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DEVELOPING A SUSTAINABLE BUSINESS GROWTH STRATEGY THROUGH FRANCHISING CASE STUDY OF COMPANY X

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ABSTRACT

The primary objective of this research is to analyze the current business situation of Esteh Indonesia's Franchise Model, identify factors affecting its sustainability, and develop a new business strategy for sustainable growth. The conceptual framework is based on Rothaermel's AFI Framework, incorporating a comprehensive analysis of the 7P Marketing Mix, industry analysis using PESTEL and Porter's Five Forces, and core competency evaluation through the VRIO framework. The literature review highlights key theoretical foundations, including franchising strategies, critical success factors, franchising relationship models, and the concept of Blitzscaling. The research method utilized a mixed-method approach, collecting qualitative data through one-on-one in-depth interviews with ten franchisees selected via convenience sampling revealed operational and market challenges and quantitative data through an online questionnaire administered to 200 customers. provided insights into purchasing behavior and brand perception. The qualitative data was analyzed using thematic content analysis to identify patterns and insights, while the quantitative data was analyzed using descriptive statistical analysis and Likert scales to measure customer perceptions and behaviors. To achieve sustainable growth, Esteh Indonesia should adopt a multifaceted strategy leveraging strengths, addressing weaknesses, capitalizing on opportunities, and mitigating threats. Focusing on a differentiation strategy based on the Porter's Generic Strategy, emphasizing market penetration and product development based on the Ansoff Matrix , and utilizing the BCG Growth-Share Matrix to identify and replicate high-performing outlets, providing enhanced franchisee support, and upgrading to the 'Esteh 2.0' model will boost sales and brand equity, driving sustainable growth and solidifying Esteh Indonesia's market leadership.

KEYWORDS *Franchise, Sustainability, Growth Strategy, Business Strategy, Blitzscaling*

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INTRODUCTION

Franchising has been an enduring facet of business expansion for decades. It expertly harnesses the power of established business models, offering a roadmap for new entrepreneurs while allowing established brands to expand their reach swiftly and effectively. At its core, franchising offers a symbiotic relationship: the franchisor, with a proven model, can rapidly grow its brand presence, while franchisees, armed with a playbook for success, can navigate the tricky early stages of business establishment.

The food & beverage industry, characterized by its dynamic nature and consumer-driven trends, has been particularly receptive to the franchising model. Numerous brands across the globe have successfully used this approach to traverse national boundaries and set up shop in diverse cultural settings. In this expansive sector, the "Grab and Go" drinks category has emerged as a particularly vibrant segment.

Heightened consciousness about health and wellness has spurred the expansion of the global ready-to-drink tea sector. This trend is driven by consumers moving away from sugary soft drinks in favor of healthier options. Additionally, tea brands are carving out specific niches within the market. There's a growing range of sugar-free tea beverages, as well as fizzy tea options, positioning them as direct competitors to classic soft drinks such as colas and lemonades. In Indonesia, where cities are busy and people's lifestyles are changing, there's a growing demand for "Grab and Go" drinks. This means demand that can easily grab when they're on the move, fitting perfectly with the fast life of city dwellers. The numbers show that this trend is on the rise. In 2023, the market for "Grab and Go" drinks in Indonesia reached a huge 82.947 trillion Rupiah. If we look closer, about 38.44 trillion came from online sales, and slightly more, 44.5 trillion, came from offline sales. These numbers tell us that the market is getting bigger, and people like buying these drinks both online and offline.

Indonesia's tea industry is on track for a significant revenue increase, with forecasts of US$1.8 billion by 2024. From 2024 to 2027, the market is expected to increase at a CAGR of 10.48%. Indonesia's market additionally showing signs of growth. In 2024, the tea grab-and-go industry in Indonesia is expected to generate an average revenue of US$6.15 per person. The sector's volume is predicted to reach a peak of 1,187.0 million liters by 2027, with a 7.9% increase in 2025 alone. Furthermore, the average consumption per person is expected to reach 3.37 liters by 2024, indicating rising individual demand. This increase in Indonesia's market reflects a larger consumer trend toward healthier and more convenient drink options.

