Factors that Influence Student’s Decision in Starting-Up Service Franchise Business in Bandung

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Abstract

Starting a whole new business often seems to be too risky. There are too many uncertainties pertaining to the amount of capital required, the sales revenue potentially generated and the right management style required to achieve success. Franchise business, with an already well-established systems and operating procedures, provides a way for new entrepreneurs to invest in a more forecastable and profitable future. At the macro level, franchise business is like a vehicle driving the lifestyle and income of a population in the right direction for long term economics growth. Indonesia, being one of the largest economies in Asia, offers excellent market potential for franchising. Having an adequate and proven systems already in place, franchise business is perceived as an appropriate stepping stone for building sustainable business environment in Indonesia. The allure of starting a franchise business in mitigating the uncertainties faced by an independent start-up to a large extent, therefore, is worth its weight in gold.

This research aims to develop the know-how of starting-up effective franchise business to penetrate Indonesian market. The study hopes to establish a comprehensive guide for the increasing number of aspiring entrepreneurs to boost their confidence in starting up service franchise business in Bandung. This research uses both qualitative and quantitative research method. Through quantitative research, the author collected data through several surveys and questionnaires which were distributed among 100 business management students from several universities in Bandung such as Institute Technology Bandung, Parahyangan Catholic University, Padjajaran University, and Maranatha Christian University. Subsequently, qualitative research was also conducted to clarify ambiguous situations or discover ideas that may generate potentially-profitable business opportunities. Common data collection methods used in this qualitative research includes in-depth interview with related franchisor in the service industry. Researcher performed pre-test analysis to the data collected to ensure the constructs’ validity and reliability. Data were then analyzed, computed and presented in various simplified forms (writing, graphics, tables, and numbers) for easy comprehension and interpretation.

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Our conclusion is that with adequate systems of franchise business already in place, it provides a suitable platform for the students to embark on their entrepreneurial journey. Purchasing a franchise business license is one common option. However, a substantial amount of attention has to be given to the franchise mechanism model i.e. factors such as: costs, controls, and termination/renewals of contracts. In the process of selecting the right franchise business, substantive knowledge and careful review of the franchise agreement is of critical importance to prevent mislead and confusion. This paper will highlight and discuss these issues in further details.

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1. Introduction

Indonesia has become the third fastest growing economy in Asia and the largest economy in Southeast Asia. Despite the excellent statistics, unfortunately, entrepreneurship is still seen as weak in Indonesia. The difficulties in accessing capital, poor infrastructure and low quality of education for future entrepreneurs have hindered the growth of entrepreneurship in Indonesia. Therefore, it is wise to start thinking of effective long term solution to kick-start employment and innovation in Indonesia which could, in turn, boost the spirit of entrepreneurship. Well-chosen franchisors have acquired years of relevant experience in developing their businesses. They are probably the best source start-up entrepreneurs could refer to and learn from. Promoting the ideas of opening up a franchise business in Indonesia, therefore, provides a practical platform for these experienced franchisors and the inexperienced start-up entrepreneurs to meet and interact professionally. This is how franchise business can potentially drive their lifestyle and their income in the right direction for economic growth at both micro and macro level.

The author conducted this research in the process of developing her own TIKINDO Courier and Cargo franchise business, located in Bandung. The author realized that the above mentioned problems (lack of access to capital, poor infrastructure and low quality of education) are also faced by many other aspiring franchise entrepreneurs in Indonesia. At the same time, the market needs such ventures to cope with its growing macro economy and international pressure to become the next influential emerging market.

Currently, the question is no longer on why Indonesia needs better and more of young entrepreneurs, but on how these franchise entrepreneurs could successfully penetrate the Indonesian market effectively. The later question should be given higher considerations as franchise businesses have the potential to reap higher profitability and market share as compared to other independent (non-franchise) businesses from all around Indonesia. Although the Indonesian franchise market is very competitive, the high demand for U.S. franchises, especially in the food and beverage (FOB) sector, presents significant commercial opportunities for U.S. franchisors. U.S. franchise brands have good brand image in nature and are generally well-received by Indonesian consumers. In addition to adjusting their product pricing, U.S. franchisors have to adapt to local tastes to guarantee successful penetration in the Indonesian market. Statistics have shown that most Indonesian franchisee are interested in already well-established and innovative products/services business concepts such as courier & cargo, fast food, coffee shop chains, travels, supermarket, fine-dining restaurants and many others.

