ProspectsFranchise BusinessDevelopmentsinIndonesia

(Case studiesof foodbusinesses)

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Abstrac

Competition in the era of globalization is very tight, it's good competition between firms within a country, regional and global. To be able to survive for a new company to enter the business should have the right strategy so it can compete with companies that have existing or emerging.Franchising is as an alternative to choose from in determining strategies to grow the businessbecause of the capacity ofthe marketare affected by the conditions,purchasing power and limited consumption patterns

1. **INTRODUCTION**

Competition in the era of globalization is very tight, it's good competition between firms within a country, regional and global. To be able to survive for a new company to enter the business should have the right strategy so it can compete with companies that have existing or emerging. So the company does not just have to think carefully in addressing local competition in the country but still have to take into account the possible entry of foreign competitors.Indonesia is also growing in the one franchise definition proposed by Indonesian Franchise Association (AFI), which states that the franchise is a system of distribution of goods or services to end customers, where brand owner (franchisor) gives rights to individuals or companies to conducting business under the brand name, systems, procedures and methods that have been set out in a certain period and covers a certain area. Meanwhile, the Indonesian Government Regulation Number 42/2007 on the Franchise stated that the franchise was the engagement in which one party is given the right to utilize and or use of intellectual property rights (IPR) or discovery or characteristic of businesses owned by the other party with a reward based on the requirements determined by the other party or in the provision and sale of goods and services.
Franchising is as an alternative to choose from in determining strategies to grow the business because of the capacity of the market are affected by the conditions, keterbatan purchasing power and consumption patterns. Besides, the limited capacity of the company in terms of business development outside of the market that are available today have several problems, among others: the limitations of managerial skills, difficulty developing funds (capital) and limited skilled labor constraints result in licensing franchising business.

Franchise business is a commitment which the first 2 parties (franchisor) gives rights and obligations as set forth in the contract to the second party (the franchisee) with the goal of mutual benefit. So there are two sides engaged in a cooperation agreement that the franchisor and franchisee. Franchisor or franchisor is a business entity or individual which entitles the other party to make use of and or use of intellectual property rights or inventions or characteristics of its business. Franchisee or franchisee is a business entity or individual authorized to make use of and or use of intellectual property rights or inventions or characteristic possessed by the franchisor.

In the last 10 years the business franchise business model is becoming the most popular in the country, especially for those who want to plunge into entrepreneurship without bother pioneered a new business from scratch. Just like a fashion, franchise business is being discussed everywhere and very loved by the public. All around us we see many franchise mushrooming of both foreign and local. Foreign franchises such as McDonald's, Kentucky Fried Chicken, Pizza Hut, Wendy's, etc. Franchise local example Ayam Bakar Wong Solo, Es Teller 77, Alfamart, Indomart, RM Padang, Cak Eko Meatballs, Meatballs Cak Man, etc.. The high interest to open a franchise business is seen from the enthusiasm of visitors in each franchise exhibition, also selling sweet seminars and books themed franchise.

1. **MATERIAL AND METHODS**

Starting your own business means facing two simultaneous situations are opportunities on the one hand and risk on the other side. If the prospective entrepreneurs successfully utilize the opportunities that exist then the benefit will be obtained is in the form of profit or earnings. Conversely, if that fails then the consequences are obtained to bear the loss.

According Grifin and Ebert (2006: 156), sixty percent of new small businesses can only survive less than six years. Some things are often the cause of small business failure are:

• Experience and excellence in the management of low

• After opening a new business and looking successful, the owners and managers are less committed or negligence that failed to focus on the business. Opening a small business takes time, sacrifice and commitment to work seriously in ylang longer.

• Weak control systems. Control system will help owners and managers to monitor costs, monitor production capacity and so on. If the control system is weak and the system does not provide a signal problem that will soon take place, and the manager would be in a serious situation prior difficulties kept him awake.

• Lack of capital.

Factors that could succeed in small business are:

• Work hard, motivated to succeed and dedication

• Permintaas markets high enough

• Management Skills

• Luck

Franchise

Franchise is the right purchase agreement to sell the products and services of the business owners. Business owners called the franchisor or the seller, while the buyer's "Right to Sell" is called the franchisee. The contents of the agreement are the franchisor will provide assistance in the manufacture, operation, management and financial issues sometimes up to the franchisee (Anang Sukandar, 2004: 9). Benefits differ widely depending on the policy of the franchisor. For example, some franchisors provide assistance to the franchisee from the start of the business ranging from site selection, store design, equipment, how to produce, standardization of materials, recruiting and training employees, to negotiate with financiers. There is also a franchisor marketing strategy and bear the cost of marketing. Instead franchisee will be bound by various regulations concerning the quality of the product / service to be sold. Franchisees are also tied to the financial kuajiban royalty payment to the franchisor as well regularly regardingor not with the level of sales success achieved.