In just five years, Company x has opened more than 1000 outlets, successfully grabbing a large piece of the growing market for "Grab and Go" drinks in Indonesia. It shows that Company x has found a winning formula for setting up and running these outlets, making it easy for them to capture the attention and preferences of consumers. A robust franchise strategy means they've likely put in a lot of effort to ensure each outlet follows the same successful model, building consistency that helps in earning trust with customers.

Company X, founded in 2018 by a group of entrepreneurs, began with a small booth offering various tea-based products. Its popularity soared due to the delicious taste, affordable prices, product innovation, and trend alignment, leading to the opening of a larger grab-and-go outlet in a major city in 2019. New shareholders and brand ambassadors, Danu Sofwan and Brisia Jodie, joined, and the company introduced a partnership concept, expanding from 3 to 19 outlets by the end of 2019 and collaborating with online merchants like GoFood, GrabFood, and ShopeeFood. Despite the COVID-19 pandemic, Company X, founded in 2018, has grown to numerous outlets nationwide. The company adopted a Functional Organizational Structure led by a CEO, with distinct C-Level roles overseeing various departments. Company x's vision is to become a market leader in the high-quality food and beverage franchise industry, with a mission to cultivate entrepreneurs, foster intrapreneurial learning, and maintain a sustainable franchise ecosystem.

Company x has grown significantly using a Blitzscaling Strategy, rapidly expanding to over 1000 outlets within five years. This strategy prioritizes speed over operational efficiency, helping the brand capture a large market through franchising. However, Company x has now reached the Maturity Stage, marked by slow growth, steady sales, controlled costs, and gradual profit increases. The company faces challenges such as royalty policy enforcement, franchisees not sourcing materials from management, underperforming branch closures, and maintaining brand standards. To sustain growth, Company x is reassessing its business strategies, focusing on maximizing revenue from existing outlets and strategic new branch openings. A Root-Cause Effect analysis identified issues in product sweetness, competitive pricing, service consistency, location strategy, franchisee selection, promotional capabilities, and outlet maintenance. Stakeholder analysis highlights the need for tailored strategies to manage relationships with key stakeholders like the Ministry of Trade, owners, customers, competitors, franchisees, suppliers, employees, distributors, media, regulatory bodies, and local communities. The research aims to analyze the current business situation, identify factors affecting sustainability, and develop a new business strategy for Company x to achieve sustainable growth, with a focus on Java and Bali.

RESEARCH METHOD

This research uses a mixed-method approach for thorough analysis, improving validity and providing a comprehensive perspective through triangulation. Secondary data will be gathered from various published sources to supplement the primary data. Qualitative data collection involves in-depth interviews with with ten franchisees of Company X, selected through convenience sampling, to understand sustainable growth within the business. Quantitative data collection involves questionnaires administered to 200 Esteh customers, ensuring diverse representation and using stratified sampling to reduce margin of error and improve reliability. Data analysis employs both qualitative content analysis and descriptive statistical analysis. Qualitative analysis identifies themes from interviews, while quantitative analysis uses descriptive statistics to present data without broad generalizations. The study aims to analyze Company x's current business situation, identify sustainability factors, and develop a new growth strategy. The research design follows Rothaermel's AFI Strategy Framework, starting with problem identification, followed by external and internal analysis using PESTEL, Porter's Five Forces, and VRIO analysis. Primary data is collected through questionnaires and interviews, supplemented by secondary data. Strategy formulation uses frameworks like Porter's Generic Strategy, Ansoff Matrix, and BCG Growth-Share Matrix, leading to the implementation phase where strategies are translated into actionable plans. The ultimate goal is to develop recommendations for sustainable growth.

RESULT AND DISCUSSION

Analysis

The business analysis in this study uses several types of methodologies. In the initial stages, the PESTEL Framework assesses the franchise beverage industry's business environment to identify potential risks and opportunities. The Porter Five Forces framework is used to evaluate market competitiveness. A core competencies analysis is carried out using the VRIO framework to determine Company x's long-term competitive advantage. Finally, using these findings, a SWOT analysis is conducted to identify the internal and external factors influencing Company x.