2. Theoretical Foundation

After learning from other relevant researches, author continued to find out the order of comprehensive study frameworks that should be used in answering research questions, which are:

2.1. Entrepreneur Orientations

A prospective entrepreneur may seek to purchase an already-established business venture rather than start an enterprise. This can be a successful method of getting into business, but numerous factors need to be analyzed.
Purchasing a business venture is a complex transaction on its own, and therefore, the advice of professionals always should be sought. However, there are some basic steps that should be understood before acquiring an established entrepreneurial venture (Kuratko D. F., 2007):

a. Personal Preference
   Entrepreneurs need to recognize certain personal factors such as their hobbies and interests to limit their choices of venture accordingly.

b. Examination of Opportunities
   In the effort to search for a possible venture to buy, entrepreneurs need to examine the available opportunities through various sources like; business brokers, newspaper ads, trade sources, and professional sources.

c. Evaluation of the selected venture
   There are 3 things that need to be evaluated to the venture being offered to sale:
   a. The business environment
      The local environment for business should be analyzed to evaluate the potentiality of the venture in its present location.
   b. Profit, sales, and operating ratios
      The business’s profit potential is a key factor in evaluating the venture’s attractiveness and in later determining a reasonable price for it.
   c. The business assets
      The tangible (physical) and intangible (for example, reputation) assets of the business need to be assessed.

2.2. Market entry

3M is a widely used tool for analyzing and testing whether an idea could be considered as a good business opportunity or not. There are 3 dimensions of this opportunity evaluation (Zeithaml V.A., 2006):

a. Market Size and Structure, with sub categories involved are:
   - Market availability showed up slowly, since big markets tend to have limited opportunity
   - Target market (psychographic, demography, geography)
   - Quite enough market value and has big potential
   - Small to almost no forceful barriers to entry
   - Competition structure (how many and how string, both direct and indirect)

b. Market Demand
   - Sufficient market share
   - Estimation of total people willing to purchase
   - Considerable annual demand growth
   - Opportunity for Survival, often more than three years
   - Time duration of products can survive in the market

c. Margin Analysis
   - Product possible profit margin is considered enough
   - Overall industry cost and price-volume average
   - Could possibly make breakeven point at short to mid term of time (foreseeable future)
   - Startup capital needed is relatively lower than industry average (most competitors
   - Overall increasing of price or earnings ratio of the company

2.3. Franchise Business Development

There are several things which need to be considered from Franchisee's Perspective before starting the franchise business. The franchisee’s perspective is important and is aimed at potential entrepreneurs who wish to start their own business and explore franchising as a way forward. Some of them are (Baladakis, 2008):
• Proven operating location
• Credible top management
• Skilled field support staff
• A proprietary operations manual
• Effective training programs
• Disclosure and offering documents
• Plans for advertising, marketing, public relation and promotion
• A communications system
• Sufficient capital

Furthermore, the franchise agreement is important document which underpins the relationship between franchisor and franchisee. It is essential that each franchisee understands the obligations under the franchise agreement and any pitfalls which might possibly be contained in it. The franchise agreement details the conditions which must be understandable and acceptable for both parties. On the other hand, the franchise agreement provides the outlines on how the franchisor expects the franchisee to run the operation in the new market. There are certain areas which are covered in most franchise agreements. These are explained below:

a. Franchise fee
b. Royalties
c. Quality control
d. Advertising
e. Training
f. Equipment
g. Territory
h. Operations
i. Reporting
j. Disputes
k. Termination

3. Methodology

After further understanding of the two types of research methodology, the author decided to conduct both quantitative and qualitative research. Quantitative research is conclusive in its purpose as it tries to quantify and understand how prevalent the problem is by looking for projectable results applicable to a larger population. Through quantitative research, the author collected data through surveys and questionnaires which were distributed among 100 business management students from several universities in Bandung such as Institute Technology Bandung, Parahyangan Catholic University, Padjajaran University, and Maranatha Christian University.

Subsequently, qualitative research was also conducted to clarify ambiguous situations or discover ideas that may generate potentially-profitable business opportunities. Initial research was conducted to clarify and define the nature of a problem. It was also used to go deeper into issues of interest and explore nuances related to the problem at hand. Common data collection methods used in this qualitative research includes in-depth interview with related franchisor of the service sector. This qualitative research also has the purpose to gain new insights to underlying facts and opinion which could then be converted into valuable information. Researcher hopes this approach could provide a fresh and comprehensive result which could reveal an interesting phenomenon. This is relevant to author’s need that such research could be useful for her own franchise business.

