

**Feasibility Study Report for
A Sanitary Business
(BOP business cooperation)
in Indonesia
To Reduce Oral Infections by the
Habitual Use of Disinfection Gels
【Summary】**

July, 2015

**Independent Administrative Institution
Japan International Cooperation Agency(JICA)**

**Mandam Corporation
Hakuhodo Inc.**

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15-060

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1. Research Outline

1.1 Research Background and Objectives

1.1.1 Research Background

(1) Social Condition (Social Needs)

① Poverty Rate

Despite the economical growth in Indonesia, there are quite a number of poor and low income people (BOP class) left behind the growth, and according to the publication from 2010 by the Indonesian Central Statistics Office, poverty rate is 13.3%.

② Infant Mortality Rate

Mortality rate of babies under 1 year, also of infants under 5 years of age is higher in Indonesia compared to neighboring countries. It can be assumed that health index of those living in remote areas, also of the BOP class, are even worse.

③ Infant Mortality Rate from Oral Infection

Of the above infant mortality, one third is considered to be caused by oral infection.

④ Birth Rate

Birth rate per Indonesian woman was 2.1 in 2010 (“World Children White Paper” by UNICEF Japan) and population is still growing. BOP class tends to be left behind the economical growth or public services, and it is assumed that infectious diseases can cause poverty to continue. Population growth is leading to the growth of actual number of people in BOP class.

(2) Corporate Philosophy and Mission of Mandam Corporation

① Corporate Philosophy of Mandam Corporation

“Aiming to Provide a Comfortable Lifestyle Supported by Health and Beauty”

② Expansion of Business Areas

Business areas were mainly in the cosmetics and toiletry category, but in Indonesia, we are planning to expand the areas by “providing healthy life environment (= new entry into the hygienic materials category)” to the BOP class left behind economic growth.

③ Distribution Support

By simultaneously carrying out the “traditional outlets (warung) activating measures”, we aim to support the declining distribution route where the BOP class purchase daily necessities.

④ Distribution Capability

With a powerful distribution partner, our corporation has a distribution network covering all Indonesia.

⑤ Connections with the Indonesian Department of Health

Mr. Sastra Widjaya, auditor for PT MANDOM INDONESIA Tbk, has connections with the Indonesian Department of Health, and he can ask for support from the department

1.1.2 Research Objectives

- (1) Positioning and motives of overseas advancement within the corporate business strategy (cost reduction, market expansion, etc.)

With the BOP class, water for daily use are most probably non-sterilized groundwater potentially infected with germs, also the habit of eating meals with the hands and taking uncooked vegetables increases the possibility of contracting diseases such as cholera, dysentery, typhoid fever which are caused by oral infection, even with healthy grown-ups. Some infants with weak resistance may even lose their lives to such diseases.

As a prevention measure, hand sanitizers (disinfection gels) in sachets or small bottles will be sold at a low price to prevent diseases caused by oral infection.

Activities planned to promote the business are: 1. Education/enlightenment of parents to protect infants with weak resistance, also direct education/enlightenment of children. Risk of contracting infections will be reduced through these activities with the improvement of hygienic awareness and habits. 2. Sales through small retail such as the traditional outlets (warung). At the same time, traditional outlets (warung) will be supported to activate, so they can be the source of information in the area.

Innovation of this project for Mandam in Indonesia is: 1. Hygiene products have not been handled. 2. Products targeted at the BOP class only have not been handled.

- (2) Research Policy

For the business development in Indonesia, information collection and research activities were planned to provide products and services meeting the needs of the BOP people, considering social and cultural background of the area.

■ Basic Policy for Research

- ① Information collection and research activities to provide products and services meeting the needs of the BOP people, considering social and cultural background of the area.
- ② Exploration of conditions and measures to acquire cooperation of warung owners, who would be the key partners in promoting this business.
- ③ Development of products and services utilizing business achievements and brand power Mandam has acquired through the years in Indonesia.

With the above 3 points as basic policy, actual research was conducted with the following view point.