From the primary data obtained, two methodologies are used for analysis: qualitative and quantitative methods. Qualitative analysis is conducted with franchisees through one-on-one interviews, which are analyzed using thematic analysis. Subsequently, quantitative analysis is performed on 200 customer respondents using an online questionnaire on Google Docs, which is analyzed using descriptive graphical statistical analysis, Likert scale analysis, and summarization of key takeaways from customer feedback.

Business Environment Analysis

Business Environment Analysis will be conducted using two frameworks: the **PESTEL Framework** and the **Porter Five Forces Framework**. By utilizing these frameworks, Company x can identify opportunities and threats in the business environment, aiding strategic decision-making in today's complex business landscapes. The **PESTEL analysis** evaluates Political, Economic, Social, Technological, Environmental, and Legal factors influencing the business, allowing Company x to improve its competitive positioning by anticipating changes and mitigating risks.

PESTEL Framework Analysis

Political Factors:

- **Tax Policy:** An anticipated tax rate increase to 12% by 2025 could reduce consumer purchasing power and demand. Proposed solutions include cost-saving measures in production, promotions, and loyalty programs.
- **STPW Regulation:** Complexity in obtaining STPW for legal recognition in

franchising requires better regulation. Engaging with regulatory bodies to streamline processes and advocating for clearer guidelines is recommended.

Economic Factors:

- **Inflation and Economic Conditions:** Rising inflation necessitates optimizing operational efficiency and pricing strategies. Diversifying the supplier base and using economies of scale are proposed solutions.
- **Pandemic Momentum:** The pandemic has spurred investments in the FnB sector, indicating resilience and adaptability. Expanding product offerings, enhancing delivery services, and investing in digital marketing are advised.

Social Factors:

- **PPKM:** The popularity of Grab and Go trends due to PPKM encourages expansion with minimal space and capital expenditure. Expanding small-format outlets and optimizing store layouts for faster service is recommended.
- **Health and Wellness Concerns:** Growing health concerns call for health-oriented products, including organic and herbal teas. Regular market research to stay ahead of health trends is suggested.

Technological Factors:

- **Social Media Marketing:** Using platforms like TikTok enhances brand visibility and sales. Developing a strategic social media plan focusing on interactive content and influencer partnerships is advised.
- **Online Food Delivery Platforms:** Platforms like GoFood and GrabFood expand sales channels with minimal setup costs. Integrating advanced ordering and logistics systems and offering exclusive promotions through these platforms are recommended.

Ecological Factors:

- **Waste Management and Plastic Use:** Implementing eco-friendly practices and promoting recycling meet consumer expectations and regulatory requirements. Transitioning to sustainable materials and company-wide sustainability training is suggested.
- **Plastic Ban in Some Areas:** Compliance with regional single-use plastic bans is essential. Developing new packaging solutions and partnering with local suppliers of sustainable materials is advised.

Legal Factors:

- **Food Safety Regulation:** Ensuring compliance with food safety regulations, including Halal certification, is crucial. Strengthening internal quality control measures and regularly auditing suppliers are recommended.
- **Minimum Wage Regulations:** Adhering to minimum wage laws ensures fair labor compensation. Regularly reviewing and adjusting wage structures and fostering a positive work environment is advised.
- **Intellectual Property Protection:** Protecting intellectual property rights is crucial for preserving brand identity. Investing in legal expertise to monitor

and enforce these rights is recommended.

- **STPW Regulation:** Compliance with STPW regulation and outlet distance restriction is essential. Implementing strategic location analysis and developing a robust compliance system are suggested.

Porter's Five Forces Framework Analysis

1. **Threat of New Entrants (High):** The beverage industry, particularly the iced tea segment, attracts many potential competitors due to low barriers to entry. Company x faces competition from brands like Esteh Solo, Esteh Nusantara, Haus, and Mixue.
2. **Threat of Substitutes (High):** Consumers have a wide range of alternatives, including coffee, soft drinks, fruit juices, and bottled water. This increases the availability of substitutes for consumers.
3. **Bargaining Power of Buyers (High):** Consumers have abundant choices, allowing them to switch between brands easily. Buyers can exert pressure on prices and demand favorable terms.
4. **Bargaining Power of Suppliers (Low):** Company x benefits from economies of scale, allowing favorable terms with suppliers due to its extensive network of outlets.
5. **Rivalry of Competitors (High):** The rivalry among existing competitors is intense. Company x faces direct competition from established players like Tong Tje, Cha Time, and Esteh Poci, as well as indirect competition from other beverage providers.