Furthermore, the author made a list of qualitative questions which fulfill the need of those three frameworks and research questions mentioned in the previous section. This literature study and frameworks are also important for researchers to input their opinions. Most secondary data such as franchise agreement of several available service franchising business in Bandung will be used as empirical source in the analysis. Researcher performed pre-test analysis to the data collected to ensure the constructs’ validity and reliability. Data were analysed, computed and then presented in a simplified manner (writing, graphics, tables, and numbers) for easy understanding and interpretation.
4. Data Analysis

4.1. Data Findings

There are two franchisor of service franchise business in Bandung interviewed by the author; namely JNE (Jalur Nugraha Ekakurir) and TIKINDO (TIKI Indonesia). A total of 18 questions were asked to gain information about the present and future opportunity state of entering franchise business in Bandung and about the most suitable and ideal franchise mechanism system model to be implemented. After that, there are 9 main questions used in the questionnaire to know the students’ perspectives of the most important factors influencing them in starting-up franchise business in Bandung.

Author surveyed 100 business management students from several universities in Bandung such as Institute Technology Bandung, Parahyangan Catholic University, Padjajaran University, and Maranatha Christian University. From this survey, we can analyse the current students’ interest especially in the entrepreneurial aspect of conducting business in Indonesia (as those 10 questions are related with entrepreneurial aspects).

4.1.1. Analysis of Respondent Profile

Among the 100 questionnaires distributed to business management students from several universities in Bandung, 78 respondents are of the age 17-20. The other 22 respondents are of the age 21-24. About 63 respondents are women and the other 37 respondents are man. 6 students stated that they have tried becoming an entrepreneur besides their occupation as students, while the other 94 students stated that they are only a student and have not tried doing any business.

4.1.2. Analysis of Franchisor Profile

There are two franchisor of service franchise business in Bandung interviewed by the author.

Table 1 Franchisor Profile

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Franchisor</th>
<th>Franchisee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tikindo</td>
<td>Mrs. Mergie</td>
<td>There are 10 TIKINDO outlets in West Java</td>
</tr>
<tr>
<td>JNE</td>
<td>Mr. Satriadi</td>
<td>There are 240 outlets in West Java, 120 outlets in Bandung-Cimahi and another 120 outlets in Tasikmalaya, Garut, Subang</td>
</tr>
</tbody>
</table>

4.2. Data Analysis

4.2.1. Analysis of the most important factors affecting student in starting-up service franchise business in Bandung

This analysis describes the factors affecting students in starting-up franchise business in Bandung. Here is the table of questions included in the questionnaire to gain the information about the most important factors that affecting student interest in conducting franchise business.
Table 2  Questions about factors that affecting students interest

<table>
<thead>
<tr>
<th>No</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Franchise Business has had a success track record</td>
</tr>
<tr>
<td>2</td>
<td>Franchise Business has had a strong corporate image and brand awareness</td>
</tr>
<tr>
<td>3</td>
<td>Franchise Business has had a clear management system in its business</td>
</tr>
<tr>
<td>4</td>
<td>The high success rate in conducting franchise business</td>
</tr>
<tr>
<td>5</td>
<td>Easy to get financial support for investment capital from related parties</td>
</tr>
<tr>
<td>6</td>
<td>The amount of capital needed to buy patent from franchise business</td>
</tr>
<tr>
<td>7</td>
<td>The amount of royalty got from conducting franchise business</td>
</tr>
<tr>
<td>8</td>
<td>Franchise Agreement between related parties (franchisor-franchisee)</td>
</tr>
<tr>
<td>9</td>
<td>The duration of the business engaged in the franchise business in Indonesia</td>
</tr>
</tbody>
</table>

The total point calculated above shows several factors affecting students in starting-up franchise business in Bandung. From the table, there are 6 most important factors affecting the students’ interest, they are factors number 2,3,1,4,6, and 7:

1. Franchise Business has had a strong corporate image and brand awareness
2. Franchise Business has had a clear management system in its business
3. Franchise Business has had a success track record
4. The high success rate in conducting franchise business
5. The amount of capital needed to buy patent from franchise business
6. The amount of royalty got from conducting franchise business

4.2.2. Analysis of the present and future opportunity state of entering service franchise business in Bandung

In order to gain insights on the present opportunity of the service franchise business, author analyze information about the market acceptance of service franchise business in Bandung. The result shows that 89% of all respondents have known about service franchise business and only 11% who does not know. This indicates that service franchise business have a strong brand recognition and brand awareness among the students.

