total fertility rate (TFR) is 2.3 percent.[4] In 2007 the modern contraceptive prevalence rate was 57.2 percent among women of reproductive age.[4] While modern contraceptive use has increased over time, family planning challenges continue, including high levels of mistimed or unintended pregnancies. There has been little improvement in the proportion of mistimed and unwanted pregnancies, which have remained at about 19 percent since 2002.[4]

[1] http://dds.bps.go.id/eng/tab_sub/view.php?tabel=1&daftar=1&id_subyek=12&notab=1
[2] CIA World Factbook, 2011
[3] Demographic Health Surveys (DHS), 2007
[4] http://www.who.int/gho/countries/idn.pdf

The private sector provides 69.1 percent of modern methods, while the public sector accounts for only 22.2 percent of modern methods.

The majority of women access modern contraceptive methods through the private sector, primarily from private midwives and retail establishments such as pharmacies. The private sector provides 69.1 percent of modern methods, while the public sector accounts for only 22.2 percent of modern methods. The three most commonly used modern methods are: 1) injectables (31.8 percent), 2) contraceptive pills (13.2 percent) and 3) intrauterine devices (IUDs) (4.9 percent). IUD use has declined over time—accounting for 13.3 percent of modern contraceptive use in 1991 and only 4.9 percent in 2007 [see Figure 1].

Figure 1. Trends of pill, IUD and injectable use among women ages 15 to 49 in Indonesia, 1991–2007 (Source: Demographic Health Surveys)

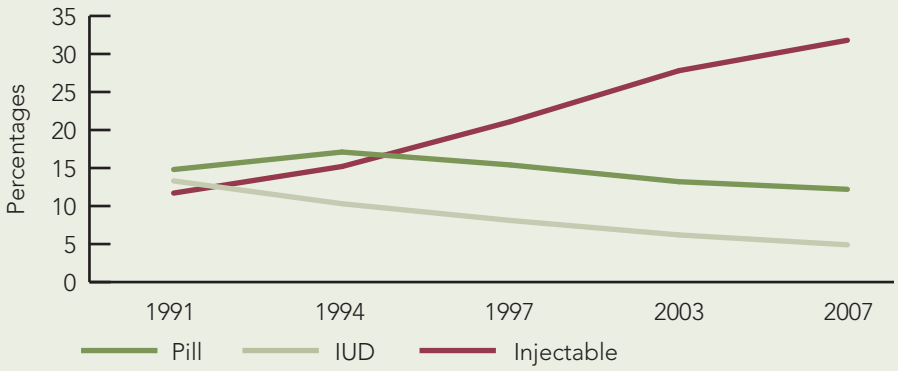

Table 1. Trends in contraceptive methods among women ages 15 to 49 in Indonesia, 1991–2007 (Source: Demographic Health Surveys)

Method	1991	1994	1997	2003	2007
Any method	49.7	54.7	57.4	60.3	61.4
Pills	14.8	17.1	15.4	13.2	12.2
IUDs	13.3	10.3	8.1	6.2	4.9
Injectables	11.7	15.2	21.1	27.8	31.8
Condoms	0.8	0.9	0.7	0.9	1.3
Implants	3.1	4.9	6	4.3	2.8
Female sterilization	2.7	3.1	3	3.7	3
Male sterilization	0.6	0.7	0.4	0.4	0.2
Periodic abstinence	1.1	1.1	1.1	1.6	1.5
Withdrawal	0.7	0.8	0.8	1.5	2.1
Other	0.9	0.8	0.8	0.5	0.4
Number of women	21,109	26,186	26,886	27,857	30,931

B. Healthcare system

There is approximately one community health center for every 30,000 persons, not including sub-centers. In addition to these public facilities, there are a large number of private practices operated by independent physicians, nurses, and midwives.

Indonesia has 33 provinces that are subdivided into districts and subdistricts. Since 1968 each subdistrict has at least one community health center, and below that the health-center staff manage village-level health posts, which provide the majority of prevention services. Indonesia's health system was decentralized in 2001, resulting in the responsibility for health care provision shifting from the central government to the district and city levels.[5] There is approximately one community health center for every 30,000 persons, not including sub-centers. In addition to these public facilities, there are a large number of private practices operated by independent physicians, nurses, and midwives. Often, these practices are run in the evening by the same providers who serve at the public facilities during the day. These private clinics play an increasingly significant role in health care provision, particularly in urban areas; however, there are wide variations in the quality of care within the private sector.[6] Rural areas remain underserved by both private and public health care systems.

C. Midwives

There are an estimated 20.4 nurses and midwives per 10,000 population,[8] compared to only 2.9 physicians per 10,000 population.