The analysis shows that Company x operates in a highly competitive environment with constant threats from new entrants, substitutes, powerful buyers, and intense rivalry. However, the company enjoys a relatively advantageous position concerning supplier bargaining power due to its economies of scale. To maintain and enhance its competitive edge, Company x must continually innovate, differentiate its offerings, and adapt to changing consumer preferences and market dynamics.

Core-Competencies Analysis

The VRIO framework is a strategic tool designed to assist businesses evaluate their internal resources and capabilities to identify potential sustainable competitive advantages. It is generated up of value, rarity, imitability, and organization. By analyzing these four components, businesses can gain a better knowledge of their strengths and limitations, allowing them to make more informed choices about resource allocation and company strategy design.

Table IV.2 VRIO Framework Analysis

Resources	Value	Rarity	Imitability	Organizatio	Competitive

				n	
Technology Infrastructure and Adoption	No	-	-	-	Competitive Disadvantage
Product Research & Development	Yes	No	-	-	Competitive Parity
Product Quality	Yes	No	-	-	Competitive Parity
Pricing Strategies	Yes	No	-	-	Competitive Parity
Human Resources Management	Yes	No	-	-	Competitive Parity
Intellectual Property Rights, Copyrights, and Trademarks	Yes	Yes	No	-	Temporary Competitive Advantage
Financial Resources Access	Yes	Yes	No	-	Temporary Competitive Advantage
Strong Digital Presence and Engagement	Yes	Yes	No	-	Temporary Competitive Advantage
Customer Relationships	Yes	Yes	No	-	Temporary Competitive Advantage
Number of Outlets	Yes	Yes	No	-	Temporary Competitive Advantage
Speed of Upscale Strategies (Blitzscaling)	Yes	Yes	No	-	Temporary Competitive Advantage
Strong National Presences as Pioneer	Yes	Yes	No	-	Temporary Competitive Advantage
Business Leadership, Vision, and Innovation	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage

Company x's technology infrastructure is not considered valuable, placing the company at a competitive disadvantage as many newer companies have adopted industry standards. In areas such as product research and development, product quality, pricing strategies, and human resource management, Company x achieves competitive parity; these resources, while valuable, are neither rare nor difficult to imitate, indicating that competitors possess similar strengths. However, Company x enjoys temporary competitive advantages in intellectual property, financial resources, national presence, digital engagement, and customer relationships. These advantages stem from the company's strong national presence, numerous branches, and prominent digital campaigns, though they are at risk of being replicated by competitors over time. The emergence of competitors using similar brand names like Esteh Solo and Esteh Nusantara poses a challenge. Despite having numerous outlets and rapid expansion strategies, these strengths are also seen as temporary due to the faster expansion capabilities of smaller competitors with lower capital requirements. In contrast, Company x’s sustainable competitive advantage lies in its business leadership vision and innovation, which are valuable, rare, difficult to imitate, and deeply embedded in the organization’s culture and operations. This robust integration and the company's pioneering status create enduring strategic foundations and significant barriers for competitors, securing a long-lasting competitive edge.

Qualitative Data Analysis

Qualitative analysis was carried out on 10 respondents who were Company x franchisees with ownership of more than one outlet and had performance that exceeded the target. This qualitative method was carried out using in-depth interviews with 10 questions analyzed using Interview Thematic Analysis. These questions are designed to provide insights into the franchisees' experiences, challenges, and perspectives regarding sustainability within the Company x franchise model.