Furthermore, 60% of the respondents stated that service franchise business has been an alternative to start business in Indonesia, while the other 40% of respondents said that service franchise business has not yet been an alternative.
In analyzing the future opportunity for service franchise business in Bandung, 64% of respondents are giving positive response for conducting the service franchise business, and only 36% of the respondents who are not interested.

Table 3 Reason in entering Service Franchise Business

<table>
<thead>
<tr>
<th>No</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Doing franchise business not only buy the business but also buy the business experiences.</td>
</tr>
<tr>
<td>2</td>
<td>Doing franchise business is a good start in doing business in Indonesia, specifically in Bandung.</td>
</tr>
<tr>
<td>3</td>
<td>Doing franchise business has lower business risk than doing a new business.</td>
</tr>
<tr>
<td>4</td>
<td>Doing franchise business has higher success rate than doing a new business.</td>
</tr>
<tr>
<td>5</td>
<td>Franchise business has had a specific target, consumer, and competitors in doing its business.</td>
</tr>
<tr>
<td>6</td>
<td>Franchise business has given proven training to all employees worked in franchisee’s outlets.</td>
</tr>
<tr>
<td>7</td>
<td>Franchise business has had a proven and clear management system so it will be easier students to enter business world.</td>
</tr>
</tbody>
</table>

The author analyses further on the reason students want to open service franchise business. The variable above shows several reasons for conducting service franchise business in Bandung. From the graphs, it can be seen that the reason number 5 which is “Franchise business has had a specific target, consumer, and competitors in doing its business” has the biggest value of 3.98. This shows that strong brand recognition possessed by franchise business makes student want to conduct service franchise business in Bandung. The brand name that comes with the franchise is already recognizable to consumers, without the franchisee having to spend a lot of money and time in establishing a new brand. The brand awareness provides security and trust to the customer who expects uniform quality to be provided. Next, the reason number 1 and 7 which is “Doing franchise business not only buy the business but also buy the business experiences”, and “Franchise business has had a proven and clear management system so it will easier students to enter business world“ shown the same value of 3.84. Furthermore, the reason number 6, which is “Franchise business has given proven training to all employee worked in franchisee’s outlets” also shown big value of 3.79. Overall, all the reason that author asked to respondents show positive tendency shown by the more-than-3.00 value.

4.2.3. Analysis of the most suitable and ideal franchise mechanism system model

From the interview with the franchisor of TIKINDO and JNE, both agree that when the franchisees buy a franchise, they buy a system. All franchises have an already-established system in place that they must follow. These systems are designed to improve the overall productivity and increase sales of each franchise. Having a proven system already in place eliminates the guesswork and errors a common business owner would normally face. To answer this point, author tries to analyse and find out the suitable mechanism franchise system to be implemented in conducting franchise business. Typically, franchise systems have several components:
a. Costs

In exchange for the right to use the franchisor’s name and assistance, the franchisee will pay the following fees:

*Initial Franchise Fee and Other Expenses*

From the interview, known that the initial franchise fee for conducting service franchise business such as TIKINDO and JNE in Bandung range from IDR 5,000,000 - IDR 7,500,000. Besides, franchisees may incur significant costs for renting, building, and equipping an outlet and buying initial inventory. They may also have to pay for operating licenses and insurance, and some “marketing” fee to promote their outlets. Through the questionnaire, author also analyses the amount of capital that students are willing to invest for conducting service franchise business in Bandung. From the data collected, 38% of respondents interested in conducting service franchise business if the investment capital is around IDR 2,500,000 – IDR 5,000,000. 27% of respondents said that the suitable investment capital for conducting service franchise business is around IDR 5,000,000 – IDR 7,500,000, the other 26% respondents said that it worth more than IDR 7,500,000, and only 9% said that less than IDR 2,500,000. Data gathered from interview with franchisor from TIKINDO and JNE shows that the investment capital to start up service is around IDR 5,000,000 (for TIKINDO) and IDR 7,500,000 (for JNE), this data show that there is a suitability/match between the amount of capital that students are willing to invest for conducting service franchise business and the amount of capital that a franchisee need to pay to the franchisor in some service franchise business in Bandung such as TIKINDO and JNE.