Indonesia has 7,000 OBGYNs[7] and over 250,000 midwives (40,300 of whom operate privately or semi-privately).[8] There are an estimated 20.4 nurses and midwives per 10,000 population,[9] compared to only 2.9 physicians per 10,000 population. The majority of physicians and OBGYNs prefer to work in major metropolitan areas—over half of the obstetricians practice on the island of Java—while midwives practice throughout rural and urban areas. Midwives provide more affordable care than physicians; for example, an IUD insertion at a midwife's private practice costs approximately $20 USD compared to $40 USD or $50 USD or more at a physician's practice.

Midwives at an Andalan clinic

[5] http://www.searo.who.int/en/Section313/Section1520_6822.htm
[6] http://ino.searo.who.int/EN/Section3_24.htm
[7] World Bank. 2010. "...and then she died" : Indonesia maternal health assessment. © World Bank. https://openknowledge.worldbank.org/handle/10986/2837 License: Creative Commons Attribution CC BY 3.0.
[8] Unpublished report, IBI Association, 2012
[9] http://www.who.int/gho/countries/idn.pdf

Currently, midwives provide 69 percent of birth assistance and 29 percent of all contraceptive products and services countrywide.

In the 1990s Indonesia's government introduced the Village Midwife Program (VMP), which aimed to place a midwife in every nonmetropolitan community. As a result, midwives are equitably distributed across rural and urban areas and provide the vast majority of reproductive health and family planning care because they are the only trained health care providers in remote areas. Currently, midwives provide 69 percent of birth assistance and 29 percent of all contraceptive products and services countrywide.

Midwives perform a range of clinical services, and their roles have changed and developed over time. In 1996 the MOH established regulations for midwives' areas of practice that included care for children under age 5, preventive services and family planning. In 2002 the regulations were expanded to include active management of the placenta and emergency obstetric case management including home and facility-based deliveries, hemorrhages, preeclampsia and asphyxia. Although midwives are permitted to provide emergency obstetric care and active management of third-stage labor, there is a lack of clarity on which services midwives are allowed to provide (for instance, they are prohibited from administering uterotonic substances). Similarly, although midwives have been able to provide reproductive and family planning services since 2010, there is no regulatory framework covering the provision of IUDs and implants by midwives.

Midwife in a typical Andalan clinic room

Midwives at an Andalan clinic

Midwives in Indonesia commonly work in both the private and public sector. Individuals must register as civil servants to work in the public sector, and this process can be costly. However, working in a government facility provides benefits such as health insurance and pension, and therefore government positions have become more competitive to secure in the past decade. Midwives often work in a local health center in the morning and open a private practice at night, typically in their homes. The benefits of a private practice include extra income and more flexible working hours. Midwives refer complicated delivery cases to OBGYNs.

D. Midwife association

The midwife association is known as the Ikatan Bidan Indonesia (IBI). The role of the IBI is to provide guidelines and ensure that minimum standards are being met by member midwives, and to support advocacy at the national level and training for midwives at the local level. The association also provides legal advice/support

to midwives who may face challenges with the local police due to working outside the regulatory framework. It also works to improve the status of midwives among policy makers by challenging laws or regulations that aim to limit the role of midwives in the health system. The IBI headquarters is in Jakarta; it also has 33 province-level offices and 456 district-level offices. Local chapters run regular meetings, offer practice-based health seminars (e.g., IUD insertion training), and hold training on theory, practice, and policy issues. Midwives pay a monthly membership fee to help pay for organizational costs.

Andalan rural midwife

2. FRANCHISOR

DKT, headquartered in Washington, D.C., was founded in 1989 and began work in Indonesia in 1996. DKT is the largest private provider of contraceptives and family planning services in the developing world, operating programs in 20 countries. DKT Indonesia is the largest DKT affiliate and the largest contraceptive social marketing program in the world.

DKT Indonesia began as a condom social marketing program in partnership with the government, and has since expanded to offer additional family planning and HIV-prevention products. DKT offers a variety of branded family planning products targeting different populations (for example, Sutra condoms are marketed as a value-for-money product to the masses, while Fiesta condoms are marketed as a lifestyle product to youth). The Andalan (which means "trust-worthy" or "reliable" in Indonesian) brand, geared toward the family planning market, was launched in 2000. The first products included oral contraception and injectables, and over the next few years additional Andalan products were introduced, including IUDs, implants and pregnancy test kits. With the launch of the family planning brand, DKT began selling products directly to midwives, thus establishing the Andalan franchise.

DKT Indonesia's social marketing and franchise programs currently supply approximately 25 percent of the privately provided modern contraception in the country.

DKT Indonesia's social marketing and franchise programs currently supply approximately 25 percent of the privately provided modern contraception in the country. In 2011 DKT Indonesia achieved 6.6 million couple-years of protection (CYPs), an increase of 950,000 CYPs over 2010. The social franchise program is only a small component of DKT's country program, contributing 560,602 CYPs of the total 6.6 million CYPs in 2011. In 2012 DKT expects to sell 150 million condoms and 23 million cycles of oral contraceptives. Unlike many other social marketing and social franchising organizations, DKT Indonesia is a profitable enterprise; in 2011 it generated $23.6 USD in revenue, representing a $5.7 million growth in revenue over 2010. Seventy-two percent of revenue is from the sale of condoms and oral contraceptives.