■ Viewpoint for Research

- ① Thorough understanding of hygienic awareness and daily habits of the BOP class
- ② Information collection to promote understanding of the importance of hand washing, also to educate hand washing habits.
- ③ Exploration of product design/sales method to meet the BOP class

- ④ Grasp issues and needs of the local distributors who would carry out the sales of disinfection gels
- ⑤ Investigate points of differentiation and superiority from existing similar products which are sold mainly to the wealthy class
- ⑥ Verification of hygienic benefits of this business
- ⑦ Business evaluation through test sales and its verification, feedback to improve future business

1.2 Research Method

1.2.1 Research Area

(1) Business Development Area

Place (Country) : Republic of Indonesia (To be described Indonesia in the following document)

Area : All areas in Indonesia

Educational Activity : Educational activity which will be the key factor to spread the business will be expanded in stages

- Stage 1: Central Java – East Java
- Stage 2: All Java, Smatra
- Stage 3: All Indonesia

(2) Reason for selecting this area (validity)

Reason : Areas for Stage 1 have the largest population in Indonesia with more BOP class.

Also, as Jakarta is in this island, it is easier to control research activities and test sales.

Stage 2 will expand into all of Java ad Smatra, where know-how acquired through stage 1 will be utilized and characteristics by area will be confirmed.

Business will then be expanded to all Indonesia.

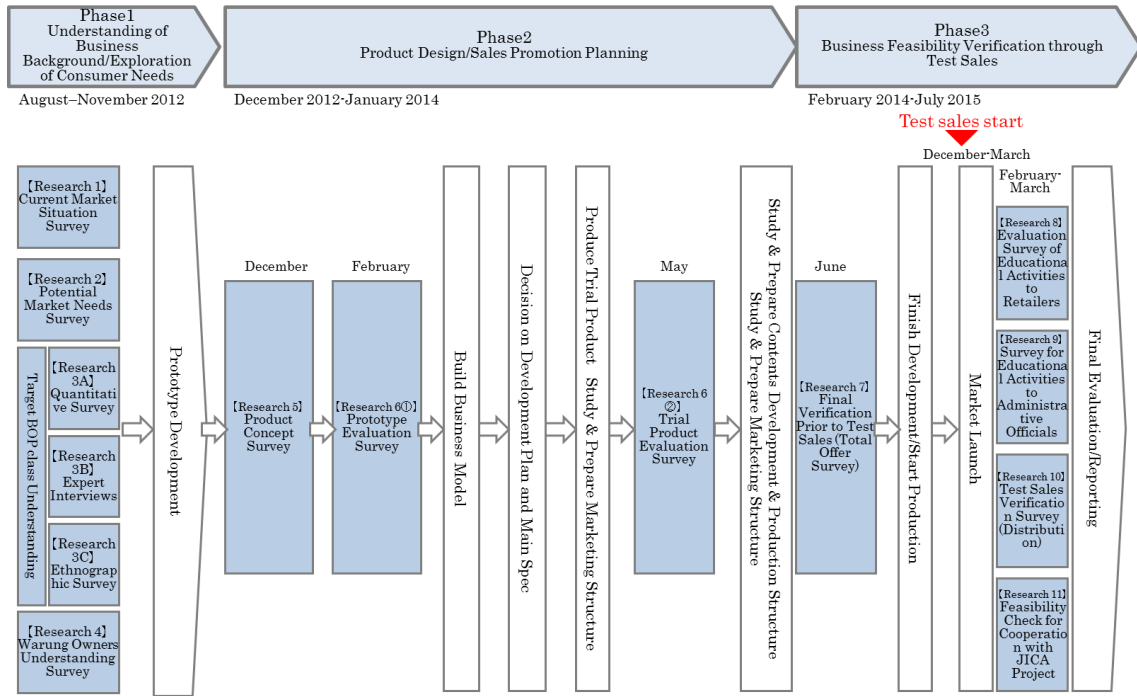
Details of Research Area : Jakarta City and its suburbs (Depok, Bekasi, Tangerang)

As BOP in this area are scattered, not skewed to some specific area, area sampling within the target area was conducted for research.

1.2.2 Research Method/Target/Period

(1) Outline of Research (Overall Flow of Research Project)

Chart 1 Overall Schedule of Research



(2) Research Target (BOP class/Class A-E)

BOP and class A-E in Indonesia are defined as below chart:

- Based on total monthly expenditure according to Nielsen Data, Indonesian population is divided into class A to E. BOP class (low income class) is defined by this class A-E widely utilized in Indonesia, not the BOP class definition of “The Next 4 Billion”.
- Excluding class E where relationship with purchase activity is not clear, class A-B are defined as MOP class (mid income class), and class C-D as BOP class (low income class). (Class A are the wealthy class).

