CLINICAL SOCIAL FRANCHISING CASE STUDY SERIES
BlueStar Pilipinas | Marie Stopes International

The Global Health Group
University of California, San Francisco
April 2010
TABLE OF CONTENTS

Introduction .......................................................................................................................... 7
   Definition of clinical social franchising 7
   Acronyms 7

1. Executive Summary ........................................................................................................... 9
   Case study methodology 9

2. Context .............................................................................................................................. 11
   A. National population and health status 11
      Summary statistics 11
   B. Healthcare system 12
   C. Regulatory framework for private providers 14
   D. Franchisor relationship with government 14
   E. Market opportunities 14

3. Business Model .................................................................................................................. 17
   A. The model 17
      Franchisor 17
      Franchisees 19
      Target population 19
      Services offered under franchise 20
      Commodities offered under franchise 20
      Scalability 21
   B. Summary statistics 21
   C. Service finances 22
      Prices for commodities and services 22
      Payment sources 23
      Subsidies—explicit or implicit 23
      Pricing enforcement systems 23
   D. Franchise finances 23
      Country operation costs—overall and breakdown 23
      Cost-sharing with other activities/programs 25
      Donors 25

4. Franchise Operations ..................................................................................................... 29
   A. Franchisee relations 27
      Franchisee selection 27
      Recruitment 28
      Contracts 29
      Costs/benefits of enrollment 30
      Ongoing membership fees 31
      Franchisee retention/attrition 31
Loyalty/level of commitment 32
Communication 32
Promotions/marketing 32
Branding 33

B. Logistics 34
Procurement and delivery processes 34
Sales and inventory management 35

C. Quality assurance 35
Quality 35
Monitoring and evaluation 36

D. Network linkages 37
Client referrals in to clinics 37
Client referrals out from clinics 37

5. Challenges and Opportunities ................................. 39
A. Internal challenges 39
B. External challenges 39
C. Opportunities 40
D. Lessons learned 40
Demand 40
Consensus on market niche 41
Balancing target population and business success 41
INTRODUCTION
Clinical Social Franchising Case Study Series: BlueStar Pilipinas is the second case study in series of qualitative case studies that the Global Health Group (GHG) is undertaking and catalyzing. This case study highlights lessons learned from BlueStar Pilipinas, and is a complement to the publication, Clinical Social Franchising Compendium: An Annual Survey of Programs, 2010. This case study was developed using the Clinical Social Franchising: Case Study Template, which is available electronically at SF4Health.org.

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

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

Acronyms
Acronyms used in this document are defined below.

CPR  Contraceptive Prevalence Rate
CYP  Couple year of protection
FTM  Field Team Member
F1  FOURmula ONE for Health
GoP  Government of the Philippines
IMAP  Integrated Midwives Association of the Philippines
IUD  Intrauterine device
LGU  Local government unit
MSI  Marie Stopes International
MMR  Maternal mortality rate
MGD  Millennium Development Goal
NHIP  National Health Insurance Program
OOP  Out of pocket
PSPI  Population Services Pilipinas, Incorporated
PRC  Professional Regulatory Commission
QTA  Quality technical assistance
SMS  Short messaging service
BlueStar franchisee, Katrina Macabanti, in Angeles, Pampanga Province serves rural mountain populations. Most clients walk to the clinic from up to ten kilometers away.

Close to the client: The strategically situated clinic of BlueStar franchisee, Gloria Oliveros in Binangonan, Rizal Province
1. EXECUTIVE SUMMARY
Established in 1990, Population Services Pilipinas, Incorporated (PSPI) is a non-profit organization with headquarters located in Manila. It is a senior partner of Marie Stopes International (MSI), a UK-based non-profit focused on assuring access to family planning services. PSPI provides sustainable sexual and reproductive health services directly through 11 MSI clinics located in regional centers. In 2008, PSPI started BlueStar Pilipinas in order to increase access to family planning services among Filipino women. BlueStar is a franchise run by private midwives. The franchise has 159 member franchisees, seeing an average of 40–100 family planning clients per month.

In its first two years of operation the program has grown rapidly, increasing both the number of franchises and the number of family planning services provided by each. Members are given loans and support upon joining, reimbursed to PSPI through weekly payments. Attrition has been low, patient and provider satisfaction with the franchise has been and remains high, and the per couple year of protection (CYP) cost has dropped to $16 USD/CYP after two years—roughly on par with other franchises at similar stages of development.

As the program develops further, the plans are for continued expansion, introduction of new services, and ongoing adjustments to the mix among new franchisees, including those with the greatest potential for business success, and those serving underserved populations.

Case study methodology
This case study uses a standard format adopted in 2009 by a growing, organized social franchising community of practice. The qualitative research was carried out by MSI regional and international staff. The team interviewed five franchisees located in Rizal, Bulacan, Pampanga, and Tarlac provinces. The team interviewed all BlueStar Pilipinas staff, PSPI staff that contributes to BlueStar, and six BlueStar clients. The case study provides a qualitative description of the design and implementation of BlueStar Pilipinas as of September 2009.
Many BlueStar Pilipinas franchisees are located in urban slum areas.
2. CONTEXT