3. FRANCHISE BUSINESS MODEL

In 2000 DKT Indonesia identified midwives as a distribution channel to increase its reach of family planning products and began selling a broad range of high-quality, low-cost contraceptives and other reproductive health products directly to midwives and providing them with promotional support. Midwives are offered a sales contract on which they receive 5 percent cash back on the branded products purchased. During the first phase of the franchise, from 2000 to 2008, DKT targeted approximately 4,000 midwives throughout Indonesia, with an emphasis on the populous islands of Java, Sumatra, Bali, and Sulawesi.

In 2008 DKT expanded the scope and scale of the program to formalize it and to offer additional benefits for participating. The goals of the program broadened to include shifting the method mix away from short-term contraception (e.g., injectables) to long-term contraception (e.g., IUDs and implants). DKT recognized that, although its main business would remain sales and distribution of products, its goal of increasing use of long-term methods meant training midwives who did not have the necessary experience with IUD and implant insertion and removal.

In the franchising scheme, DKT offers incentive-based sales contracts to midwives and, in return, supports the franchised midwives in the areas of promotion and capacity building. The sales contract requires that participating midwives purchase a minimum quantity of Andalan-branded contraceptive products and that long-term contraceptive methods are included in every purchase. Midwives must sign a minimum six-month nonexclusive sales contract; they have the option to sign additional contracts if they wish to extend the relationship. The current sales contract mandates that franchisees purchase approximately $330 USD worth of products over a six-month period. The contract incentivizes franchisees to purchase a minimum of six IUDs (one per month of the contract); in return for meeting these minimum requirements, franchisees receive 5 percent back on the price of products. Those who are unable to meet the IUD minimum receive 2.5 percent cash back. DKT estimates that 80 percent of midwives with sales contracts do in fact meet the minimum purchase of one IUD per month. In 2005 survey research revealed that 21 percent of midwives were stocking Andalan-brand IUDs, and this increased to 66 percent in 2009.

Table 2. Midwife Sales Contracts Signed*

Year	New Contracts	Renewal Contract	Value ($USD)	CYPs
2009	810	489	630,759	147,226
2010	1,105	704	680,228	312,808
2011	2,229	1,113	1,272,644	560,602

*Value of contracts and CYPs are projected figures based on number of contracts signed.

Table 3. 2011 Performance: the total value of claimed sales contracts in 2011 have a value of nearly $1 million USD

Target	Total	Plan		Actual	
		Sales value	Claim	Sales value	Claim
USD 330–550	181	65,192	3,336	85,692	3,918
USD 660–1,200	76	35,430	1,807	71,391	3,419
USD 1,300–2,100	20	14,835	750	33,891	1,467
USD 2,200–4,300	19	15,228	768	57,470	2,650
USD 4,400–6,500	5	16,241	813	29,419	1,473
more than 6,500	28	234,445	11,732	659,713	33,012
Total	329	381,374	19,209	937,578	45,941

DKT has also created a special class of midwives known as "super-franchisees." These individuals tend to be leaders in their community and serve as subdistributors for DKT; they purchase products not only for themselves but also to distribute among their own midwife networks. Super-franchisees help DKT reach midwives in rural areas who are not reached by DKT's national distributor and in return they receive 7 percent cash back for purchasing in bulk. The minimum sales target to qualify as a super-franchisee is $2,200 USD in six months. The super-franchisees do not report the details of their midwife clients to DKT. Currently there are approximately 200 super-franchisees who are part of the network.

DKT offers midwives discrete and well-defined benefits of participation, including access to low-cost family planning products, training and marketing support, and the cash-back guarantee. However, DKT does not guarantee a specific experience for the participating midwives or attempt to control variables beyond sales and availability of products. DKT promotes Andalan midwives in the mass media as reliable providers of long-term contraceptive methods and also provides them with a range of promotional materials, including signs, pamphlets and sheets for their clinics.

4. FRANCHISE MANAGEMENT

The Andalan franchise program is managed by a small team consisting of seven staff members at the Jakarta headquarters. This team oversees four regional sales supervisors and eight district managers based throughout the country in offices with DKT's national distributor. The regional sales supervisors and district managers work directly with the distributor's sales representatives and also oversee a team of 34 DKT-employed midwife coordinators. The supervisors and managers ensure that the sales force and midwife coordinators have the required skills and knowledge to promote products to the franchisees. Each regionally based staff is responsible for delivering products to the midwife networks, engaging the midwives in sales contracts, providing promotional product information to franchisees, and organizing trainings. The sales representatives and midwife coordinators visit approximately 200 midwives a month and spend a minimum of 30 minutes on each visit. Midwives who purchase large volumes of products are prioritized and visited twice a month.