Chart 2 Population Pyramid of the Indonesian Market defined by Mandam Indonesia

Class	Population 15 to 64 years of age (Unit: Thousand)			Total Monthly Expenditure (Rupiah)	Population Ratio (%)
	Total	men	women		
A	24,039	12,026	12,013	3,010,000~	15%
B	32,051	16,034	16,017	2,010,000~3,000,000	20%
C	75,321	37,680	37,641	1,010,000~2,000,000	47% ★
D	20,833	10,422	10,411	710,000~1,000,000	13%
E	8,013	4,009	4,004	~700,000	5%
Total	160,257	80,171	80,086		2010

(Source: Produced by Mandam Indonesia based on Nielsen Data)

★...Core target for hand sanitizer to be promoted by JICA/BOP business cooperation

2. Research Results Summary

2.1 Research Results

2.1.1 Research Findings and Possibility of Business Development

(1) Hygienic Awareness

While there are awareness that washing by water alone is not enough for sterilizing/disinfection, there are area differences. Awareness for hygiene in the city is high, but in rural areas (remote islands such as Nias), it is not put into practice.

As bottoms are habitually washed by hand after defecation, most people (94%) wash their hands with soap after the job. However, only 31% “wash hands with soap” after coming home from outing, and 23% “wash hands with soap” when feeding babies and infants.

※ Results from face to face interviews in Jakarta city and suburbs (class A-E, N=900)

Alcoholic sterilizers are advertised on TV and are therefore known widely. Need for sterilizing is also recognized, but those who actually purchase are limited.

(2) Product

As for the format, possibilities were confirmed for gel and mist for stationary and portable, gel and liquid for sachets.

Mist and gel formats were both evaluated highly, but as we were initially planning to develop the product as a multi-sanitizer, we chose to develop mist type rather than gel. Development of a mist type product would also be effective in differentiating from competitive brands.

In Indonesia, bottoms are washed by hand after defecation, so most people wash their hands with soap after the job (94%). On the other hand, only 31% “wash hands with soap” after coming home from outing, 23% “wash hands with soap” when feeding babies and infants, 10% “wash hands with soap after playing with pets”, which shows that washing hands with soap is not being a habit yet.

※Results from face to face interviews in Jakarta city and suburbs (class A-E, N=900)

“Hand washing” coaching has been practiced, but as there are little water available at the venue, demonstration is actually difficult. With no water, washing with soap is hard to be practiced.

As we consider promoting the understanding of the product is key with this project, we adopted package descriptions which show the importance of disinfection at a glance, even without educational activities.

<Discription FOR HAND >

Effective to kill germs** without water, anytime & anywhere
Prevents bacterial growth longer

<Discription FOR GOODS >

Prevents bacterial growth longer

Competitor’s brand A, which has the top share in the Indonesian disinfectant gel market, has bar soap, hand soap, body soap in addition to hand sanitizers in their line up, and is not a hand sanitizer brand.

To differentiate from such similar existing brands, strategy to form familiarity among users including children has been adopted. Product name “Lalalife” is taken from the “lala song” children learn at kindergartens, and a character “lala” is utilized in package design, sales promotion and educational activities.

Alcohol is a critical ingredient in spec development, but research confirmed that concerns of the users are not serious.

However, product development as a multi-sanitizer as initially planned had to be changed due partly to guidance from the Dept. of Health, and the product is now to be a sanitizer for hands and goods only.

The brand name “LalaLife” and a character “lala” were developed to promote familiarity.

As for the price, research suggested that it has to be 11,500 Rupiah or less.

Expected Goods for use: Helmets, balls, sofas, tables, desks, daily necessities, school beds, body weight meters, first aid kits, etc.

※ Guidance from the Indonesian Dept. of Health

To start with, item name and description had “for hand & body”, but due to the instructions from the Indonesian Dept. of Health, the description of “for body” could no longer be used. While there was no apparent denial for multi-sanitizers, our staff judged from the nuances suggested by the Indonesian Dept. of Health that development as a multi-sanitizer is difficult.