A. National population and health status

<table>
<thead>
<tr>
<th>Summary statistics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>92,000,000</td>
</tr>
<tr>
<td>Annual population growth rate</td>
<td>2.04%</td>
</tr>
<tr>
<td>Percent urban/rural</td>
<td>48.05%/51.95%</td>
</tr>
<tr>
<td>Gross national income per capita</td>
<td>$4,220 USD</td>
</tr>
<tr>
<td>Life expectancy at birth m/f</td>
<td>64/71</td>
</tr>
<tr>
<td>Probability of dying under five (per 1,000 live births)</td>
<td>32</td>
</tr>
<tr>
<td>Total expenditure on health per capita</td>
<td>223</td>
</tr>
<tr>
<td>Total expenditure on health as % of GDP (2005)</td>
<td>3.1%</td>
</tr>
<tr>
<td>Percent of total expenditure on health that is private (2005)</td>
<td>59.1%</td>
</tr>
<tr>
<td>Percent of expenditure on health that is OOP</td>
<td>48.4%</td>
</tr>
<tr>
<td>Maternal mortality rate—MMR (per 100,000 live births)</td>
<td>162</td>
</tr>
<tr>
<td>Unmet need for family planning</td>
<td>15.7%</td>
</tr>
<tr>
<td>Contraceptive prevalence rate—CPR</td>
<td>50.6%</td>
</tr>
<tr>
<td>Contraceptive prevalence rate—modern methods</td>
<td>37%</td>
</tr>
<tr>
<td>Total fertility rate—TFR (2006)</td>
<td>3.2</td>
</tr>
<tr>
<td>Adult literacy</td>
<td>92.28%</td>
</tr>
</tbody>
</table>

While the demographic and health statistics place the Philippines as a middle-income country, there are still many challenges to be met by BlueStar Pilipinas to improve access to high-quality family planning services. The population of the Philippines is currently 92 million, growing at the rate of 2.04% annually or about 1.8 million people per year. The urban population was registered at 48.05% in 2000. The Philippines has a young population with a median age of 21 years. Most Filipinos are literate; among the household population ten years of age and older, 92.28% are literate. The Philippines, if compared with other countries in the region, is in the middle of the ranking of per capita income ($4,220 USD), although...
the median household income is only $1,775 USD. In 2006, poverty incidence among families was placed at 26.9% which means that 4.6 million families were living below the annual per capita poverty threshold (15,057 PHP or $313 USD).

Due to the increasing population and insufficient resources from national and local budgets and donor organizations, Filipinos do not enjoy satisfactory primary healthcare services. There is a lack of access, especially among the poor, to quality family planning services. The 2006 fertility rate of 3.2 births per woman represented only a small improvement over the rate of 3.5 in 2003, and compares unfavorably against women’s desired fertility of 2.5 births per woman. Concurrent developments in the contraceptive prevalence rate have also been discouraging. A contraceptive prevalence rate of 49% was reported in 2001. By 2006, the rate only increased by 1.6% to 50.6%, of which modern methods constituted just 37%. The first-year discontinuation rate for intrauterine devices (IUDs) was 14%, 40% for oral contraceptives, 53% for injectables, and 58% for condoms.

While the unmet need for family planning was reported as 15.7% in 2006 compared to 19.8% in 1998, the steady population growth rate of 2.04% suggests that demand for family planning services has increased. In 2003, around 60% of all births were attended by a trained health professional in a health facility, but the rest were delivered by hilots (traditional birth attendants) and other informal attendants. The Department of Health’s Administrative Order #2008-0029 of September 2008 sets a goal of 80% of births occurring at a facility with a trained health professional. In order to achieve this, government primary healthcare facilities such as Rural Health Units and Barangay Health Stations will need to be brought into greater use and the private sector will need to be more fully utilized.

**B. Healthcare system**

In 2005, a total of 180.8 billion PHP was spent on health related expenditures—equivalent to 3.1% of the gross domestic product. Of this, 59.1% came from private sources including out-of-pocket payments, private insurance, health maintenance organizations, employee-based plans, and private schools. Around 48.4% or 87.5 billion PHP came from out-of-pocket expenditures. National and local governments spent a total of 51.9 billion PHP, or 28.7% of total health expenditure, while social health insurance paid 19.9 billion PHP or 11%. Other sources accounted for 1.2% or 2.1 billion PHP.
The National Health Insurance Program (NHIP) covers 77% of the population as of September 2006, representing 15.56 million members or about 64.79 million beneficiaries (members and dependents).

The Government of the Philippines (GoP) has implemented reforms for the improvement of health outcomes and for the attainment of the Millenium Development Goals (MDGs) through the FOURmula ONE for Health (F1). F1 is designed to implement critical and concrete health interventions, incorporating effective management infrastructure and financing arrangements, including a program on the rapid reduction of maternal and neonatal mortality as a specific response to the Philippines’ MDG commitments on the maternal mortality ratio (MMR) and infant mortality rate. The tenets of the model are highly compatible with increased private sector engagement, competition, and targeting of those with the greatest need.

There are many private health providers in the Philippines, particularly in Manila and other urban areas. However, as the poor lack the ability to pay for health services, these providers mostly cater to upper- and middle-class patients. Reproductive health services such as maternity and family planning services are mostly provided by private specialists such as obstetrician-gynecologists (OB/GYNs) who charge fees that are not affordable to middle- and lower-middle economic groups. The poor and middle-class largely rely on the public health system for primary healthcare including reproductive health. However, they are willing to pay for health services available in the private sector if the services are moderately priced and are higher quality than those provided at public facilities.
C. Regulatory framework for private providers
Formal regulation of professions is provided by the GoP’s Professional Regulatory Commission (PRC). Individuals who are midwifery graduates have to undergo a board exam in order to be granted a license by the PRC to practice their profession. Midwives can open a private practice and be registered as a business with the municipal government.

No mandatory registration is required for franchising, but the trademark was registered by PSPI at the Intellectual Property Office. All business endeavors must also be registered at the Department of Trade and Industry for single proprietorship and at the Securities and Exchange Commission for corporations.

D. Franchisor relationship with government
The Philippines is divided into a hierarchy of local government units (LGUs) with the province as the primary unit. Provinces are further subdivided into cities and municipalities, which are in turn composed of barangays (villages). The barangay is the smallest local government unit. Because of devolution, the provision of health services has become the responsibility of LGUs. PSPI maintains close relationships with LGUs all over the country through agreements around the provision of outreach family planning services.