![Fig. 3 Reason in Entering Service Franchise Business](image)

*Royalty Payments*

The franchisee must pay the franchisor royalty fees, or vice-versa. In this service franchise business, franchisor may have to pay the franchisee royalties based on a percentage of their weekly or monthly gross income. Franchisor must pay royalties even if the outlet does not earn significant income.

b. Controls

To ensure uniformity, franchisors usually control how franchisees conduct business. These controls may significantly restrict franchisee ability to exercise their own business judgment. Here are some factors that need to be considered:

*Appearance Standards*

Franchisors may impose design or appearance standards to ensure a uniform look among the various outlets. Some franchisors require periodic renovations or seasonal design changes. There are several compulsory
equipments, training, daily operation instruction, and advertising that franchisees of TIKINDO and JNE must comply to as their outlet’s operation standards.

**Restrictions on Goods and Services**

Franchisors may restrict the goods and services franchisee sell. For example, if you own a service franchise such as TIKINDO or JNE, they may not be able to make any changes to your pricelist or additional destinations.

**Restrictions on Sales Area**

A franchisor may limit the franchise business to a specific territory. While territorial restrictions may help to ensure that one franchisee will not compete with other franchisees for the same customers, they could, on the other hand, hurt the ability to open additional outlets or to move to a more profitable location. In addition, a franchisor may forbid the franchisee’s from having their own website, which could restrict their ability to have online customers. However, the franchisor itself may have the right to offer goods or services in franchisees sales area through its own website or through catalogues or telemarketing campaigns.

In general, there are some territory regulations that need to be agreed between franchisor and franchisee of TIKINDO service franchise business, some of them are:

- Franchisee’s location must be strategic. It needs to be close to business area, and is accessible to cars.
- Have an enough parking space.
- There should not be a TIKINDO outlet around 1.5 km between another TIKINDO outlet.
  
  Similarly, there is exclusive rights to a territory do franchisees get from the JNE service franchise business, that is:
  - The location should not less than 1 km with another JNE outlet (term and condition applied) and/or it
  - should not be on the same floor with the other JNE outlet which already in that floor before.
  - The location of the JNE outlet must be strategic too and can be accessed with various vehicle.
  - Have enough parking space.

**Procedure to be a franchisee**

Purchasing a franchise business license may reduce the investment risk by enabling all franchisees to associate with an established company which already have well-established systems in place. From the interview with the franchisors, the author concludes that the mechanism system in JNE is more organized than in TIKINDO. There are some crucial systems that JNE has whereas TIKINDO does not; for example, the availability of agency meeting and business consultant. As stated by the JNE franchisor, Mr. Satriad, the agency meeting which held regularly by JNE really have good impacts for JNE franchise business. This agency meeting consists of associations of franchisees operating similar outlets. Associations of franchisees who are operating similar outlets are another important source of information. Whether or not these associations are sponsored or endorsed by the franchisor, they are allowed to provide information about the state of the relationship between the franchisor and its franchisees. On the franchisee association there are lot of things that can be discussed, such as:

- Its membership
- Its experience and history
- Its goals
- Its relationship with the franchisor
- Any benefits in buying from one franchisor versus a competitor
- Any problems franchisees are facing in the operation of their outlets

Furthermore, the availability of the business consultant in the franchise mechanism system is also really helpful in conducting franchise business. If there is any problem identified, the problem will be mediated by business consultant team which will help to resolve the problems.

c. **Franchise Terminations and Renewal**

Franchisee can lose the right to their franchise business if they breach the franchise contract. Franchise contracts are for a limited time. Franchise Termination A franchisor has the right to end your franchise agreement for a variety of reasons, including franchisee failure to reach sales target or revenue or abide by performance standards and sales
restrictions. As stated by Mrs. Mergie, all franchisees have minimum performance levels, or a minimum fee, or a minimum purchase level for goods. The beginning all TIKINDO franchisee’s offices have to reach IDR 5,000,000 of selling revenue within three months. If the target sales at the specified time are not achieved, then the head office of TIKINDO has the authority to review the agency cooperation. In line with TIKINDO, in the beginning all the franchisee’s of JNE outlets have to reach:

a. Selling target for 1st – 3rd month = IDR 5,000,000
b. Selling target for the 4th month – the months onwards = IDR 6,000,000

The target sales on the 4th month until the first year has not been reached, then the head office of JNE office have the authority to review the agency cooperation. On the other hand, if franchisees do not like the business, they should make a letter about the reasons why they do not like the business. After that both franchisor and franchisee can terminate the agreement.

d. Renewals

Franchise agreements may run for some duration of time. At the maturity of contract, the franchisor or franchisee may decline to renew the contract. Renewals are not automatic, and they may not have the original terms and conditions. Indeed, the franchisor may raise the royalty payments, impose new design standards and sales restrictions, or reduce franchisee territory.