It can be concluded that the franchise operation is a contractual relationship between the franchisor and the franchisee in which the franchisor offers and must maintain a continuous interest in the franchisee business in the areas of knowledge, training. Franchisees operate under the brand / trade names are the same, the format and procedures are owned or controlled by the franchisor where the franchise after making an investment in it with its own resources

The Company franchises (franchise) by Machfoedz (2007:34) can be performed on a variety of products and services such as drinks, fast food, ice cream, laundry services, hotelsand so on. The franchise can be classified into four types with different characteristics to one another:

1. Manufacturer-retailer franchise system

Factory gives license to all retail outlets (outlet) to store inventory and market its product. For example: motor vehicles, agricultural equipment, oil and gas products and shoes.

2. Manufacturer-wholesaler franchise system

Company's beverages, particularly soft drinks and beer dominate the franchise in this type.

3. Wholesaler-retailer franchise system

This disistem dominate the wholesale business, for example: Lotte Mart, Indomaret and others.

4. Franchise company name

Franchising is the most popular and growing rapidly in the past two decades this. For example: fast food restaurant Mc Donalds, KFC, Sheraton Inn, Novotel Hotel and so on.

Advantages and Disadvantages Factor Franchise

According Machfoedz (2007:46) some things to consider before starting a franchise aspiring entrepreneurs business. Here are the advantages and disadvantages of buying a franchise:

The advantages of starting a business by buying a franchise:

1. Assistance and training manajamen

Employers franchise with insufficient experience can get training in advance of the parent franchise company.

2. The concept of the company, the product and the name is known.

Absence of knowledge about the company and products trusted in the market. Consumers may know that the superior quality products offered by the franchise.

3. Financial assistance.

To start a business, it needs large amounts of funds and limited resources. Franchise companies provide financial assistance in several ways.

4. Ownership.

Franchise companies may be privately owned, owners can enjoy independence, incentives and profit independent business.

The factors are weaknesses franchise:

1. The high initial costs.

Initial franchise fee varies, depending on the type of business which includes the cost of opening a franchise business that can only be done once, purchase of land, buildings and equipment, and funds for the provision of materials and operating costs of the company.

2. Restrictions on freedom to operate

Franchisees must follow the rules and regulations adopted parent company.

1. **RESULT AND DISCUSSION**

Franchiseis believed by most businesses today as the business will continue to provide opportunities. Although the economic situation is currently not profitable, but the business is still fluttering like the others, namely the real sector of micro, small, and medium enterprises (MSMEs). This business also proven able to survive the onslaught of the 1997 crisis and, therefore, no wonder then that a lot of people looked at this business as it is considered safe. Development was rapidly from year to year both foreign and local franchises.

In late 2008 the Indonesian Franchise Association (AFI) noted, the number of franchises operating in Indonesia reached around 9600. The movement's growth figures also show changes. If in the previous year, the numbers are always brilliantly carved by foreign franchises, but in 2007 and 2008 local franchise is starting to show its fangs. Growth rates recorded local franchise was always higher than the foreign players. Just as in 2007, of a total of 700 franchise then 450 of them are local franchises. So it is that happened in 2008. From about 9600 the franchise, some 700 are local franchises. Nevertheless, there are hundreds of local franchises were not entirely pure business categorized franchises. The number of local franchises were approximately 700 (2008), but the pure franchise only about 75 pieces. The rest is still a business opportunity (BO). However, that does not mean BO is now thriving there was no possibility of a pure franchise.

For BO whose business continues to strengthen, have a model, and uniqueness, one day will probably turn into a franchise. In spite of it all, the franchise business opportunity has proven lucrative to be proved by the continued increase in franchise player from year to year. As a side note, this business achieved sales of about Rp 8 trillion more in 2007 with a number of foreign and local outlets around 40,000 and create more than 500,000 jobs.The crisis did affect the termination of employment (FLE), but it is not the case in the franchise business. Opportunities to continue to grow and expand is always there for business. Therefore, this can be used as an alternative in the midst of the crisis. Doing business in a crisis situation like this is not easy. The real sector faced with the collapse of purchasing power. Therefore, the biggest challenge for businesses in a franchise business is creating tips to attract buyers, such as creating special packages buy one get one or the other.

Franchise business can not only run in the city, in the area was quite large potential for growth. It can be seen from the minimarket and a pharmacy business began to explore the area. So far, foreign franchise does thrive in Indonesia because sustained strong and large businesses. But that does not mean there is no opportunity for the local franchise to grow and thrive. In fact, there is already a local franchise that successfully penetrate foreign markets, especially for businesses that characterized Indonesia, such as food, crafts, and culture. The rapid development of franchising was not only lure individuals to the business, banks did not want to miss to take part in particular in terms of capital, such as Bank Rakyat Idonesia (BRI), Bank Negara Indonesia (BNI), Mandiri and Bank Danamon, has incentive to disburse funds to the business either through a special program for the franchise as well as SMEs. Banks have seen a huge potential in the market, the credit crunch facing the franchise has been almost non-existent. The chances are great, the administration and orderly process, so expect even small risks faced.