E. Market opportunities
The Philippines is considered the franchising hub of Asia, where franchising has experienced phenomenal growth in the past decades. From only about 50 brands in the 1980s, there are now 1,000 brands franchised in the Philippines in five principal sectors: fast food; retail clothing; cafes, confectioneries, and bakeshops; hospitality and wellness; and food carts. Of the entire franchising sector, food brands make up 41%, service establishments 32%, and retail outlets 27%.

For a clinical social franchise like BlueStar, the Philippines presents an excess supply of trained providers, a segment of the population that is willing to pay for services, and demand for affordable and quality healthcare.

PSPI commissioned two studies that support the viability of franchising family planning services. Before starting in 2008, a feasibility study conducted by a franchising consultancy validated that family planning services are accessed by women mainly through maternity clinics and recommended the use of aggressive marketing and promotional assistance to franchisees to draw in customers. The baseline study conducted in 2008 verified that women respondents, especially in rural areas, rely on midwives for family planning and health service delivery. Other
recommendations included making BlueStar a recognized source of reliable and correct information on family planning and creating brand awareness and brand identification through the BlueStar franchisee-midwife.

BlueStar Pilipinas responds to the dearth of family planning services in the Philippines. Family planning commodities have become limited since the end of external donor funding in 2006. Despite the presence of a family planning-related social marketing organization (DKT International), and an additional family planning social franchise run by midwives (Well-Family Midwives Clinic), problems of competition do not exist. This is because the unmet need for family planning is so high in the Philippines.
BlueStar Pilipinas franchisee, Estrelita Erfe, in Malolos, Bulacan Province has seen the number of clients attending her clinic significantly increase since joining BlueStar.
3. BUSINESS MODEL

A. The model

BlueStar Pilipinas uses a fractional franchise model through which family planning services such as IUD insertions have been added to the regular activities of midwives. BlueStar Pilipinas provides franchisees with training, subsidized commodities and supplies, and marketing through branding and demand generation activities. The franchisees provide the franchised services, submit weekly reports, participate in demand generation activities, and pay an annual franchise fee.

Franchisor

Marie Stopes International (MSI) is a UK-based nonprofit that works to prevent unintended pregnancies and unplanned births in 43 countries around the world. Founded in 1976, MSI delivers a range of services including family planning, safe abortion and post-abortion care, and HIV/ AIDS and sexually transmitted infection services. In most countries, MSI owns and operates clinics. In nine countries, including the Philippines, MSI supports social franchises under the BlueStar, Suraj, and AMUA brands. These franchises are supported by MSI’s Global Social Franchising Team that is based in Kenya. MSI invested in franchise operations in the Philippines to increase access to long-term family planning methods in urban and peri-urban areas.

Established in 1990, PSPI is a non-profit organization and a senior partner of MSI with headquarters located in Manila. PSPI provides sustainable sexual and reproductive health services directly through eleven MSI clinics located in regional centers and the same number of outreach teams providing large-scale long-term and permanent family planning methods.

PSPI started BlueStar Pilipinas in 2008 to increase access to family planning services among Filipino women. BlueStar is a family planning franchise run by private midwives who have entered into a contract with PSPI, the franchisor. BlueStar activities are supported by PSPI’s Headquarters Team Members from finance and administration, clinical services, and the Senior Management Team. Dedicated BlueStar personnel include one Brand Associate and nine Field Team Members (FTMs).

The Brand Associate provides logistical support to BlueStar. She is responsible for managing the activities of and cash advances to the FTMs, consolidating weekly reports on the franchisees, analyzing problems with particular franchisees, aiding in the development of action plans, following up with calls to low performers, supporting the implementation of demand generation events, organizing trainings, calling potential new franchisees, and organizing visits of PSPI outreach teams to franchisees.
The FTMs are responsible for working directly with the franchisees. FTMs consider themselves “agents of change,” which reflects the need to influence the behavior of the franchisees, rather than dictating how franchisees should run their clinics. FTMs must conduct a Business Systems Audit twice a year. During this activity, the FTMs audit the reported service numbers, check stock records, and conduct a Member Satisfaction Survey and Customer Satisfaction Survey. On a regular basis, FTMs work on “franchisee management” to help improve and increase the performance of each franchisee. Franchisee management is described using four Ps: Popularity (make the franchisee popular in the community through demand generation events), Payments (ensure that the franchisee pays weekly dues), Performance (ensure that the franchisee delivers family planning services), and Packaging (ensure that the franchisee is bundling IUD with deliveries).

A half-yearly bonus for the FTMs is based on reaching targets for service numbers set by the senior management team. Each FTM is responsible for an average of 18 franchisees organized geographically. The majority of FTMs have sales and marketing backgrounds. They identified the most important skills for the job as being talkative, good at influencing people, and dedicated. Stamina is also required for the job, as FTMs use public transport to visit franchisees.
### Franchisees

BlueStar Pilipinas currently has 159 franchisees, all female practicing midwives located in urban, peri-urban, and rural areas. A typical facility has three rooms including a reception, a toilet, and a room with a maximum of two beds (for deliveries and IUD insertion). The clinic is often built as an addition to the owner’s residence, but some are rented. Most are run by the midwife alone, without assistants, and are open 24 hours a day, seven days a week. Most franchisees have five to seven years of practice prior to joining BlueStar, with a mix of working in public service and in private practice. BlueStar franchisee clinics range from 40 to 100 clients per month. The main competition for the midwives is private providers (doctors) and public facilities. No franchisees are accredited with Philippine Health Insurance Corporation (PhilHealth), the national health insurer, due to the high accreditation standards around facilities and equipment. For example, midwives need fully equipped emergency obstetric care facilities to be accredited by PhilHealth.