A manager from DKT headquarters, a sales manager and a midwife coordinator

5. FRANCHISEES

There are currently 4,144 franchisees participating in the Andalan network; franchisees are located in 19 of the 33 provinces in Indonesia, with the highest concentrations on the islands of Java and Sumatra. The majority of Andalan midwives are located in suburban or rural areas. Due to the limited health services available in such locations, midwives tend to have thriving practices in these areas, as opposed to in urban areas where there is more competition. As contracts with Andalan are nonexclusive, many midwives have relationships with other pharmaceutical providers of family planning products in addition to their sales contracts with Andalan.

The majority of franchisees run private clinics connected to their homes. The size of the clinics ranges from just one or two rooms to multiple rooms for deliveries and patient care.

The majority of franchisees run private clinics connected to their homes. The size of the clinics ranges from just one or two rooms to multiple rooms for deliveries and patient care. At the larger clinics, the franchised midwives typically have three or four staff supporting the business—including other midwives, assistants, or an OBGYN who may visit the clinic once or twice a week. The clinics are typically open seven days a week and the franchisees are on call around the clock as needed for deliveries. Most midwives have the capacity to conduct deliveries in their clinic and many attend home births.

The typical franchisee sees 100 to 300 clients per month, of which approximately half are family planning clients. In addition to providing family planning products, the midwives provide a range of nonfranchised services including antenatal care, delivery, immunizations and general health care. Among their family planning clients, midwives report that injectable contraception is the most popular method—accounting for approximately two-thirds of contraception provided. Midwives have fewer IUD clients; most midwives insert between one and five IUDs per month. Many franchisees also volunteer to work at National Family Planning Board-sponsored long-term method camps where women can get a free IUD, implant or sterilization.

Clients visit a midwife franchisee for antenatal care in West Java

6. TARGET POPULATION

The typical client of a franchisee is a married woman of middle to lower socio-economic status. Generally the women live within a five-mile radius of the clinic and arrive either by walking, bicycle or motorcycle taxi. Clients select midwives as health care providers for a number of reasons; frequently, the client knows the midwife from the community and trusts the services she provides. Private midwives are also less expensive and more easily accessible than OBGYNs and their clinics are considered to be of higher quality, more convenient, and more personalized than government clinics.

The majority of clients receiving franchised services receive injectables. Women visiting an Andalan midwife to receive an IUD typically have three or more children or do not tolerate hormonal contraceptives well. Midwives report that about half of IUD clients arrive at the clinic knowing that they want an IUD, while others select an IUD after counseling.

Woman visits midwife for antenatal care

7. COMMODITIES

DKT supplies midwives with family planning products including IUDs, implants, injectables, oral contraceptives, emergency contraception and condoms.

Table 4. Committed sales numbers based on the sales contract agreed by midwives. In most cases the actual sales numbers are higher than the procurement commitment.

Product	Unit	2009	2010	2011	Total units	Total CYPs
IUD (Cu 380A)	in pcs	3,610	7,860	9,919	21,389	117,640
IUD (Cu 375 Sleek)	in pcs		3	69	72	288
IUD (Silverline 200Ag & 380Ag)	in pcs			264	264	1,056
Injectable (3 mo 3ml)	in box @ 20 vials	16,532	21,085	26,869	64,486	257,944
Injectable (3 mo 1 ml)	in box @ 20 vials	1,211	5,930	17,200	24,341	97,364
Injectable (Harmonis 1 mo)	in box @ 20 vials	1,752	3,629	13,510	18,891	75,564
Injectable (Andalan 1 mo)	in box @ 20 vials	3,103	6,248	13,806	23,157	92,628
COC Oral Contraception	in box @ 30 cycles	2,095	6,850	4,260	13,205	184,870
POP (Laktasi) Oral Contraception	in box @ 30 cycles	225	923	9,048	10,196	142,744
Emergency Contraception	in packs	243	780	2,562	3,585	32,265
Implant	in sets	28	77	85	190	760
Condom (3 pcs)	in box	22	49	76	147	14,700
Condom (12 pcs)	in box		9	18	27	2,700

A. Short-term family planning

Injectables are by far the most popular method of contraception provided by midwives.

Injectables are by far the most popular method of contraception provided by midwives. This is due to both cultural beliefs and business practices. There is widespread belief that injections are the most effective mechanism to deliver medication. Women also prefer injections because they do not have to worry about forgetting to take a pill. Midwives prefer this method for financial reasons; clients using injectable contraceptives will need to visit the clinic on a monthly or quarterly basis to receive their injection, in contrast to women taking oral contraceptives who can purchase the pills at a local pharmacy. In addition, midwives feel comfortable managing any complications that might arise with injectables as compared to less popular methods like IUDs and implants.

