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**DEVELOPMENT OF JUICE DO IT BUSINESS WITH FRANCHISE METHOD:
STRATEGY AND IMPLEMENTATION**

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Abstract. The growth of the healthcare industry in Indonesia in recent years showed significant improvement. Health business grows rapidly with variety of different focus, such as health treatment, supplements, health assurance, medical equipment, health programs such as yoga and fitness center. Juice Do It, which was established on May 1, 2012 tried to address this opportunity by providing products of Juice that is loaded with health benefits. After operating for more than 1 year, Juice Do It showed significant progress with a positive market response and turnover increases. However, this does not necessarily make it stable in the industry. The market is constantly changing, new competitors continue to emerge everywhere. Market development should be done immediately. To address this issue, the authors will first analyze the internal and external conditions of this industry. With this analysis, it is expected that the development decisions can be planned better. From the analysis, it will be found the root of the problem of why the development should be done immediately. The proposed development's strategy were recommended by using the franchise method. To implement this method properly, the authors conducted a literature study on the franchise management and interviews with practitioners in the field. The overall strategies are carefully formulated using the relevant theory in the field. Several franchise packages are designed based on the budget of the franchise and the conditions in the field. Once the proposal is accepted by the management of Juice Do It, they will create a pilot project. The pilot project will serve as a place to apply theories that have been made as a pilot for the next outlet to be built.

1. Introduction

According to an expert on the world economy, Paul Zane Pilzer in his best seller entitled *The Wellness Revolution* said: healthcare industry will increase 5-times in 10 years. According to Paul Zane Pilzer, Baby Boomers or those currently aged between 40-50 years on average account for 24 percent of the population in every country in the world, their average has been successful in a career and willing to invest in health by 50 percent of the overall population. This is a very big potential. They will be willing to spend money for his health One seventh, \$1.5 trillion, of the U.S. economy today is devoted to the healthcare business, what Paul Zane Pilzer refers to as the "Sickness Industry."

One indicator of a nation's concern for health development, can be seen from the proportion of the health budget allocation compared to the country's Gross Domestic Product. Based on WHO Global Health Expenditure Database, Indonesia shows consistent upraise of its expenditure on health.

The increasing of public awareness of the importance of health, increased the amount of fruit juice consumption. Juice business was progressively increased, indicated by the number there are stalls juice on a small scale in the areas in Bandung.

A. Company Profile

Juice Do It is a start-up beverages business which was established in May 1st, 2012 by two young architect named Nanda and Alvin. *Juice Do It* located at Jalan Ciumbuleuit, Kompleks Sentra Kampus.

Juice Do It provides healthy and fresh juice to the customers who seeking for a healthy and prestige life and support the customers to do their activities. *Juice Do It* targeted segments are : College Students, Lecturer, Workers, and Tourists with middle up social class who are active and concern about their health. Their positioning for are a healthy and unique juice for active people with Tagline : *Low on calories, loaded with taste*. With this tagline, they expected to attract young and energetic people. As the demand for healthy food and beverages are growing, *Juice Do It* concern about their innovation and make preparation to have a strategic new place as their branch, make a new concepts and give experiential marketing to the customers. Their people who are employees always give their best services for the customers and the customers are satisfied proved by customers re-purchase the product. The creation of Logo, Brand, and attractive menu are the most important things in developing a culinary business like *Juice Do It*. There is a good response from the customers when *Juice Do It* first opening and they usually come to re-order and bring new customers to them.

2. Business Issue Exploration

As mentioned before, the issues discussed in this paper is about the development of *Juice Do It*. Several research questions posed are: 1. What system should be used by management of *Juice Do It* in opening a branch of his business 2. How to implement it so that it can work well for long period of time?

Conceptual framework underlying the rationale in this analysis can be explained in the following chart:

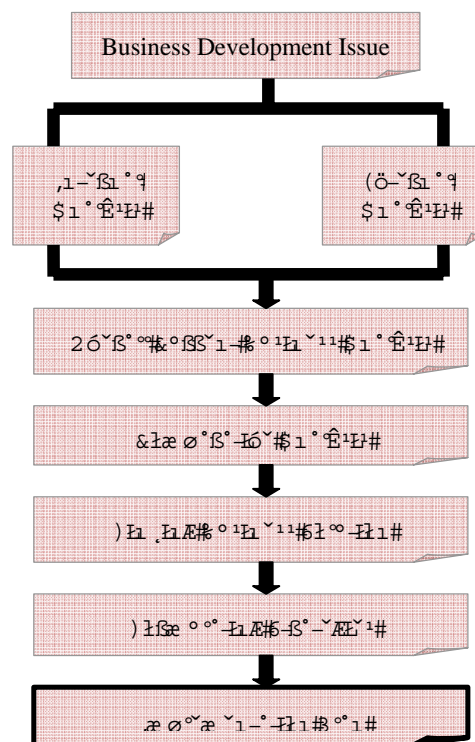


Figure 1. Root Analysis's Conceptual Framework

As can be seen in the chart above, root cause analysis will be done by analyzing the internal and external situation of the company. Internal situation refers to the product life cycle and growth business model that the company will do. External situation analysis will be done by analyzing the situation of the industry in general by using the theory of Porter 5 competition Forces. Competitor analysis will be conducted with the marketing mix (4P's) theory.

A. Industry Analysis

Porter 5 Competition Forces

To analyze this industry, the author will use the theory by Porter's 5 Forces Competition Forces

a. Risk of entry by potential competitors

Juice business is a business that tends easily entered by other businessman. Easy in operation, no high skilled labor needed, and a low capital needed, makes this business very easy to enter by other competitors.

b. Bargaining power of buyers

Juice Do It's buyers are people who are concerned with the health aspects of what they consume. They tend to ask for a good quality product, and just a few of them that complaints about the high prices. It can conclude that the bargaining power of buyers is not too high.

c. Threat of substitute products

There are many competitors in Ciumbuleuit and in Bandung in general, which makes it possible for customers to switch to other competitors. One of them is Juice For You, Hawaii, Juicelicious, etc..

- **Juice in the stalls and the roadside vendors at a cheaper price.** The price offered was relatively low, with a range of IDR. 6,000 - IDR. 7,000.

- **Packaged Juice.** The price is relatively low, ranging between IDR. 4,000 - IDR. 6,000.

From the explanation above, it can be concluded that the Threat of substitute products is high.

d. Bargaining power of suppliers

Because there are many suppliers, *Juice Do It's* management have the full freedom to change with other supplier if the price offered is no longer suitable. It can be concluded that the bargaining power of suppliers is low.

e. Rivalry among established firms

Basically, the juice business in Bandung today is divided into two segments.

1. **Upper middle segment.** They are business that sells premium juice, good packaging, and good quality of products and services .
2. **Middle segment and lower middle.** This segment is the segment where the main customers are students or public that sensitive on prices.

Competitor Analysis

To know better the situation of this business, the author will analyze the competitors by using the marketing mix (4P's) method which are; 1) Product 2) Price 3) Promotion 4) Place. The author will analyze 2 big player of Juice Business in Bandung, which are Juicide and Fruity.

Product

- **Fruity.** Fruity offers a product of mix juice with special recipes. Several variants are given in addition to juice, Fruity also offer smoothies products. Fruity just provide plastic cups as containers.
- **Juicide.** Juicide offers products that almost similar to Fruity. Juicide also provides smoothies, but with very limited options. It served with a glass, and a plastic cup to take home.

Price

- **Fruity.** Fruity price of products offered between IDR. 9.000 - IDR. 17,000. any add-on that added will be charged by of IDR. 2,000.
- **Juicide.** Juicide offer a higher price than Fruity, and one of the highest price in the similar industry. Juicide product price ranges from IDR. 18.000 - IDR. 25,000.

Promotion

Juicide utilize digital media as a means to promote. One of them is to make use of Twitter. In his account, Juicide update its news and retweet any mention that entered into his account. Juicide also utilize the events in the city of Bandung to introduce its products. One of them is Keukeun, Bandung local culinary events.

Place

- **Fruity.** Fruity has branches more than 50 units throughout Bandung and Subang. Fruity aimed the most crowded spot in the city of Bandung, including BIP, Ciwalk, IP, Pasar Baru, etc. .. Counter forms vary between 2x2m stand, semi-permanent, and permanent.
- **Juicide**
Juicide currently has only one store, which is located at Jalan Sultan Agung. Its store was large enough for the size of a drinking juice, with visitor capacity of approximately 30 people.