### Target population

BlueStar Pilipinas’ target population is married women with a capacity to pay small amounts in urban, peri-urban, and rural areas. Most clients come from the immediate community, but some come from villages up to ten kilometers and one hour away. During interviews, most clients reported that they had walked to the clinic. One franchisee interviewed offered services to the Aetas, an ethnic group from the mountain areas of the Philippines.
Clients interviewed chose the franchisee based on reputation and low cost relative to private doctors. For example, deliveries by midwives range from 1,500–3,500 PHP ($33–77 USD), whereas private doctors and hospital prices range from 10–15,000 PHP ($220–330 USD). Most of the clients interviewed wanted to switch from pills to IUD, knew the low cost of the IUD (100 PHP, $2 USD) at BlueStar, and had selected the franchisee based on the cost. They thought that the IUD would be more expensive at other private providers and were unsure whether the IUD would be available at the public facility. The reputation of the provider was also important.

**Services offered under franchise**
Currently 100% of the franchisees offer IUDs, three-month injectables (Depo-Provera), pills, pap smear plus (which includes a breast examination), family planning counseling, and tubal ligation referrals. Interviewed franchisees estimated that 25–70% of their clients are family planning and the rest are deliveries. No new services are planned for introduction in the near future.

**Commodities offered under franchise**
BlueStar Pilipinas supplies the franchisees with IUDs, pills (from DKT), Trust condoms (from DKT), and pap smear equipment. Upon joining the franchise, the franchisee is given an estimated six-month supply of these commodities. The franchisee reimburses 40% to PSPI. Once the franchisee has used her initial supply,
she can re-order supplies by text messaging the BlueStar re-order system. PSPI buys IUDs at 25 PHP ($0.55 USD) and sells them to franchisees for the same price during resupply. Commodities are delivered using a local logistics company.

**Scalability**

BlueStar Pilipinas currently has 159 franchises, but has received funding for an additional 141. To date, the focus has been on increasing the performance of individual franchisees. Ultimately the goal of all MSI franchises is to have a national impact by increasing access to family planning through the private sector. To have a national impact, the franchise must operate at scale. MSI has defined operating at scale for franchises as contributing 25% of the CYPs of the partner program (PSPI) which has set its annual targets to increase national CPR by 1.5%. PSPI estimates that it would need over 500 franchisees to achieve this goal.

**B. Summary statistics**

<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outlets</strong></td>
</tr>
<tr>
<td><strong>Business model</strong></td>
</tr>
<tr>
<td><strong>Payment sources</strong></td>
</tr>
<tr>
<td><strong>Urban/Rural</strong></td>
</tr>
<tr>
<td><strong>No. of family planning services provided</strong></td>
</tr>
<tr>
<td><strong>No. of family planning customers</strong></td>
</tr>
<tr>
<td><strong>CYPs</strong></td>
</tr>
<tr>
<td><strong>IUDs inserted to date</strong></td>
</tr>
<tr>
<td><strong>Pap smears conducted to date</strong></td>
</tr>
</tbody>
</table>
C. Service finances

Prices for commodities and services

During the Business Systems Training, PSPI discussed different pricing strategy options with the franchisees including economy, penetration, skimming, and premium. In order to have an impact on the market, franchisees have selected the penetration pricing strategy: providing high-quality services at low cost.

BlueStar Pilipinas has both mandatory and recommended pricing. For example, the price for an IUD is set at 100 PHP ($2 USD). Competitive prices for an IUD in private clinics range from 300–600 PHP ($6.60–13 USD). The recommended price for a pap smear is 250 PHP ($5.50 USD), but depends on the laboratory charges in the area. Franchisees are encouraged to offer a “delivery package,” which includes the insertion of an IUD six weeks after delivery. All of the franchisees interviewed use a sliding scale (or discounts) for services when clients cannot pay. Interviewed franchisees said that up to 40% of their clients required discounts of some kind. Sometimes the services are provided completely free.

IUD poster with recommended price
Payment sources
All clients pay out of pocket (OOP) for the consultation including the cost of the commodities. No “lay-away” payment schemes were reported, although all franchisees interviewed provided discounts to clients who have trouble paying. Some clients have PhilHealth insurance, but no member providers are accredited by PhilHealth and so cannot be reimbursed.

Subsidies—explicit or implicit
BlueStar Pilipinas subsidizes the initial package of essential equipment and six months supply of commodities. The initial equipment includes a table, lamp, maternity bed, speculum, and forceps, and costs an average of 50,000 PHP ($1,095 USD) per franchisee. Franchisees pay a weekly sum of 300 PHP ($6.60 USD) over three years towards the cost of the initial equipment package. Payments cover the equipment, and 40% of the commodity costs, the remainder being a permanent subsidy given to the franchisees. Resupplies of commodities are sold at cost, although the delivery of commodities is covered by PSPI. Explicit subsidies take the form of training, marketing, and branding/refurbishment.

Pricing enforcement systems
FTMs encourage compliance with recommended pricing through calls, visits, and talking with customers. Prices are communicated to customers through posters, flyers, and community events. In the future, mystery clients will be used to verify pricing practices, although there will be no formal penalties for improper pricing. All franchisees interviewed were aware of the pricing systems recommended and enforced by BlueStar. Most clients interviewed knew of the 100 PHP price for an IUD.