DKT offers a range of injectable options. Andalan franchisees sell approximately 700,000 vials of 3ml, three-month, injectables per year. Currently this method is sold by DKT on a break-even basis, as an affordable option for low-income clients and to compete with other private providers who easily obtain inexpensive products due to leakage of government supplies. The franchisor is currently striving to shift the preference from the 3ml, three-month injectable to the three-month, 1 ml and one-month injectable products, which are sold with a small profit margin. In the five years since launching the three-month, 1 ml injectable, Andalan franchisee sales have hit 1.1 million vials and the organization believes the popularity of this product will continue to grow.

Contraceptive products

Within the one-month injectable category, the franchise offers two types—the Andalan-branded product and also a Harmonis brand that is priced lower than the Andalan brand. The one-month injectables are provided by different contract manufacturers, which provides financial security and ensures supplies to DKT in the case that one manufacturer increases the price.

Andalan has four types of oral contraception: Andalan OC (combined oral contraceptive), Laktasi (a low-dose progestin-only pill aimed at breastfeeding women), Postpill (an emergency contraceptive pill), and the newly launched Andalan FE (combined oral contraceptive with an iron supplement). Andalan FE is beneficial to clients who suffer from anemia, and to the franchise because it produces a higher profit margin than the other pills. DKT social marketing sales of oral contraception have increased from 3.4 million in 2004 to 19 million in 2011. Sales to Andalan midwives account for less than 5 percent of that figure because women can easily obtain pills at pharmacies, and midwives prefer to purchase methods such as injectables that maintain client loyalty; however, DKT still considers it important for midwives to offer oral contraception as a choice for women who visit a franchise.

B. Long-term family planning

One of the core objectives of the Andalan program is to increase the use of long-term family planning methods, particularly IUDs.

One of the core objectives of the Andalan program is to increase the use of long-term family planning methods, particularly IUDs. By joining the Andalan program, midwives are required and incentivized to keep sufficient stock of IUDs on hand, and they are offered training courses on IUD insertion and removal. DKT currently has five branded IUD options, all of which are sold to midwives. The standard Copper T was the first IUD to be offered and since that time DKT has expanded its line of IUDs to give midwives and clients more options. In 2009 the Cu 375 Sleek IUD was introduced—it is preloaded, which saves insertion time. It is also smaller than the Copper T, making it more appealing to clients concerned about device size. In 2011 the Safeload IUD and two Silverline IUDs were introduced. Andalan has exclusive rights in Indonesia to the Safeload IUD and it is priced only slightly above the Copper T, making it an affordable option for clients.

C. The challenges of shifting to long-term methods

In the effort to promote the use of long-term family planning methods, DKT has contended with barriers that exist from providers, Indonesian women, and couples. Furthermore, until DKT began publicly promoting IUDs in Indonesia through the media in 2008, there was minimal outreach and communication from the government or other sources.

During their academic training, midwives do not receive sufficient instruction or practice on IUD insertion; therefore, many are not confident in their ability to perform an insertion and worry about having to manage potential complications post-insertion. For this reason, they may inadvertently discourage patients from selecting an IUD and they are also less likely to carry the required supplies to complete an insertion. Midwives are also keenly aware of the financial sustainability of their business and are motivated to promote methods like injectables that require that women visit their clinics on a monthly or quarterly basis. Furthermore, some midwives with small clinics in their homes may feel that their clinics are not conducive to such a procedure.

There are also barriers from the client side that make IUDs a less popular option than injectable contraception. Indonesian women, like women around the world, have fears and misconceptions about having an IUD. Many perceive that an IUD is uncomfortable and that it can negatively impact sex if the husband is able to feel it. Some in the largely Muslim population also believe that having a foreign body inside the uterus is not acceptable. Midwives report that husbands often discourage their wives from having an IUD for the same reasons—and because a husband is required to sign an informed consent before his wife has an IUD inserted, this is a significant barrier. The price of an IUD, at a cost of approximately $20 USD is also perceived as a barrier for low-income women.

Midwife shows an Andalan-branded IUD

8. FINANCES

A. Service finances

All products supplied to the network members have a suggested retail price, but midwives determine the price paid by the end user. Franchisees charge approximately $15 USD to $20 USD for an insertion of the Andalan Copper T IUD, which is half to two-thirds the cost of the competitor brand of IUD. A pack of Andalan oral contraception costs the client approximately 40 cents whereas competitor brands charge over one dollar for a pack of pills, making Andalan an affordable choice. Franchisees purchase injectables at a cost of approximately $0.40 USD per three-month injectable vial and $0.50 USD for a one-month vial and charge clients $1.50 USD to $2.00 USD per injection.

Most clients pay out of pocket for family planning products. For patients who cannot afford the cost, midwives either advise them to go to a government clinic where service is free or offer them service for free as a goodwill measure.