It can be concluded on the four factors with the following table:

Table I. Competitors Summary

	Juicide	Fruity
Product	Juice & Smoothies (+ add on)	Juice & Smoothies
Price	IDR. 12.000 – IDR. 17.000	IDR. 18.000 - IDR. 25.000
Place	Stores in Bandung	Jl. Sultan Agung
Promotion	Twitter, Event	-

B. Company Situation Analysis

Product Life Cycle (year 1)

According to Kotler’s, the product life cycle are divided into 4 stages, they are:

1. **Introduction.** The period of slow sales growth as the product is introduced in the market.
2. **Growth.** A period of rapid market acceptance and substantial profit improvement.
3. **Maturity.** A slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits stabilize or decline because of increased competition
4. **Decline.** Sales show a downward drift and profits erode.

In this current situation, from the product life cycle, *Juice Do It* is currently at the mature stage. This can be seen from the issues. And the best strategies for the product in this stage are:

- a. add features and modify the product in order to compete in market and differentiate the product from competition.
- b. The price conscious reduced in order to compete. segment and retain the customers.
- c. New channels are added
- d. Promotion and incentives are also offered to attract more customers.

Overall Current Business Analysis

Based on the main issues in this paper, which is the business development, it can be raised several issues that could dissect the root cause why the business development steps should be done immediately.

a. Industrial analysis issue

It can be seen that the risk of entry by potential competitors is very high. This is due to the availability of materials, low capital to enter this business, it takes not a really complicated skills.

To overcome this, *Juice Do It* shall soon expand its market, by opening branches. If not, *Juice Do It* will be left behind by new competitors that may be emerge at any time. Threats of substitute products is high. This makes *Juice Do It* can be easily lose its market share. Product innovation should always be done, and awareness must be improved. One way is to expand the market.

Competitor issue

Fruity has advantages, the locations that has been scattered around the city of Bandung. Fruity have approximately 50 branches in Bandung and Subang. But its weakness, branding and publicity is not good enough so Fruity name is less well known.

Juicide has advantages in a very good store. Although it has only one counter that is located in the Sultan Agung Street. Juicide’s Brand is widely known by the young people in Bandung. Juicide is branded very well, and publications are also going well.

To face the competition by those two strong competitors, *Juice Do It* have to move one step ahead of them. Before Fruity rebranding its company so it becomes better and before Juicide expand its market by opening more branches. *Juice Do It* have to utilize both advantages of its competitors, i.e. with good branding and publications, and extensive product distribution channels.

b. Company situation issue

Based on the analysis above, *Juice Do It* is at maturity stage. Its brand awareness is strong so sale continues to grow but at a declining rate as compared to past. At this rate, the distribution strategy must be expanded. New channels are added to face intense competition and incentives are offered to retailers to get shelf preference over competitors. *Juice Do It* must open its branch outlet as soon as possible.

Summary

Self-owned outlets require large capital and direct managing on all the aspects of the business, which makes this a slower way to grow in size and the return on investments are slower compared to franchising. Conclusions obtained from the comparative study above is, the best way to apply to *Juice Do It* is by way of franchise development. Minimal capital, minimal risk and high success rate, are factors that can not be obtained if it developed with a single ownership.

Based on the book An Introduction to Franchising (Bashel, 2001) it can be concluded franchise as the diagram below:

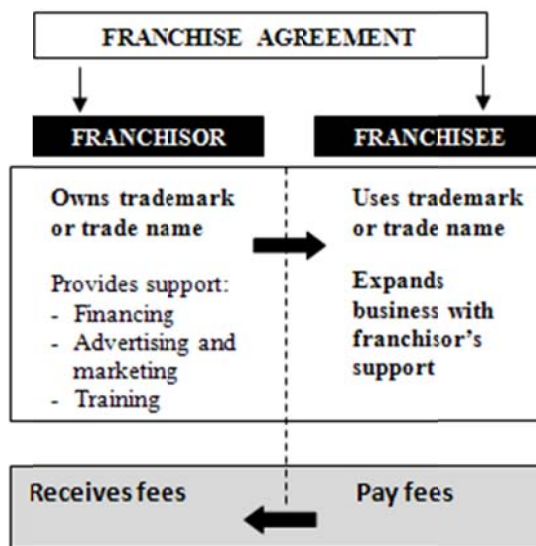


Figure II. Franchisee and franchisor agreements

To achieve success in franchise, there are several things to prepare, which are:

- a. Trademarks and Trade Dress
- b. Business Format and Operating System
- c. Site Selection and Business Facility Development
- d. Advertising and Marketing
- e. Training
- f. Continuing Assistance and Guidance
- g. System Standards
- h. Term, Renewal and Transfer
- i. Fees

To answer these issues, in this paper the business strategy will consist of several issues solving:

- a. Financial Strategies to address the issue of fees.
- b. Operation Strategies, to address the issues of business format and operating system, site selection and business facility development, training.
- c. Marketing Strategies, to address the issues of trademark and trade dress, advertising and marketing,
- d. Human Resource Strategies, to address the issue of training and continuing guidance assistance and guidance.