D. Franchise finances
Country operation costs—overall and breakdown
Of the total expenditure by September 2009, BlueStar Pilipinas has spent 25% on training, 18% on marketing and promotion, 8% on salaries, 5% on monitoring, 12% on refurbishments, 10% on medical equipment, 11% on family planning supplies, 3% on distribution costs, and 8% on overhead. PSPI focuses on containing costs related to refurbishment and normalizing costs between franchisees.
3. Business Model

Clinical Social Franchising Case Study Series: BlueStar Pilipinas

January – September 2009 program expenditures

<table>
<thead>
<tr>
<th>Service</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>25%</td>
</tr>
<tr>
<td>Marketing and promotion</td>
<td>18%</td>
</tr>
<tr>
<td>Refurbishments</td>
<td>12%</td>
</tr>
<tr>
<td>Family planning supplies</td>
<td>11%</td>
</tr>
<tr>
<td>Medical equipment</td>
<td>10%</td>
</tr>
<tr>
<td>Salaries</td>
<td>8%</td>
</tr>
<tr>
<td>Overhead</td>
<td>8%</td>
</tr>
<tr>
<td>Monitoring</td>
<td>5%</td>
</tr>
<tr>
<td>Distribution</td>
<td>3%</td>
</tr>
</tbody>
</table>

Start up resulted in higher first-year costs. The second-year cost subsidies were considerably lower, and the trend in decreasing costs is expected to continue. The first-year costs per franchisee were 587,374 PHP ($12,237 USD), resulting in a per CYP cost of 3,164 PHP ($66 USD). The second-year cost per franchisee was 214,460 PHP or $4,468 USD giving a per CYP cost of 629 PHP ($13.10 USD). These second-year costs are in line with the BlueStar Ghana program which has a per CYP cost of $15 USD.

Projected cost per franchisee and CYPs

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost per franchisee (PHP)</th>
<th>Cost per CYP (PHP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>214,460*</td>
<td>629*</td>
</tr>
<tr>
<td>2010</td>
<td>70,863</td>
<td>80</td>
</tr>
<tr>
<td>2011</td>
<td>61,290</td>
<td>58</td>
</tr>
<tr>
<td>2012</td>
<td>54,990</td>
<td>43</td>
</tr>
</tbody>
</table>

* actual

In 2008, PSPI generated 899,582 CYPs. The BlueStar contribution was 12,065 or 1.3%. The overall PSPI program expenditure was 96 million PHP ($2.1 million USD) during that year. From January to August 2009, PSPI generated 763,319 CYPs of...
which 59,520, or 8%, came from BlueStar. The overall PSPI program expenditure for the aforementioned period was 75.6 million PHP ($1.66 million USD) of which 24.2 million PHP ($530,230 USD), or 32%, was spent on BlueStar. PSPI expects to see an improving relationship between BlueStar expenditure and CYP output.

<table>
<thead>
<tr>
<th>Projected BlueStar CYPs and expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>BlueStar CYPs</td>
</tr>
<tr>
<td>---------------</td>
</tr>
<tr>
<td>2009</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>2011</td>
</tr>
<tr>
<td>2012</td>
</tr>
</tbody>
</table>

**Cost-sharing with other activities/programs**
BlueStar Pilipinas is fully integrated into PSPI activities. As such, BlueStar benefits from the existing PSPI organizational infrastructure including human resources, IT, finance, and marketing expertise. FTMs and the Brand Associate are the only dedicated full-time staff.

**Donors**
BlueStar Pilipinas operates with funding from the internal MSI Services for Contraception and Abortion Launched and Expanded (SCALE) grants. While MSI has committed to catalyzing social franchising within its partners through start up funding, scale up funding must be sought by PSPI. As such, BlueStar Pilipinas will need to look for external donors in 2010.
Most BlueStar Pilipinas clinics are attached to the midwife’s house so that she can provide services around the clock.
4. FRANCHISE OPERATIONS

A. Franchisee Relations

Franchisee selection

BlueStar Pilipinas has targeted the following regions of the Philippines: the National Capital Region, Calabarazon, Mimaropa, Central Luzon, Cagayan Valley, Ilocos, Bicol, Eastern Visayas, Caraga, Davao, Socsksargen, Zamboanga Peninsula, and the Autonomous Region in Muslim Mindanao.
Franchisee selection criteria are listed below. Most important is that franchisees be licensed midwives with existing community practices, ready to offer family planning services, and committed to making these services accessible at all times.

### Franchisee selection criteria checklist

<table>
<thead>
<tr>
<th></th>
<th>Licensed by the Philippines Regulatory Commission for private practice</th>
<th>No existing agreements/contracts with organizations providing similar assistance as PSPI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Possesses a business permit from the municipal government</td>
<td>Not employed in a government or private health facility</td>
</tr>
<tr>
<td></td>
<td>Has a waste disposal permit</td>
<td>No plans to work abroad</td>
</tr>
<tr>
<td></td>
<td>Has a professional tax receipt</td>
<td>Good reputation in the community</td>
</tr>
<tr>
<td></td>
<td>Has a maximum of two beds in maternity clinic</td>
<td>Willing to complete all of the required trainings</td>
</tr>
<tr>
<td></td>
<td>Willing to promote and provide modern family planning methods</td>
<td>Registered with the Integrated Midwives Association of the Philippines</td>
</tr>
</tbody>
</table>

### Recruitment

The recruitment of franchisees involves mapping operations conducted by BlueStar FTM s in different regions of the country to identify qualified midwives. FTM s first meet with the local officials to explain the nature of the BlueStar program and get contact information of potential franchisees in the area. FTM s visit midwives to discuss the aims of BlueStar and explain the requirements for BlueStar franchiseeship. Most franchisees interviewed had not heard of BlueStar before the visit from the FTM s. An interview questionnaire is used to determine eligibility. Duplicate review by a different FTM is made to ensure that recruited midwives meet the criteria for membership. As a final check, the Brand Associate calls the midwife to ensure that she understands the benefits and requirements of becoming a franchisee of BlueStar. After verification, midwives are invited to attend the comprehensive training course during which they sign the contract with PSPI.