After presenting the final text for both FOR HAND and FOR GOODS on the 3rd and 4th week of June, 2014, the Indonesian Dept. of Health instructed as below on 1st to 3rd week of July:

<FOR HAND>

- Revise item name
(Before) Lalalife Sanitizer for Hand & Body
→ (After) Lalalife Sanitizer for Hand & Various Parts"
- Revise description on the front panel
(Before) Kills germs on hand & other parts of body anytime & anywhere, - Kills 99% of germs
→ (After) Effectively kills germs** without water anytime & anywhere/
Liquid type & non-sticky"
- Revise description on the back panel
(Before) Kills 99% of germs without water, - Help to prevent bacteria growth up to 12 hours
→ (After) Liquid type that is non sticky feeling and easy to use
Prevents bacterial growth longer
Contains extra moisturizer that makes hands feel soft and smooth

<FOR GOODS>

- Revise description on the front panel
(Before) Prevent up to 24 hours
→ (After) Long-lasting effect
- Revise description on the back panel
(Before) Prevent bacteria growth up to 24 hours
→ (After) Prevents bacterial growth longer

(3) Distribution/Sales

Business condition is diverse, with a mix of very low price to extremely high end outlets existing together. Traditional outlets, warungs, have been mainly used by the MOP and BOP class.

It is confirmed that for new products, consumers notice and understand them at the new retail shops such as supermarkets, but actual purchase is made at traditional outlets (warung).

Test marketing was conducted based on the above information, and business possibilities were evaluated.

(4) Test Marketing

【Test Marketing Plan and Objectives】

Period : December, 2014 to March, 2015 4 months

Area : Tangerang area (C class residential area in the suburbs of Jakarta)

Product : 200ml For Goods Price 18,000 Rupiah 100ml For Hand Price 8,000 Rupiah

Sales Target : 10,000 units each

Target No. of Retailers: Modern trade (Supermarket) - 45, Traditional outlets (Warung) - 355, Total 400 retailers

Main development method (including educational activities)

- ① Educational activities at public facilities (schools/clinics) in the test marketing area
- ② Educational activities at the shop front

At the modern trade, supermarkets, Sales Promotion Girls were employed to communicate product benefits to consumers, and recommendation sales were conducted.

At traditional outlets, sample sachets of 3 ml x 36 units were placed at the shop front at the time of product introduction, and they increased the presence as POP.

【Findings from Test Marketing】

- ① Sampling activities at schools and clinics were met with high interest, and objective number of samples was delivered.
- ② Educational activities using VTR caught attention, especially of children, and the importance of disinfection, also product benefits were successfully communicated.
- ③ While VTR at the shop front drew attention, although at modern trade where there are more B class saw the link with purchase, at traditional outlets where main shoppers are C class, the activity did not lead to purchase.
- ④ Sales at supermarkets in the area where educational activities with samples were conducted were relatively high, which suggested the need of educational activities.
- ⑤ Shops where SPG (Sales Promotion Girls) were placed and educational activities by VTR were conducted at the shop front showed high sales.
- ⑥ While “For Hands” were easier to sell due to the existing awareness of the category, “For Goods” being an innovative product with higher price met difficulty with sales.
- ⑦ There is a strong belief that washing hands with soap is enough to kill germs, and there were many stating that they don’t feel the need for “sterilization” or “disinfection”.
- ⑧ As a result, sales were far below the original target, and there were almost no signs of success at the main target of traditional outlets.
- ⑨ Questionnaire was conducted to the 21 SPGs in Tangerang, and to the question “do you expect the sales to continue?”, “yes” did not reach 50%.

【Possibility of Business Development】

Based on the test marketing results, a 5 year business plan was created with predictive values. This plan suggested that 5 years after the start of the business, no profit could be expected on an annual basis, with large cumulative deficit, so judgement was made not to adopt this project as a new business.

2.1.2 Grounds for Judgement for Business Development

A 5 year business plan was created with predictive values based on the test marketing results. The following points suggested that 5 years after the start of the business, no profit could be expected on an annual basis, with large cumulative deficit, so judgement was made not to adopt this project as a new business.

(1) High sales cost rate (inflation of material cost is not considered for this project)

The product concept does not allow sales price to be higher, which leads to increase in cost rate.

(2) High sales promotion cost

High product introduction and maintenance (shelf charges) fee in the inflating Indonesian modern trade. As introduction to the modern trade is mandatory to spread into the traditional outlets, the two markets correlating with each other, the market characteristic requires high initial introduction cost.

(3) Time required for educational activities

Increase in sales to solve 1 and 2 above cannot be expected. For Hands is an existing category but scale of the market cannot be expected. For Goods, educational activities are mandatory together with For Hands, but educational activities at schools and clinics for the main B-C class, also shop front activities alone will require quite some time, so increase in sales in a short period of time cannot be expected.

(4) Development of disinfection gel alone

Unilever's "Lifebuoy" has bar soap, hand soap, body soap in addition to hand sanitizers in their line up, and is not a hand sanitizer brand. They are introducing hand sanitizers by utilizing the brand power formed by the main product, bar soap.