All of them will be the element of system standard that will be applied at all of *Juice Do It* Counter's in the future.

3. Business Solution

To implement the franchise system successfully, business must apply the elements of business format franchise. The business solution proposal will be divided into several issues that must be answered for anyone who wants to make a franchise's business.

- **Financial strategy.** The financial strategy consist of investment needed to open this franchise as a franchisee.
- **Marketing strategy.** The marketing strategy based on the 7P marketing mix by Michael Porters, which are: Place, Price, Promotion, People, Process, Physical Environment, Product.
- **Operation strategy.** It based on the operations and supply chain management literature of Operations and Supply Chain Management (Jacob, 2010). The main operation is to search for the most efficient ways to operate the business.
- **Human resource strategy.** The human resource strategy are the resource needed to operate this business on every outlets.

A. Financial Strategy

Return On Investment (ROI) Calculation

Table II. *Juice Do It* "JDI Mini Bar" Budgeting.

	Product/day	In a month
Omzet	100	
Average product price	IDR 12.000	
Monthly sales		IDR. 36.000.000
drink and cup cost	IDR. 5.000	IDR. 15.000.000
Revenue		IDR.

sharing to Mitra		1.800.000
Gross Margin		IDR. 19.200.000
Expenses		
Waitress (4 persons)	IDR. 4.000.000	IDR. 4.000.000
Electricity		IDR. 1.000.000
Promotion		IDR. 500.000
Other		IDR. 500.000
Total Expense		IDR. 6.000.000
Net Profit		IDR. 13.200.000

Return on Investment

$$= (\text{Net profit} / \text{Investment}) \times 100$$

$$= (13.200.000 / 250.800.000) \times 100$$

$$= 5.26 \%$$

Table III. Juice Do It "JDI Cafe" Budgeting

	Product/day	In a month
Omzet	200	
Average product price	IDR 15.000	
Monthly sales		IDR. 90.000.000
drink and cup cost	IDR. 7.000	IDR. 42.000.000
Revenue sharing		IDR. 4.500.000
Gross Margin		IDR. 42.500.000
Expenses		
Waitress (4 persons)	IDR. 1.000.000	IDR. 8.000.000
Electricity		IDR. 3.000.000
Promotion		IDR. 2.000.000
Other		IDR. 2.000.000
Total Expense		IDR. 15.000.000
Net Profit		IDR. 27.500.000

Return on Investment

$$= (\text{Net profit} / \text{Investment}) \times 100$$

$$= (27.500.000 / 890.000.000) \times 100$$

= 3.1 %

Financial Projection

Based on Franchise Magazine on April 2013 edition, there are several franchise business that became the fastest growing company and be the market leaders. On related terms of *Juice Do It* (beverages business), there are several brands:

Table IV. Beverages Franchise Market Leader’s Growth

No	Brands	Established	Total outlets	Average Growth per-year
1	Javapuccino Café	2008	695	139
2	Excelso	1991	101	8
3	Goodtea	2009	4800	1200
4	Es D’Goen	2010	311	103
5	Campina Scoop Counter	2008	410	32
Average beverage’s franchise growth per-year				296

Based on the average beverage’s franchise growth per-year, *Juice Do It’s* management targeted growth of 10 outlets in the first year, with the assumption of 7 JDI Mini Bar package per-year and 3 JDI café per-year, the growth’s projected are:

Table V. *Juice Do It* Projected Revenue for Franchisor

Year	Total Outlet	Outlets	Revenue	Total Revenue (million)
2014	10	7 JDI Mini Bar		IDR 26.1
		3 JDI Café		
2015	20	14 JDI Mini Bar		IDR 52.2
		6 JDI Cafe		
2016	30	21 JDI Mini Bar		IDR 78.3
		9 JDI Café		
2017	40	28 JDI Mini Bar		IDR 104.4
		12 JDI Café		
2018	50	35 JDI Mini Bar		IDR 130.5
		15 JDI Cafe		

Based on the projection, in the fifth year of franchise operation, it is hoped that the revenue will became IDR 130.5 million per-month for the owner, without having to use personal capital.