Recruitment has been a difficult challenge facing PSPI. Currently their recruitment ratio is 8:1. That is, for every eight private providers they interview, only one provider is recruited to the franchise.
Contracts

<table>
<thead>
<tr>
<th>BlueStar franchisee contract requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide adequate space</td>
</tr>
<tr>
<td>Cannot work for government</td>
</tr>
<tr>
<td>Cannot be part of any other network</td>
</tr>
<tr>
<td>Cover the cost of utilities</td>
</tr>
<tr>
<td>Reimburse PSPI for equipment and supplies (300 PHP per week)</td>
</tr>
<tr>
<td>Reimburse PSPI for technical support (1,000 PHP per year)</td>
</tr>
<tr>
<td>Insert 25 IUDs per month</td>
</tr>
<tr>
<td>Refer three clients for tubal ligation per month</td>
</tr>
</tbody>
</table>

Formal contracts are used in establishing the relationship between PSPI and franchisees. The contract, prepared by PSPI’s legal counsel and notarized once signed by both parties, is legally binding and enforceable for three years. The contract is signed during the first week of training. PSPI has found that it is important to have the husband of the midwife witness the contract as well. The contract explains the responsibilities of PSPI and the BlueStar franchisee-midwife. The contract sets out the requirements of being a BlueStar franchisee.

If franchisees fail to meet IUD and referral targets for two months consecutively, PSPI will send a warning letter. To date, PSPI has been relaxed about sending out warning letters if the franchisees work to show improvement and are inserting over 15 IUDs a month. All franchisees interviewed clearly understood the requirements in the contract; they did not feel any trepidation in signing the contract as obligations of both parties are clearly indicated and all the elements of the contract are discussed in detail with the franchisees before signing. PSPI reports that there are seven franchisees that signed the contract, but did not pay or become active franchisees mainly because they did not conduct the necessary improvements to their premises or they were evicted from their premises. This problem was only experienced early in the program. As a corrective measure, the Brand Associate now makes early follow-up calls before the training to ensure that potential franchisees fully understand the requirements of joining the franchise. The introduction of this step has eliminated the problem.
Costs/benefits of enrollment

<table>
<thead>
<tr>
<th>Benefits to franchisees (as mentioned by franchisees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased income</td>
</tr>
<tr>
<td>Increased client numbers (up to 70%)</td>
</tr>
<tr>
<td>Increased knowledge of family planning</td>
</tr>
<tr>
<td>Training</td>
</tr>
<tr>
<td>Clinic refurbishments</td>
</tr>
<tr>
<td>Increased skills to treat more clients</td>
</tr>
</tbody>
</table>

Benefits to franchisees include comprehensive training on the provision of family planning services that includes contraceptive technology, family planning counseling, maternal and child health, an IUD didactics and practicum, and BlueStar’s Business Systems. These topics are taught in four clinical modules and one Business Systems Module. Each takes three days and is taught on weekends. The trainings are conducted with intake batches of franchisees, usually with 10–15 midwives per batch.

The clinical training is outsourced to the Institute for Maternal and Child Health, which is considered the “gold standard” and is used to train PSPI’s own staff. The training guidelines are based on government standards. All trainings are competency based; franchisees must complete a minimum of ten supervised IUD insertions, five IUD removals, and ten pap smears. The first clinical audit is conducted one month after the franchisee finishes her training. The Business Systems Workshop is conducted by the PSPI Country Director and his team. The module covers pricing, obligations, reporting, and stock management. To date, no refresher training has been offered.

Franchisees’ existing facilities are also refurbished and branded. A complete set of instruments and equipment necessary in the provision of family planning services is provided to the franchisees, as are contraceptive supplies. All of these are provided to the franchisees upon enrollment.
Ongoing membership fees

BlueStar franchisees pay an annual fee of PHP 1,000 ($22 USD). Franchisees pay by depositing the amount in a PSPI bank account. PSPI has an existing arrangement for the collection of payments with a bank that has branches all over the country. Franchisees report the payment by text message to PSPI who validates the deposit transaction through a secured electronic banking facility. If a franchisee fails to pay the annual membership fee, she is made to execute a promissory note indicating the date of payment.

This payment is in addition to the weekly payments required to repay the initial franchising refurbishment and supply costs. A number of franchisees interviewed found making the weekly payments difficult due to the time and cost associated with getting to the bank. These franchisees were offered a monthly payment plan instead.

Franchisee retention/attrition

Franchisees are incentivized to perform and stay part of the franchise through several mechanisms. Franchisees who provide more than 15 IUDs per month receive a congratulatory card with a stuffed animal toy. These monthly awards were proudly displayed in almost all of the franchisees visited. High-performing franchisees are recognized at the annual BlueStar recognition party.

As another incentive to the franchisees, PSPI looks to increase their reputation in the community and build their client base by having outreach teams visit a franchisee’s clinic for a well-publicized ‘camp’ day to perform free MSI ligations for those clients wanting a permanent family planning method. The franchisee receives 200 PHP ($4.35 USD) per client from PSPI and follows up with the clients after the event. The franchisee is responsible for covering the costs of water and electricity, mobilizing clients, and promoting the day.
Field visits by the FTMs are regularly made to ensure that franchisees comply with established clinical and monitoring procedures. In the case of a violation, the village counsel can be used as a mechanism to help mediate any problems with franchisees. If necessary, franchisees can be removed from the franchise if they regularly and consistently fail to pay fees or take up employment with the government. However, to date, no violations have occurred, and no franchisees have been disciplined for poor conduct or asked to leave. All franchisees interviewed clearly understood their obligations. Any violation of established procedures is discussed with franchisees and resolved immediately.

**Loyalty/level of commitment**

PSPI ensures that franchisee concerns are responded to in a timely, efficient manner to maintain franchisees’ trust and confidence. Franchisees identify themselves as the owners of their businesses of which BlueStar is an integral part, as their facilities are branded as BlueStar. Marketing and promotional support provided by PSPI builds up the image of the franchisee as a trusted provider of maternity and family planning services and therefore instills pride in the franchisee as a part of BlueStar. PSPI also provides recognition to midwives who display exemplary performance in providing family planning services. All of the franchisees interviewed felt part of the network and committed to it.