"Lifebuoy" brand actively promotes advertising through TV to build the brand.

Lalalife is to develop the brand with disinfection gels alone, and with the level of educational activities as conducted in the test marketing, it is anticipated that brand building will take more time than expected.

Mainly from the above findings, increase in sales promotion cost is expected to exceed that of sales, and profit structure cannot be expected to improve after 5 years from launch. Investment in advertising at an early stage to increase sales is an option, but advertising costs in Indonesia are inflating every year, and with a minimum 100 million JPY required per year as media investment to be effective, it is difficult to secure funds.

From test marketing results also, while modern trade with SPG (Sales Promotion Girls) showed some fruit, return of goods or no repeat orders from the traditional outlets suggests the importance of educational activities (awareness activities).

BOP class consumers notice and understand new products at the new retail shops such as supermarkets, but actual purchase is made at traditional outlets (warung).

In the test marketing this time, SPG (Sales Promotion Girls), educational activities and promotion with VTR were adopted for supermarkets, while at traditional outlets (warung), 3 ml

x 36 units of sachets were placed at the shop front to work as POP. However, with BOP class, there is a strong belief that washing hands with soap is enough to kill germs, with many not feeling the need for “sterilization” or “disinfection”, and we could not change their minds to promote purchase.

An increase of the SPG (Sales Promotion Girls) can also be an option, but with nearly 10% increase in labor cost every year in Indonesia, this is not likely.

As a result, it was concluded that market introduction, formation and nurturing at this stage is too early, and on consulting with the local subsidiary, we decided to stop the business development.

2.1.3 Findings ① Users <Issues to nurture hygienic awareness among BOP>

(1) Hygienic Awareness

- While there are awareness that washing by water alone is not enough for sterilizing/disinfection, there are area differences. Awareness for hygiene in the city is high, but in rural areas (remote islands such as Nias), it is not put into practice.
- There are also awareness that diarrhea can be caused by polluted water, but most people consider there are no problems with “water hygiene”.

(2) Hygienic Actions

- In Indonesia, bottoms are washed by hand after defecation, so most people wash their hands with soap after the job. On the other hand, those who “wash hands with soap” after coming home from outing, “wash hands with soap” when feeding babies and infants, “wash hands with soap after playing with pets” are a minority.

(3) Use of Alcoholic Sterilizer

- With TVCMs on air, alcoholic sterilizers are widely known. Need for sterilization is also being known. Purchase is made more by higher income class, also younger consumers.
- With the general consumers, however, for “economical reasons”, alcoholic sterilizers are not yet popular and are not being purchased.

(4) Issues in nurturing hygienic awareness among BOP class

- Enlightenment for “washing hands” is possible by posters, guidance is also made, but with little water available, demonstration is difficult at present. With the lack of water, washing with soap is not being practiced.
- To make alcoholic sterilizers widely used, in addition to affordable price, educational activities to communicate how to use and what are the benefits are necessary.

2.1.4 Findings ② Product <Issues in product design>

(1) Format

- Acceptance of gel is high, and the order of evaluation is gel > mist > foam. To use before eating meals with the fingers, it is important that it dries quickly.
- For stationary and portable types, evaluation of mist and gel were high.
- For sachets, possibilities of gel or liquid were confirmed.
- Overall, mist and gel were evaluated highly as the format, but as the initial plan was to introduce the product as a multi-sanitizer, mist type, rather than gel, had been planned.
- It was also considered that mist type development would be effective in differentiating with competitive brands.

(2) Ingredients/alcohol

- Sterilizing effect of alcohol were known only by half of the target, and with C-D class, alcohol tended to be considered something bad, not to be touched or consumed. However, when sterilizing effect is understood, the use is accepted, even with alcohol.
- Alcohol is a critical ingredient in spec development, but research confirmed that concerns of the users are not serious.

(3) Brand

- To form familiarity, brand name “LalaLife” and a character “lala” were developed.

(4) Design

- Acceptance of the design was high, with high liking of the package for both “For Hands” and “For Goods”. The name also achieved the same level of acceptance as competition. Usage intention is also high.

(5) Aroma

- In general, consumers in Indonesia tend to like products with aroma.

(6) Price

- If possible, a price of 11,500 Rupiah or less is desirable. If limitation from cost is severe, it would be ideal to realize the price of 11,500 Rupiah or less, even by controlling density or reducing the size.
- For test marketing, the price was set at 8,000 Rupiah.