Tabel 1. Total Franchise and BO in Operation in Indonesia

|  |  |  |  |
| --- | --- | --- | --- |
| Tahun | Foreign franchise | Local Franchise | Total |
| 2002 | 212 | 47 | 259 |
| 2003 | 190 | 49 | 239 |
| 2004 | 200 | 85 | 285 |
| 2005 | 237 | 129 | 366 |
| 2006 | 220 | 230 | 450 |
| 2007 | 190 | 49 | 239 |
| 2008 | 260 | 700 | 960 |

 Source : Asosiasi Franchise Indonesia

By looking at the data in the table above can be explained that the development and potential of the franchise in Indonesia is very tempting. Development of the franchise industry in Indonesia can not be separated from the increased publicity and socialization many people, including the mass media plus a range of facilities and stimulation provided by the government and the banking sector. Activities related to the franchise as the exhibition is to educate the public to plunge into the world of franchising. Other factors that lead to increased arousal franchise business is also driven by the perspective of local businessmen who consider franchising as an alternative to the most rapid in developing the business. Many local entrepreneurs who understand that the development of a franchise that does not use patterns have problems, especially in terms of capital. By using pattern franchise, business development can be faster because it uses capital investors (franchisees). One thing to note here is that the development of a very exciting franchise is still dominated by foreign players. In terms of growth, foreign franchise reaches 15%, while the local franchise just recorded a growth of less than half, or about 7%. Growth is not the same is due to various factors. Most local franchise yet eligible franchise. Although local business that already has a partnership with others, has a name (brand) and a superior effort, but many partnerships are joint venture or profit sharing. Based on research data ever undertaken Indonesian Franchise Association (AFI), local entrepreneurs are more likely to choose foreign franchise because it is considered more reliable, proven successful and experienced. The results showed that local entrepreneurs choose franchising as accountability and giving foreign image (image or prestige) for the franchisee. For foreign players themselves, Indonesia is a market with huge potential. It can be seen from the number of Indonesia's population of 220 million inhabitants. Of that amount, reaching 15-17% of middle-class structures are under 30 years of age is less than 50%. With the huge potential of this market and the high level of confidence of local employers, it is not surprising if the number of foreign franchises is much greater.

Trend today's business world is doing Business Instant favorable. Franchisees do not need to start a business from scratch and struggled to develop the market and infuse it with a strong brand in the market. By doing so acquired the franchise rights to open a business with the brand / brands that are well known and have a market. This trend certainly be welcomed by business owners because in addition to increasing profits will also expand their marketing area.

From the above statement can be seen that the franchise will be very much helpful and beneficial, such as management support including marketing assistance and training assistance for employees so that technical knowledge can be obtained from the franchise and no problems with the management of its operations. Another important thing is the franchisee does not have to start a business from scratch because the brand already has a franchise product market or known. Into consideration only the initial cost is quite steeper.Market producers entering the food franchise business is a competitive market monopoly because each franchise brand food products and services have certain characteristics with flavors and different product forms.

The reason for the selection of the market because of the shape retail caused distribution channels are very short and direct. This will facilitate the control of service and product control so as to maintain the quality of products and services sold. Moreover, it can also be obtained direct feedback or suggestions from customers.

External environment and the food industry is not a threat to the food franchise business because they sell their products and services with a characteristic, such as dishes from Vietnam, Korea, Japan or the cuisine of a particular region in Indonesia as Padang cuisine, each of which has a taste and way of Sitra different presentation. Often the home atmosphere makanpun also designed according to the original area.

It had become a factor often overlooked by failure because Indonesia is the franchise does not have managerial incompetence and inexperience. Although the franchisor provides training and management assistance, but still required a high degree of franchisees and the entire staff. They have to work hard and not negligent, must always maintain strict product quality and service. Once they neglect this because the control system is weak then customers will switch to competitors. Food business has a high sensitivity to quality and price.

**V. CONCLUTION**

Based on the discussion and analysis that has been conducted in accordance with the purposes of research and then be concluded as follows:

1. Shape franchise is a business instant Indonesia in great demand by employers because of markets that are already available and some of the advantages of this form of franchise that endiri as managerial and operational assistance provided by the franchisor.

2. Food franchise business has a special feature of the product so that it can better withstand market threats.

1. Distribution franchise businesses are so short that control the quality of products and services can be done directly

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