**Communication**

BlueStar communication with franchisees takes place through phone calls, text messaging, and one-on-one meetings. Franchisees are regularly visited by FTMs to conduct franchisee management, which involves the provision of support in marketing and promotions to maintain or improve franchisee performance. They are also visited during the biannual Business Systems Audit, and conducting of franchisee and customer satisfaction surveys. Franchisees reported staying in contact with other midwives from their trainings.

**Promotions/marketing**

All franchisees interviewed cited examples of demand generation activities undertaken by BlueStar in the area of their clinic, as having made them popular in the community and increased their client volumes. PSPI covers most of the costs, but the franchisees must help with the organization and logistics and provide chairs and tables for the events. Buntis parties (mothers’ parties) are used to bring together women of reproductive age and talk to them about pregnancy services and family planning. Community bingo parties are also used to raise the awareness of BlueStar and family planning. Words like “IUD” are found on the bingo cards. In areas where there are two or more franchisees, BlueStar will conduct a
motorcade parade with “ad spinners” who spin advertising boards with the brand name and services, and who also hand out flyers. PSPI outreach visits to franchisees also help promote BlueStar. While these activities were cited by the franchisees for increasing clientele (some reported as much as 50%), they still thought that word of mouth from satisfied clients was most important.

Branding
Branding takes place during the training period so that once franchisees have successfully completed the training, they are branded and ready to provide services. All franchise clinics are provided with a signboard for the outside of their clinic which lists the name of the franchise, their contact information, and the franchised services available at the clinic. The interior walls of the clinic are painted yellow, while the exterior is painted blue. Informational flyers and pamphlets are provided. Each clinic is provided with a poster, entitled “Estranghera,” which details a story about the need for pap smears. Tarpaulin streamers are installed at franchisees’ outlets to strongly announce the availability of family planning services in their communities. Directional signs are also installed in the vicinity of franchisees’ facilities to facilitate access to their clinics, although few were observed during the case study exercise.
B. LOGISTICS

Procurement and delivery processes

Family planning commodities are stored by PSPI and delivered by a logistics company. All other commodities are purchased from local pharmacists. BlueStar Pilipinas worked with a local software development company to create a system that accepts weekly statistics reporting and stock re-orders through short messaging service (SMS). The software creates a database and generates tables. Stock re-orders from franchisees are sent to PSPI by text messages that are automatically delivered to PSPI’s SMS system. If any difficulties are encountered, the franchises can call the Brand Associate at headquarters for help. Commodities are delivered within one week of receipt of re-order from franchisees. Upon receiving deliveries, franchisees acknowledge receipt by sending an SMS message to PSPI.

Once the initial supply is finished, the franchisee can reorder by texting the automated system at PSPI headquarters. Resupply commodities are purchased at full cost recovery. Franchisees must pay within three weeks. During training, franchisees are advised to keep a three-months supply, based on their average consumption, in stock at all times. Most franchisees seem to follow this advice and to date, BlueStar Pilipinas has not had any instances of stockouts with the franchisees. Commodities are delivered through a logistics company with nation-
wide coverage. PSPI covers the cost of delivery. No challenges were encountered with regard to the performance of the logistics company as it has a proven track record of on-time door-to-door deliveries.

**Sales and inventory management**

Inventory management is done by franchisees by maintaining stock cards which they manually update on a weekly basis. Franchisee outputs are recorded in a daily performance report form and are reported weekly through SMS to PSPI. The stock cards and reporting are checked by the FTMs during the Business Systems Audit. The FTMs reported that some of the franchisees find the stock cards difficult to maintain, but to date there have not been any instances of missing or stolen supplies. PSPI maintains an ongoing inventory of supplies and commodities.

**C. Quality assurance**

**Quality**

PSPI developed a Service Delivery Operations Manual in Filipino which contains the standards of clinical operations. The manual is comprised of two volumes, the first covering family planning counseling and clinical procedures on the provision of modern methods of family planning services including IUD, oral contraceptives, injectables, and condoms, as well as respiratory tract infection management, and pap smears.

The second volume is focused on infection prevention. It provides step-by-step instructions on procedures including hand washing, use of gloves, cleaning, decontamination, sterilization, storage of instruments and equipment, waste management, preparation of clients before clinical procedures, and housekeeping.

BlueStar Pilipinas has produced standardized clinical and infection prevention information in easy-to-use manuals written in the local language.
Twice a year clinical compliance audits are conducted with each franchisee to maintain customer-focused and high-quality family planning services. Non-compliance to standard procedures is corrected on site and re-addressed during succeeding field visits. The clinical compliance audit is outsourced to provincial family planning/maternal and child health coordinators who are paid a stipend for providing the service. Since the auditors are based in the localities of franchisees, the audits are conducted more efficiently. The audit reviews several different areas: customer interactions, customer screening, provision of family planning information, clinical competence for injections, IUD insertion and removal, pap smear procedure, provision of discharge information, infection prevention procedures, facility maintenance, and equipment maintenance. No overall score is given, although recommendations for improvement are written up at the end of the audit.

The reports from the clinical audits are reviewed by the Brand Associate who in turn passes the pertinent information to the Senior Management Team and the FTM for necessary follow up. The biggest challenge to high-quality service provision to date has been in the area of infection prevention, namely hand washing and the appropriate disposal of waste (using separate disposal containers for medical waste).

Although there have been no complications to date, BlueStar has developed a two-tiered system for complications reporting. Every franchisee must identify a provincial or regional specialist OB/GYN, pediatrician, and pathologist (for pap smear reading) to whom complications can be referred. The franchisee must report the complication to the FTM who in turn submits a complications report to the Clinical Services Manager at PSPI. The Clinical Services Manager calls to follow up on the complication and to provide support. The costs of the complication are covered by the franchisee. While this creates a potential disincentive to refer complications, professional pride and clinical training is sufficient, it is felt, to ensure that this will not affect provider behavior.