B. Marketing Strategy

Market Summary

Juice Do It serves different type of Juice to and deliver a good information to the customers. After do several surveys, *Juice Do It* will have better understanding about making proper and healthy juice to the customers, and can communicate healthy message to the customers.

Table VI. *Juice Do It’s* Market’s Demographic..

Demographics	
Sex	Male/ Female

Age	17 – 25 College Students and Lecturers Young Professional Teenagers
Occupation	College Students Professional or other employed Tourists
Geographic	
Geographic	Bandung
Psychographic	
Social Class	Middle to up
Life Style	Energetic, social minded, tasteful conscious, pleasure seeker
Personality	Active, busy, tasteful conscious

Marketing Mix

Product. Strengthness of *Juice Do It's* products

- a. It has unique taste and menu supported by high quality fruit as a raw material, and good packaging.
- b. *Juice Do It* give free delivery service to all the customers around Ciumbuleuit for every minimum two cup of juices.

Juice Do It present a different product which included the value of benefits of their juices and indirectly gave the customers information about how important to have a healthy life, and one of its wat is by drinking juice.

Place. This location is selected because of their target market are mostly students in UNPAR and near to the activities centre in Ciumbuleuit. The concepts of its place is “*Back to Nature*” and supported by their natural design and material with basic color brown and dark green

Promotion

Juice Do It do some promotions during their soft opening, grand opening, and until currently operations:

- a. distribute the brochures to gain the customers awareness of new places to hangout.
- b. Give discount when soft opening and grand opening.
- c. As a participant in some events in campus and become the sponsorship.
- d. Promotion via social media like *Twitter* and *Facebook*.

Price. For every original juice, its price is IDR 8,000 and for mix juice is IDR 10,000 – IDR 15,000. For some customers who have the coupons from *Juice Do It* will get 20% discount for every ordered juice.

People. All employees in *Juice Do It* are good looking and friendly to all of their customers. There is an award for the employee who can reach their target sales and will be given good grade during their working period.

Process. When the customers complaint about the taste that are not meet their wants and *Juice Do It* will re-make the new juice. There is no problem for minor mistake like volume size of juice and its price.

Physical evidence. Unique place and uniform will attract new customer to come and taste the products. With the concepts “Back to Nature”, *Juice Do It* give different sensation when the customer come in area that dominantly covered with colors dark green and brown.

C. Operation Strategy

At *Juice Do It* with its franchised system, raw materials will go directly to Franchise Headquarters. From this centralized control system, the materials will be directly distributed to the franchisees.

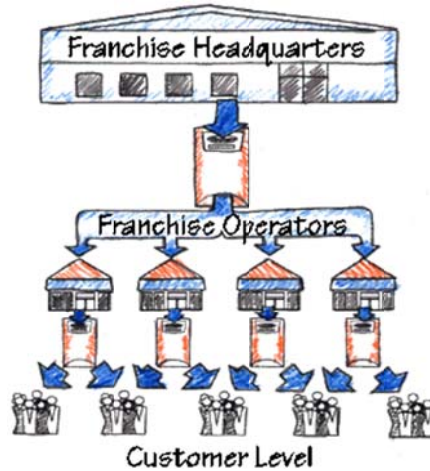


Figure III. Franchisee distribution channel

Service System

There are 3 process for producing the Juice before served to the customers.

- Stage 1 : Preparing
- Stage 2 : Blending
- Stage 3 : Packaging

Juice Do It implemented “Make To Order” system in the production. This is due to several consideration:

1. The company can guarantee the quality of the product’s freshness..
2. Consumers can customize the product (reducing sugar, etc)

In the book of Operations and Supply Chain Management, Chase Jacobs explains, in order to achieve efficiency in the production process, there are several things to do:

1. **Perform activities in parallel.** Using a parallel approach can reduce flow time by as much as 80 percent and produces a better result.
2. **Change the sequence of activities**
3. **Reduce interruption.** Improve timings in the processes can save many days of flow time.

- In this section, juice processing channel is divided into two. It aims to reduce the flow of work time and increase effectiveness.
- Section packaging submitted to a special section to handle. It can reduce interruptions at the juice production, and established a better working sequence.

Summary:

1. For the distribution of goods, a franchisee will get a periodic shipments of raw material from franchisor
2. To obtain maximum effectiveness, with high levels of customer visits, *Juice Do It* requires 4 employees to the division of labor: cashier, juicer (2 people), and a waiter.