B. Franchise finances

In 2011, DKT estimates that the Andalan social franchise contributed $1.65 million USD to sales revenue for DKT Indonesia, which represents 7 percent of the overall sales revenue for DKT Indonesia.

In 2011, DKT estimates that the Andalan social franchise contributed $1.65 million USD to sales revenue for DKT Indonesia, which represents 7 percent of the overall sales revenue for DKT Indonesia. The goal by 2014 is for 10 percent of DKT Indonesia's sales revenue to come from the midwife franchise network.

DKT's profit margin on goods sold to midwives ranges from 0 to 70 percent, depending on the product. In the oral contraception category, the average profit margin is 30 percent. The three-month, 3 ml injectables are sold at a low or no-margin price because of the free government supply and competition from other manufacturers. In the one-month injectables category, the organization can earn a profit of approximately 10 percent. For IUDs, the profit margin ranges from 65 to 70 percent.

DKT projects that it will spend approximately $3 million in 2012 on above-the-line marketing (TV, print, and radio advertising). Another $1 million will be spent on activities including direct support to the franchise network in the form of promotional materials, events, trainings and cash-back incentives.

Table 5. Prices of Andalan products sold to midwife franchisees

Price to Midwives with VAT		
Products	Details	Price in $USD
Andalan Condom (3 pcs)	1/2 gross (24 x 3 pcs)	6
Andalan Condom (12 pcs)	1 gross (12 x 12 pcs)	10
Andalan Pill	1 box (15 x 2 cycles)	12
Andalan FE Pill	1 box (15 x 2 cycles)	13
Andalan Laktasi Pill	1 box (30 cycles)	33
Andalan Harmonis Injectable (1 mo)	1 box (20 vials)	12
Andalan Postpill EC	1 dose @ 2 tablets	2
Andalan Injectable (3 mo 3 ml)	1 box (20 vials)	13
Andalan Injectable (3 mo 1 ml)	1 box (20 vials)	13
Andalan Injectable (1 mo)	1 box (20 vials)	14
Andalan (Tcu 380A IUD)	1 pcs	1
Andalan (Safeload IUD)	1 pcs	3
Andalan (Cu 375 Sleek IUD)	1 pcs	3
Andalan (Silverline 380Ag IUD)	1 pcs	22
Andalan (Silverline 200Ag IUD)	1 pcs	16
Andalan Implant	1 pcs	23
Andalan Trocar	1 pcs	6
Andalan Pregnancy Test Kit (Loose Pack)	Pack 50	11
Andalan Pregnancy Test Kit (with Envelope)	Pack 50	14
Disposable Syringe Insulin	Per piece	0
Disposable Syringe Tuberculin	Per Piece	0
Alcohol Swab	1 box (100 pcs)	2

Andalan-branded products on display in midwife clinic

9. FRANCHISEE RELATIONS

A. Franchisee selection

The initial assessment of potential franchisees is based on their monthly family planning client volume. DKT ensures that all participating midwives have a current operating license. For those midwives who have previously procured products from DKT but have not yet signed a contract, DKT's distributor determines their history of settling bills on time. The first purchase after signing the contract is required to be paid in cash, although subsequent purchases can be paid on 30- to 45-day credit.

B. Costs/benefits of enrollment

Midwives report that the main benefits of joining the program are the cash-back incentive and the affordable prices of the products offered by the franchisor. Furthermore, the fact that Andalan offers a full range of contraceptive products is appealing compared to other private-sector manufacturers who may only offer one or two products. Neon clinic signs and promotional products including Andalan-branded towels, bed sheets, and signs are also valued by the franchisees. Midwives report that being able to pay for the products on credit is a benefit that not all other product suppliers offer. Some midwives also perceive that the TV, radio, and print advertising of the Andalan brand draws clients to their business while strengthen their position as qualified health care providers.

Andalan branded bed sheets

Another positive aspect of the program cited by midwives is the support received from the midwife coordinators. These DKT employees maintain relationships with each franchisee and visit each clinic one or two times per month. Franchisees report that midwife coordinators keep them updated on upcoming trainings and provide valued posters and other promotional materials to place around the clinics.

The Andalan-sponsored trainings on IUD and implant insertion and removal are also viewed by franchisees as a benefit. Midwives report that the trainings are run in easily accessible locations and that length of the trainings (two and a half days) is convenient, as compared to longer government trainings that require midwives to be away from their practice for extended periods of time. At Andalan trainings, midwives can receive continuing education credits that count toward their recertification.

Given that the contracts franchisees sign with Andalan are nonexclusive and do not require any additional reporting or changes to how their clinics function, there are no identified drawbacks to being part of the network. Some midwives would like to see the franchisor provide additional incentives like free vacations or medical equipment. These types of request appear to result from the fact that infant formula and fortified milk manufacturers heavily target midwives and offer very generous and sometimes luxurious incentives for carrying their products.