(7) Issues in Product Design

- Possibilities were confirmed with gel and mist for stationary and portable, gel and liquid for sachets. Price needs to be 11,500 Rupiah or less.

2.1.5 Findings ③ Distribution/Sales < Issues in utilizing distribution such as traditional outlets >

(1) Trend of Retail

- Business condition is diverse, with a mix of very low price to extremely high end retailers existing together.
- Middle/Low income class consumers mainly use warungs.

(2) Issues in utilizing distribution such as traditional outlets

- MOP class/BOP class mainly use traditional outlets (warung), and to reach this target, it is necessary to work on (educate) through traditional outlets (warungs).

<Management Issues >

- Some outlets do not keep accounts, and many do not clearly grasp daily sales. Many outlets add product items according to the customers' needs.

<Educational Activities at Traditional Outlets (warung) >

- Customers come to the shops with which product to purchase already decided by watching TVCM, so they usually have no hesitations in choosing products at the shop front. Product awareness is influenced mostly by TVCM.
- At present, traditional outlets (warung) do not usually recommend or explain products, but with no active use of TVCM planned, approach (education) through traditional outlets (warung) is necessary for product awareness.

<Intention to Help Sell Disinfection Gels >

- While sachets were perceived not very profitable due to their low unit price, they were also evaluated as good shop front display (POP) that stands out.
- Some traditional outlets (warung) have the intention of using POP tools to support product sales if available, so utilization of tools such as POP at the shop front is a possibility.
- At the time of the research, there was one outlet planning to start handling sanitizing sheets (10 sheets/3,000~3,500 Rupiah) by request of a customer.

(3) Issues in utilizing distribution such as traditional outlets

- Standards for choosing products to handle at warungs are severe and conservative. They perceive that products famous or those asked by customers are the products sure to sell well.

- Most products that sell well at warungs are in sachets and price is key. The most selling format is sachets (97%), the rest being middle/small size bottles.
- Shop owners are passive and do not recommend products to customers. Customers are already decided on which product to purchase at the time they visit the shops.
- Products with no brand power or popularity are hard to be successful at warungs.

2.1.6 Findings ④ Test Marketing

(1) Test Marketing Plan and Objectives

Period : December, 2014 to March, 2015 4 months

Area : Tangerang area (C class residential area in the suburbs of Jakarta)

Product : 200ml For Goods Price 18,000 Rupiah 100ml For Hand Price 8,000 Rupiah

Sales Target : 10,000 units each

Target No. of Retailers: Modern trade (Supermarket) - 45, Traditional outlets (Warung) - 355, Total 400 retailers

Main development method (including educational activities)

<Educational activities at public facilities (schools/clinics) in the test marketing area >

- ① Education and sampling activities at clinics tied-up with radio
- ② Universal education using enlightenment/educational animation VTR(LALA-VTR)
- ③ Dissemination activities to homes through leaflets and booklets
- ④ Sampling using primary school newspaper (150 schools)
- ⑤ Educational sampling activities at Puskesmas, Posyandu (clinics, health centers) (60 facilities)

<Educational activities at the shop front >

- ① Enlightenment/educational animation VTR(LALA-VTR) set up at the shop front (small size LED set at 16 outlets)
- ② Distribution of leaflets, booklets
- ③ Sampling at the shop front

At the modern trade, supermarkets, Sales Promotion Girls were employed to communicate product benefits to consumers, and recommendation sales were conducted.

At traditional outlets, sample sachets of 3 ml x 36 units were placed at the shop front at the time of product introduction, and they increased the presence as POP.

(2) Test Marketing Results

Sales Units : For Hands 100ml 1,714 units Achievement rate 17.1%,

For Goods 200ml 1,497 units Achievement rate 15.0%

Number of Outlets: Modern trade - 6, Traditional outlets (warungs) – 326, Total 332 outlets, Achievement rate 83.0%

※At the no. 1 modern supermarket, sales of 324 units was achieved in 4 months. However, products introduced into traditional outlets (warung) hardly moved, with a lot of products returned.

At the shop front, responses could be recognized to the VTR (showing importance of disinfection), but in modern trade with relatively more B class customers, there were already understanding to the importance of disinfection with alcohol, and this led to actual purchase.

At warungs where BOP class customers mainly use, 3 ml x 36 units of sachets were utilized as shop front POP, but there is a strong belief that washing hands with soap is enough to kill

germs, with many not feeling the need for “sterilization” or “disinfection”, and we could not change their minds to promote purchase.