5. Conclusions and Recommendations

5.1. Conclusions

5.1.1. The most important factors affecting students interest in Indonesia in starting-up service franchise business in Bandung

Through the questionnaire and in-depth interview, we can find and conclude that there are six most important factors affecting the students’ interest in starting-up service franchise business in Bandung. They are:

1. Franchise Business has had a strong corporate image and brand awareness
2. Franchise Business has had a clear management system in its business
3. Franchise Business has had a success track record
4. The high success rate in conducting franchise business
5. The amount of capital needed to buy patent from franchise business
6. The amount of royalty paid from conducting franchise business

5.1.2. The present and future opportunity state of entering service franchise business in Bandung

Owning a franchise is an opportunity to be part of a proven business concept. Even though the benefits of owning a franchise compared to building a business from the ground up are numerous, the franchise opportunity must be evaluated on an individual basis. The needs and capabilities of the prospective franchise must be considered. From the previous chapter, the author gains insights on the present opportunity of the service franchise business, by analysing the information about the market acceptance of service franchise business in Bandung. 89% of all respondents have known about service franchise business and only 11% who does not know. This indicates that service franchise business really have strong brand recognition and brand awareness among the students. One of the biggest advantages of franchising is that the company can built a brand on a regional or national level which has value in the eyes of customers they are trying to attract. Next, to evaluate the future opportunity of service franchise business, the author gathered data from the questionnaire to ask the students interested in this issue. 64% of respondents gave positive response for conducting the service franchise business in Bandung, and only 36% of the respondents who did not. From this data, it is clear that more than a half of the respondents interested in conducting service franchise business in Bandung. As stated by Mrs. Mergie Ristanti and Mr. Satriadi during the interview, there are some advantages that franchise opportunity have from other business opportunity. Franchises pave a much simpler and practical way to start a business as compared to non-franchised business operators, this really creates a good opportunity for franchise business to be developed as one alternative that business management students should do to start a business in Bandung. In addition, the data obtained from analyzing the gender proportion which have
interest for conducting service franchise business shows that women are more interested in conducting this service franchise business than men. 68.25% of female respondents said that they are interested in conducting service franchise business, whereas only 56.76% of male respondents said that they are interested in conducting service franchise business in Bandung. Starting a whole new business often seems to be too risky and therefore, the allure of starting a franchise business that is well-packaged and ready to go is really a good start to build a sustainable business in Bandung. That is why people look to franchising as a vehicle to drive their lifestyle and their income in the right direction.

5.1.3. The most suitable and ideal service franchise mechanism system model

Opening a franchise comes with the advantage of knowing that this business has been successful in other locations. The idea and process of running this business have already been proven. Therefore the learning curve in operating the business can be virtually eliminated. Besides, we also need to be knowledgeable about the most suitable and ideal franchise mechanism system model to be implemented by the students in conducting service franchise business in Bandung. From the interview with the franchisor of TIKINDO and JNE, both agree that when the franchisees buy a franchise, they buy a system. All franchises have an already-established system in place that they must follow. These systems are designed to improve the overall productivity and increase sales of each franchise. Having a proven system already in place eliminates the guesswork and errors a common business owner would normally face.

To sum up, here are several components that franchise systems must have in its mechanism system model:

1. Costs (Initial Franchise Fee and Other Expenses; Royalty Payments)
2. Controls (Appearance Standards (Equipment, Training, Daily Operation Instruction, Advertising); Restrictions on Goods and Services; Restrictions on Sales Area; Procedure to be a franchisee)
3. Termination or Renewals (Franchise Terminations; Renewals)

5.2. Recommendations

From this research, these are several recommendations from the author that might help establish comprehensive guidelines for the increasing number of aspiring entrepreneurs to boost their confidence in starting up service franchise business in Bandung.

- In deciding to start a new business, a franchise business offers wonderful business opportunity. Starting a service franchise business that is packaged with proven systems is really a good start for student to build a sustainable business in Bandung. Students can purchase a franchise business license. However, they still have to pay attention to its franchise mechanism system model such as costs, controls, and termination/renewals.
- When selecting the right franchise business, learn all about the franchise agreement before deciding to buy the franchise business. Learn what is included in the franchise agreement and review all the franchise agreement before signing so that franchisees are certain and have a clear understanding of all of the contents in the franchise agreement.
- The growth in franchise operations has outdistanced laws about franchising. Because of that, there should be other researches about franchise law and regulations to complete this study.
- There should be a further research to check whether the same contributing factors identified in this study (service franchise) will also be valid for product franchise.

References