Midwife coordinators provide posters (like those that are pictured here), which are placed around the clinics

10. MARKETING

The Andalan franchise is a one-stop option for high-quality family planning products, marketed through both above- and below-the-line activities. DKT began advertising for IUDs in 2008 and was the first to advertise IUDs on national TV, in print media, and on the radio. These efforts have increased the popularity of IUDs and have led to increased public-sector promotion of IUDs. This success comes despite the fact that marketing and advertising activities are restricted due to Indonesian regulations that prohibit the advertisement of family planning products on television before 10 PM. In response to this challenge, DKT created public service announcements that resemble existing advertisements and that can be aired during the day but do not show any products.

Andalan sign outside an Andalan clinic

A. Promotions and branding

When a new family planning product is launched, it is usually first introduced through a media campaign in women's tabloid magazines and provider publications. The media campaigns not only promote the specific product and brand but also help to build the status of midwives. The promotional messages and storylines are crafted to instill the connection between midwives, the Andalan brand, and family planning.

DKT Indonesia also engages in targeted marketing and promotion through event sponsorship and partnerships with private retailers. At events targeted at women and at pharmacy outlets, franchisees staff Andalan booths where they can engage with women and deliver promotional materials on the products they offer. At the pharmacy promotions, a woman who first consults with a midwife can buy an Andalan product at a pharmacy. DKT has found that this mechanism of promotion is more cost-effective than providing medical retailing directly to pharmacists, and it serves to improve the image of the Andalan brand by associating it with a modern pharmacy chain where middle-class consumers tend to shop.

Andalan uses national midwife conferences and events to promote products and the franchise itself to potential new franchisees. New franchisees are recruited and can sign a sales contract at the event itself. In the past, up to 80 to 90 sales contracts have been signed at each such event. DKT also sponsors smaller midwife association meetings where it promotes the products and benefits of franchise membership. In a monthly midwifery publication, Andalan promoted the brand and products by offering a free IUD, along with a DVD that details how to do an insertion, to any midwife that sends in her name and address. This targeted marketing has resulted in approximately 500 responses over the 12 months since the promotion launched.

B. Website

Andalan has a website, www.tundakehamilan.com (which means "postpone pregnancy" in English). The website targets potential users of Andalan products and the content includes viewable TV commercials, information on products, and a frequently asked questions forum. To date, the website has not been promoted among the franchisees, and those interviewed for this case study were unaware of its existence. Andalan also has a YouTube channel (www.youtube.com/user/tundakehamilan) where its television commercials can be watched.

11. LOGISTICS

Andalan products are manufactured in Indonesia, India, China and Thailand and are stored in DKT warehouses before they are sold to national distributor Sawah Besar Farma (SBF). DKT is the biggest client of SBF and has an exclusive contract, meaning that SBF does not distribute contraceptive and reproductive health products from competitors. Currently there are 134 SBF sales representatives dedicated to selling to midwives, and DKT has set a goal of increasing that number to 144 by the end of 2012.

To reach midwives, DKT implemented a customer segmentation strategy. Each sales representative is assigned 212 midwives to target monthly, divided into classes (A–D) according to their sales potential; the greater the sales potential, the more often the midwife is visited by the sales representative. Classes A–C include those midwives who have already purchased from Andalan; these outlets are visited at least twice a month, compared to class D midwives who are visited less frequently.

12. QUALITY ASSURANCE AND TRAINING

DKT does not control variables beyond sales and product availability, and does not monitor quality standards within the clinics. Quality products and service are implied by the brand; the training component of the program may also indirectly influence quality.

In 2008 DKT began offering training on IUD and implant insertion and removal. To date the organization has sponsored training for over 48,000 midwives.

In 2008 DKT began offering training on IUD and implant insertion and removal. To date the organization has sponsored training for over 48,000 midwives. The majority of these midwives are franchisees while some are not part of the franchise, but part of the local midwife association. DKT sponsors the trainings and specifies the content, but the trainings are largely conducted by local chapters of the midwife association with DKT representatives present. Trainings typically last two and a half days and are attended by 50 to 150 participants. The first day is lecture. On the second day midwives can view or practice IUD insertions; midwives are invited to bring an IUD patient to the practicum day to have the opportunity to practice the insertion.

DKT uses the trainings as an opportunity to promote the sale of long-term methods and requires that participating midwives purchase a minimum number of IUDs or implants. The trainings are also an opportunity for new midwives to join the network and sign a sales contract.

13. NETWORK LINKAGES

A. Referrals

In emergencies, the midwives send clients to the nearest private hospital or to a hospital owned by the Indonesian police or military. Traditional birth attendants (TBAs) will bring patients to midwives who typically provide an IDR 50,000 (about $6 USD) referral payment. This is common practice among midwives in general, and not only those associated with Andalan.