115 outlets out of 326 traditional outlets returned the products, and only 10 outlets repeated the order.

Sampling Activities

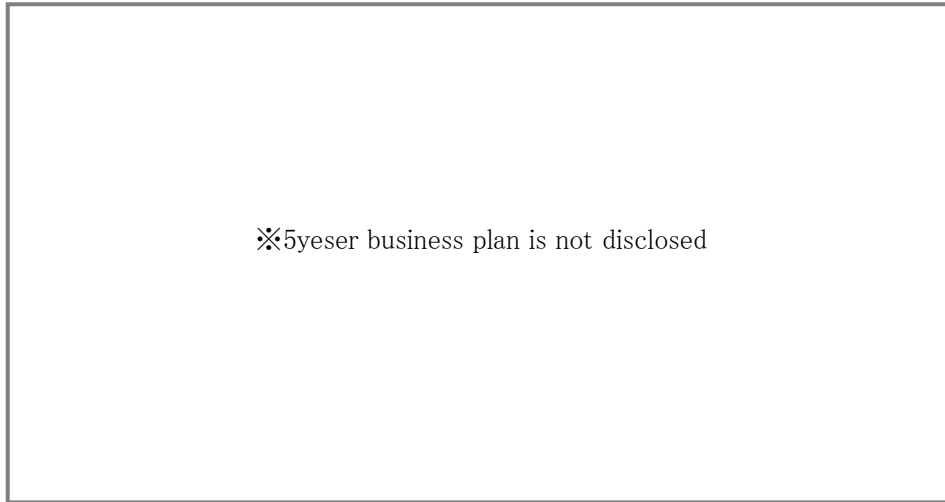
- 210,000 sachets distributed at 150 primary schools using school newspaper
- 18,000 samples distributed at 60 Puskesmas, Posyandu facilities
- Sampling at shop fronts and events conducted
- Total 300,000 units of 3 ml sachets for hands, 30,000 units of 60 ml for goods distributed

※Sales/profit data and promotional cost of the test marketing are not disclosed.

2.2 Business Model

2.2.1 Complete image of the business model achieved through research: 5 year business plan

Chart 3 Transition of 5 year business plan



2.2.2 Remaining issues and countermeasures to build business

Issues for sales at traditional outlets (warungs)

In test marketing, although sales in the modern trade (supermarkets) where SPG (Sales Promotion Girls) were placed was good, in traditional outlets (warung), with no recommendation from shop owners, sales was slow, and this confirmed that the test product is one that requires explanations.

It is not realistic to send SPG (Sales Promotion Girls) to numerous small traditional outlets, and while announcement and education through mass media such as TV are considered necessary, advertising fee for TVCM can be huge, and it was concluded that sales of this product cannot afford the cost.

Relationship between traditional outlets (warung) and modern trade (supermarkets)

Traditional outlets (warung) tend to follow the products sold at modern trade (supermarkets), so without sufficient sales at the modern trade (supermarkets), it is difficult to expand into traditional outlets (warung). Traditional outlets (warung) may seem to be high in profit rate, but in reality, they do not stand alone, and they have a mutual dependence relationship with the modern trade (supermarkets).

Issues for sales in modern trade (supermarkets)

To distribute products to the modern trade (supermarkets), an enormous cost called distribution development fee is required to secure shelf space.

Judged from profit/loss analysis by sales channels, it is predicted that in the modern trade (supermarkets), due to the high sales promotion cost (rebates to secure shelf space, sales promotion fee, etc), sales will be in large deficits.

Necessity of effective educational activities at traditional outlets (warung)

For traditional outlets (warung), beside announcements and education through mass media such as TV, it is necessary to come up with some activity to educate the target consumers effectively.

Possibility of reconsidering business development

Although business development of this project was decided to be dropped, if the market limited to the wealthy class at present expands in the future, there will be possibility to reconsider. It is quite possible to re-plan depending on the market trend, but a close watch of the market, competitive brands, new policies from the Indonesian Dept. of Health, needs to be kept.