As per the global MSI BlueStar model, in the future, BlueStar franchisees will also be included in the clinical Quality Technical Assistance (QTA) evaluations performed by the MSI Medical Development Team. The QTA evaluations will help to internally verify the findings from the clinical compliance audit. A similar clinical audit is used for PSPI centers and outreach sites.

**Monitoring and evaluation**

In addition to the clinical compliance audits, a regular Business Systems Audit, and franchisee and customer satisfaction surveys are conducted for each franchisee through site visits.
The Business Systems Audit is a scheduled visit and is conducted by an FTM two times per year. This audit reviews performance records, stock keeping, payment history, and branding/promotion. For the performance records, the FTM reviews the service statistics that have been submitted via SMS to an automated computer program against the franchisees’ records. Franchisees fill out weekly performance reports which include IUD insertions and removals, number of injectables, number of condoms, number of pills (progestin-only pills and combined oral contraceptives), pap smears, new clients, and existing clients. The FTM helps the franchisee correct any problems with entering the data.

Franchisees report their family planning service delivery, stock requests, and payments weekly through an SMS system which collects the information in a central database, and can be accessed by the support team in the Manila office. PSPI had the software developed locally for this purpose. The franchisees register their cell phone numbers in order for the system to process the information, and are all trained in the proper way to fill in the information. The data from the SMS system can be exported to Excel for analysis.

The franchisee satisfaction survey asks about franchisees’ satisfaction with the support provided by PSPI. Results are used to determine the level of satisfaction of BlueStar franchisees and to respond to concerns that may arise.

Data from the customer satisfaction surveys have showed that customers expressed satisfaction with BlueStar services, citing the high quality, affordability, and accessibility of services as their favorite service features.

D. Network linkages

Client referrals in to clinics

Customers primarily know of BlueStar services through personal interaction with franchisees, word of mouth, community promotional events, and print materials such as flyers containing the addresses of franchisees and service lists.

Government health workers refer customers to franchisees in areas where franchisees have established relations with them. These referrals are made generally through goodwill and are not paid. The frequency of this kind of referral is not known.

Client referrals out from clinics

Franchisees have arrangements with OB/GYNs to whom they refer cases that they cannot handle. They may also refer customers to government or private facilities for medical services that are unavailable in their facilities. These “referrals out” are not tracked.
BlueStar franchisee, Jessie Besmonte, in her facility located in the Municipality of Marilao, in Bulacan Province.
5. CHALLENGES AND OPPORTUNITIES

A. Internal challenges

Sustainability of the franchisees’ operations remains the foremost challenge of BlueStar. Currently, the best way of ensuring this seems to be to integrate the franchise within the NHIP which is managed by PhilHealth. This would include a comprehensive accreditation scheme, allowing franchisees to claim payments for maternity and family planning services provided to members of insured families. The possibility exists for the franchisor to build the capacity of franchisees towards gaining accreditation with the NHIP. The franchisees would, however, have to invest their own funds in purchasing equipment and instruments required of an accredited maternity care facility and obtain additional specialized training for providers of accredited facilities. If successful, franchisees will be able to fully subsidize the indigent segment of the population whose insurance premiums are paid for by GoP through this scheme.

Recruitment of new franchisees continues to be very challenging and resource-intensive for BlueStar Pilipinas. The retention of the current franchisees and their high level of performance indicate a highly selective recruitment process: only 5% of those interviewed for selection have managed to complete the franchising qualifications and have established their own operations.

In order to scale up operations, BlueStar Pilipinas may need to look at widening the selection criteria to work with midwives already offering family planning services, those with less previous experience, or those with more than two beds in their clinics. However, this would add new challenges to recruitment, and could have negative effects on retention rates.

B. External challenges

Expansion by the Well-Family Midwife Clinic franchise or other networks could conceivably directly compete with BlueStar. Government and social restrictions on family planning remain an important issue for BlueStar and PSPI. These and other challenges are expected to remain, but until now show no sign of impeding BlueStar expansion or success.
C. Opportunities
The current BlueStar program seems to be working well and have the necessary systems in place. From this foundation, BlueStar Pilipinas needs to scale up to 500 franchisees to achieve national impact. The geographic scope of the franchisees will need to grow with this expansion since the majority of potential midwives in the current locations have already been recruited.

PSPI has begun exploratory discussions to bring franchisees up to PhilHealth standards of accreditation, permitting reimbursement by PhilHealth for treatment of covered patients, and enabling BlueStar to extend services even further among the poor and underserved populations. PSPI is on the verge of implementing a demand-side voucher financing initiative, financed through the Global Partnership on Output-Based Aid, which will provide an opportunity to test many of the accreditation systems needed for PhilHealth.

There remains the possibility of expanding the menu of services offered by franchisees as a means of increasing benefit from membership for franchisees, and providing needed services to women. Additional services could include the management of reproductive tract infections, an area in which the franchisees have already been trained, and enhanced newborn care.

D. Lessons learned

Demand
Despite the challenges noted above, the rapid scale up of BlueStar franchise numbers and the high number of services provided per franchisee each month have both demonstrated significant demand for long-term family planning methods by clients and the demand for support to provide these services on the part of providers.

Consensus on market niche
BlueStar has a mission to serve low-income women, and is committed to a strategy of lower-cost/higher-volume services. Most franchisees interviewed understood the rationale for the pricing strategy and felt that it was working to increase their business.

Balancing target population and business success
Some geographic areas have been vastly more profitable for franchisees than others. Weighing the acceptance of qualified member-applicants against the market potential of a franchisee’s location is difficult. The interest of the franchisor has thus far been skewed towards expanding the number of franchisees. How best to identify franchisees who may be better positioned to serve poor women, and support them appropriately to be successful remains a challenge.
A typical peri-urban road near Victoria, Tarlac

Visit the Global Health Group at globalhealthsciences.ucsf.edu/ghg.

Find this document and other franchising information at SF4Health.org.