B. Academy Andalan

Andalan partners with the Indonesian Midwives Association to provide scholarships for students enrolled at midwifery academies. To date the organization has provided 18 such scholarships. This partnership is viewed as an indirect recruitment mechanism to inform midwifery students about the network early in their careers and to build loyalty to the Andalan brand and network. Beginning in 2013, Andalan will support one bachelor's degree and one master's degree scholarship in midwifery studies at Brawijaya University in Malang, East Java.

14. CHALLENGES AND OPPORTUNITIES

A major constraint to increasing the number of franchisees enrolled is the level of effort needed by the distributor's sales force. The distributor's core business is selling to pharmacies—they are still learning how to effectively target midwives. Particularly in less populated areas like Sulawesi and in rural areas of Sumatra, midwives have dropped out of the program because they do not receive regular sales visits. In addition to having a smaller sales force than is necessary to serve the growing network, high employee turnover contributes to the insufficient coverage. A number of close competitors of DKT, including Tunggal, have established similar incentive programs, increasing the competition and the need to ensure high-quality and consistent service to all midwives.

To address these challenges, DKT is working closely with the distributor to increase the quality and number of sales representatives focused on midwives. This includes increasing training and supervision of the existing sales force to more effectively meet the needs of the franchisees and cultivate loyalty.

DKT and SBF are working to improve the IT network to ensure that there is adequate capacity to manage and analyze sales data, track and target midwives, and facilitate timely sales contract renewal and delivery of cash-back incentives. A new IT system is under development and will allow for real-time monitoring of the sales data from the distributor and for enhanced data recording at the franchisee level to ensure more rapid response to midwives. This system will also enable sales representatives and midwife coordinators to more strategically target their sales and outreach activities. DKT is constantly evaluating the program benefits for the midwives in order to ensure that the incentive to renew their sales contracts remains enticing and that the network continues to grow. The organization is currently evaluating the 5 percent cash-back incentive and is considering giving midwives the option to choose either the cash back or a gift as their incentive. DKT also has learned that persuading seasoned midwives to change their perceptions and prescribing habits of long-term contraception is a challenging task. With this understanding, the organization has begun to focus more on educating the next generation of midwives by forming partnerships with midwifery academies to inform students early in their careers about long-term methods and the benefits of the Andalan brand. Andalan's scholarship program for midwifery students offers additional opportunities to do this.

15. LESSONS LEARNED

The Andalan franchise is distinct from other social franchises in that it achieves cost-recovery and is sales oriented. Financial sustainability has resulted from a well-defined strategy on product offerings and clarity on the scope of the organization's role in Indonesia. Andalan offers high-quality and low-cost products and has strategically avoided, where possible, offering products that compete with the basic line of products offered by the government. This niche has allowed the organization to remain profitable while serving lower–middle-income women.

Most traditional service franchise programs remain heavily reliant on donor funding. Labor, supplies, transport, and overhead are significant costs related to quality management for social franchise programs, including the cost of personnel to oversee service quality. Andalan, on the other hand, is not a typical franchise program in that it uses a sales outlet franchise model to achieve cost-recovery. Costs associated with this franchise model are distribution of products and staff personnel needed to maintain relationships with midwives. The organization has made a deliberate choice to not influence all aspects of the franchisee's business, and it does not use its resources to monitor or improve services, facility, or consultation quality directly.

The primary advantage of using a sales outlet franchise model is that they maintain profits while delivering quality products and are financially self-sustainable, focusing on sales and volume-linked contracts and benefits. The challenge to using this type of service delivery is that quality, monitoring of services, and facilities are not standardized across franchisees. While Andalan can ensure quality products, they do not ensure the quality of service delivery and do not maintain facility standards across sites.

Building relationships with the midwife members has been a primary focus for the franchisor. DKT's regional sales supervisors and midwife coordinators play a central role in this area by regularly visiting midwives to provide updates on program activities and to respond to any concerns or questions from the midwives. Midwives interviewed for this case study reported that they appreciate the visits from a midwife coordinator because they feel that s/he is a trustworthy, reliable person supporting the business. DKT has trained midwife coordinators to have a customer-service orientation as opposed to a sales orientation; this approach is critical to establishing strong relationships. Having the systems in place to support the midwife coordinators is also essential, especially for ensuring that the cash-back incentives are delivered in a timely manner. A commitment to excellent customer service through human resources and technology is a key success factor of the franchise.

ACRONYMS

CYP	couple year of protection
DHS	Demographic and Health Surveys
GHG	Global Health Group
IBI	Ikatan Biden Indonesia
MMR	maternal mortality rate
OC	combined oral contraceptive
SBF	Sawah Besar Farma
TBA	traditional birth attendant
TFR	total fertility rate
VMP	Village Midwife Program

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