2.3 Value Chain Plan (Production, Distribution, Sales Plans)

Containers and contents can be produced by using production facilities owned by Mandam Indonesia

【Mandam Indonesia】

PT Mandam Indonesia Tbk <consolidated subsidiary>

Established 1969

Capital 100,533,333,500 Indonesian Rupiah (as of Dec. 31, 2013)

Employees 4,916 (as of Dec. 31, 2013)

Main Business Production and sales of cosmetics

Main Product Category Cosmetics, Make-up products, Skin care products

Distribution Through agents

2.4 Development Effect expected by the Business

With the BOP class, water for daily use are most probably non-sterilized groundwater potentially infected with germs, also the habit of eating meals with the hands and taking uncooked vegetables increases the possibility of contracting diseases such as cholera, dysentery, typhoid fever which are caused by oral infection, even with healthy grown-ups. Based on this situation, as the first step in examining development effectiveness, development of hygienic awareness through education/enlightenment of mothers protecting infants with weak resistance, also direct education/enlightenment of children were examined.

(1) Hygienic Awareness

- While there are awareness that washing by water alone is not enough for sterilizing/disinfection, there are area differences. Awareness for hygiene in the city is high, but in rural areas, it is not put into practice.
 - Awareness for prevention is low, thinking illness can be treated.
- Majority are aware that “washing by water alone is not enough”, “diarrhea can be caused by polluted water”, but most people consider there are no problems with “water hygiene”.
- Competitor’s brand A is aiming to expand hygienic habits to families and the next generation by approaching children who are more are more acceptable of new habits.

(2) About Alcohol

- In Indonesia, alcoholic sterilizers have been in the market for about 7 years. Purchase is made more by upper income class, also by the younger generation.
- With the BOP class, alcoholic sterilizers are not yet popular, partly due to “economic reasons” (not purchased yet).
- Non-alcoholic—Competitor’s brand B has been instructed for use for bathing by midwives to approx. 80% of mothers, and 50% of those mothers are practicing it.

(3) Educational activities to nurture hygienic awareness among BOP class

- It is necessary to nurture awareness that hygienically, hand washing with soap is most desirable, but sterilizing with alcohol can also be effective to keep hands clean and free of germs, also to highten hygienic awareness (= preventive awareness).
- Educational activities as to how to use, what are the benefits, are also necessary to expand us of alcoholic sterilizers.
- As for the target for the educational activities, children more acceptable of new habits and mothers with higher hygienic awareness (especially mothers of infants) are to be considered.
 - The brand has been successful in expanding hygienic habits to families and the next generation by approaching children who are more acceptable of new habits.
- Messages from medical experts such as midwives to be used effectively for educational activities.
- Familiarity will be needed for the whole family including children to use the product.

(4) Educational activities conducted at test marketing

The following educational activities were conducted at test marketing to nurture hygienic awareness.

① Radio talk show (100.6 FM Heartline Radio)

- Messages from medical experts
 - In the talk show, discussion was made among the panelists as to the relationship between cleanliness at home and health, various benefits of cleanliness to everyday life.
 - Medical practitioner, Health Dept. personnel, doctor belonging to the Health Dept. joined as panelists. They conducted the talk show on the following themes.

② Sampling and educational activities at local clinics and health centers

- Sampling and educational activities were conducted to mothers with higher hygienic awareness (especially mothers of infants) at local health centers (Puskesmas) and clinics (Posyandu) .

③ Advertisement on children's newspaper and school sampling

- Advertisement was placed on the free newspaper for children "Surat Dari Bumi", to educate children who are more acceptable of new habits.
- Sampling at primary school was conducted to educate children who are more acceptable of new habits. At primary schools in Tangerang, sachet products were sampled.

2.5 Feasibility of Cooperation with JICA Project

Test marketing was conducted with the completion of product design, naming and contents.

On Feb. 26th, 2015, Mandam and Hakuodo members of the project visited JICA Indonesia office and discussed feasibility of cooperation in Indonesia.

Valuable advice was provided that, to expand the project nationally, joint scheme with the Indonesian Dept. of Health is effective, and as the Dept. of Health is aware that hygienic conditions in Indonesia is not good, there is space for the Dept. to cooperate, though as a state organization, it will be difficult for them to support a private enterprise permanently, and cooperation will be limited to sporadic educational activities (events) such as sampling at schools or hospitals.

In case situation allows this business to move forward in the future, it will be possible to cooperate with local governments with high BOP ratio that has connections with JICA and conduct activities such as product sampling at hospitals, health centers, schools, in relation to educational activities to improve hygienic awareness. Also, cooperation should be further considered, such as product sampling at schools where Overseas Cooperation Volunteers are working, so they can measure the effects of the products by examining changes in hygienic conditions, and feedback to be utilized in introduction to other schools. Efforts by JICA through official routes where private enterprises cannot penetrate easily are especially important to expand this product, so cooperation utilizing such channels and networks are expected.