D. Human Resource Strategy

As explained in Chapter 1, the duties and authority of each part on the organizational structure *Juice Do It* can be explained by the following chart:

Job Description

1. **Marketing & Sales.** As mentioned in the chart, marketing & sales division in Juice Do It is divided into two, namely online marketing and offline marketing.
2. **Finance.** Basic requirements:
 - a. A minimum of a high school graduate or equivalent.
 - b. Basic competencies needed is how to operate the cash register, and simple accounting.
 - c. The number of people needed for each outlet: 1 person.
3. **Operation.** In general, the operation is divided into two.
 - a. Stock Manager
 - Assigned to buy materials to distributors
 - Controlling the inventory of materials in the warehouse
 - Record daily material usage and material deficiencies noted.
 - The minimum amount of people required for each outlet: 1 people.
 - b. Juicer. Producing juice in a way that has been taught.
Basic requirements:
 - a. A minimum of a high school graduate or equivalent.
 - b. Basic competencies needed is how to operate the blender, juicer and other electronic devices
 - c. The minimum amount of people required for each outlet: 2 people.

4. Business Implementation

The implementation will be divided into 5 points, which is franchise package, timeline scheduling, resources needed and budgeting, and building successful franchise.

A. Franchise Package

The franchise package consist of list of available package that can be choose of anyone with interest to open this business. The available package range from: JDI Mini Bar Package IDR. 250.800.000 – JDI Cafe IDR. 954.150.000.

Franchise Package “JDI Mini Bar”



Figure IV. Franchise “JDI Mini Bar” Package Design

Initial franchise fee –	IDR. 20.000.000
Training fees –	IDR. 6.800.000
Premises –	IDR. 140.000.000

Initial stock –	IDR. 30.000.000
Equipment –	IDR. 26.500.000
Working capital –	IDR. 4.000.000
Promotional costs –	IDR. 5.500.000
Vehicles	IDR. 18.000.000
TOTAL	IDR. 250.800.000

Franchise Package “JDI Cafe”



Figure V. Juice Do It “JDI Cafe” package

Initial franchise fee –	IDR. 40.000.000
Training fees –	IDR. 2.100.000
Premises –	IDR. 890.000.000
Initial stock –	IDR. 2.000.000
Equipment –	IDR. 15.700.000
Working capital –	IDR. 3.000.000
Promotional	IDR. 1.350.000
TOTAL	IDR. 954.150.000

B. Timeline Scheduling

To execute the implementation plan of the solutions offered in chapter 3 of this final project, schedule is composed of 5 months beginning August 2013 to January 2014. Time frame or scheduling for the strategy implementation process is very important to keep the schedule remains on track. In addition, timeline schedule is also required to make budgeting for the overall strategy. With this time frame, *Juice Do It* will be able to prepare the proper marketing strategy implementation.

C. Resource and Budgeting

The largest initial capital is in the development of the pilot project. It also takes a fee for design consulting, legal consulting, making information technology network systems, and training of human resources that have been described previously.

Resource and budgeting, as already described in Chapter 3. The franchisee must pay in accordance with the franchise package he wanted. Once the payment is completed, the company will begin work.

D. Building Successful Franchise

After all of the preparation to make a pilot project has done, then it is time to expand the franchise. Based on the paper of Riika Levonen, on “Franchising as a Potential Growth Strategy for Small Enterprise” and interviews with several franchise precisionist, it can be concluded, there are several elements to expand and build a successful franchise, they are:

- a. **Selecting High Potential Franchisees.** Recruiting franchisees that have a high potential to become multi-unit owners is a key strategy for expanding a franchise network.

- b. Developing Leads To Prospective Franchisees.** A franchisor must develop strong lead generation sources. This can be approached by first determining the characteristics of the network's successful franchisees.
- c. Effectively Documented Franchise Relationship.** Full and accurate disclosure is a key element in managing expectations.
- d. Research and Development.** Collecting and analyzing operating and financial data from the franchisor's network and competitor networks.
- e. Financial Services and Guidance.** Including: sources of finance, franchisor-lender relationships, and financial guidance.
- f. Exploit Technology and Internet.** Internet websites, intranets, extranets and other technology are widely used by franchise networks
- g. Audit Program,** to detect underreporting.
- h. System Standard.** Consistently implemented competitive standards strengthen and preserve brand loyalty.

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