Company x franchisees face challenges in maintaining long-term sustainability, despite their early appeals to the brand's popularity and management seriousness. The challenges vary from effectively managing several franchises to meeting consumer expectations in the face of increased competition, weather disruptions, and economic shifts. Human resource management issues, financial sacrifices, and pricing challenges all have an impact on the business stability and potential growth. To overcome these challenges, franchisees take a customer-centric strategy, valuing input for quality assurance and agility in operation to respond quickly to market shifts. Despite continued support from Company x, issues remain in staff management, distribution limits, and financial stability, emphasizing the need for enhanced communication channels and proactive efforts.

Strategies for sustained operations focus on effective employee management, customer engagement initiatives, and stringent quality control measures. Franchisees also emphasize the importance of product quality, strategic location placement, and effective marketing strategies in ensuring long-term operational success. Looking ahead, recommendations include diversification, enhanced communication, and exploration of alternative business models to foster continued growth and success.

Quantitative Data Analysis

Quantitative data was collected from 200 Company x customers using an online questionnaire. One respondent’s data was excluded as they hadn't tried iced tea, resulting in 199 analyzed responses.

The survey questions were divided into several sections and analyzed using pie and bar diagrams. These sections included demographic questions, customer purchase decision factors, purchase behaviors, favorite products, and influencing factors. Additionally, quantitative analysis using Likert scales covered customer agreement, interest, importance, and satisfaction factors, totaling 63 questions.

Demographic data revealed the majority of respondents were young women, especially those aged 18-25, with fewer older customers. The largest group of respondents were students, followed by employees, entrepreneurs, and housewives/husbands. Most respondents had a monthly income of under Rp 2,000,000, indicating economic diversity with a predominant low-income group.

Customer purchase decision factors showed a preference for well-known brands, responsiveness to promotions, health concerns, and convenience. Emotional and mental conditions influenced hesitation towards trying new products, while quick problem resolution was a top customer service expectation. Post-purchase doubts centered around taste and quality, and past experiences significantly impacted repurchase decisions.

Company x's customer behaviors indicated a preference for in-person transactions, with consumption influenced by weather and promotional visibility. Most customers spent moderately on beverages and snacks monthly, with recent brand awareness and afternoon purchase timings highlighting optimal sales opportunities. Physical signs and digital tools like Google Maps were primary sources for discovering Company x locations. This dynamic market presence suggests potential for strategic marketing and customer engagement improvements.

Customer Purchase Behavior Analysis

The customer purchase behavior section includes six questions that explore various aspects of customer interaction with Company x's products and brands. These questions address where customers typically buy Company x beverages, their monthly spending on snacks and drinks, how long they've known the brand, how they discovered Company x's locations, and how often they make purchases. These insights are crucial for understanding customer behaviors and preferences, guiding strategic decisions to enhance customer satisfaction and engagement.

Offline and Online Purchasing Preferences

A significant majority, 86.4%, prefer to purchase Company x products offline, indicating a strong preference for in-person shopping experiences. Online platforms such as Gofood (7.5%), Grabfood (3.5%), and Shopeefood (2.5%) account for a smaller fraction of purchases. Consumption habits reveal that Company x products are most frequently consumed during warm weather (31.2%) and promotional events (25.6%). Social aspects of consumption are also notable, with 17.6% drinking Company x while out on a walk and 11.6% when visiting interesting locations.

Brand Awareness and Discovery

Brand awareness data shows that 59.8% of customers have known the brand for less than three months, suggesting recent growth in brand recognition or a recent launch. Discovery methods indicate that visual storefront marketing is highly effective, with 50.3% of customers learning about locations through neon signs or physical outlets. Google Maps guides 25.1% of customers, while nearby word-of-mouth recommendations account for 20.1%. Social media's role in location discovery is minor, with direct social media information influencing 3.5% and influencer recommendations just 1%.

Monthly Expenditure and Purchase Frequency

Most customers (53.8%) spend between 50,000 to 100,000 IDR monthly on snacks and beverages. A considerable number (28.1%) spend between 100,000 to 200,000 IDR. The frequency of purchases peaks in the afternoon from 10:00-14:00 (46.2%) and late afternoon from 14:00-18:00 (41.2%). Morning and nighttime purchases are less common, at 10.6% and 2% respectively.

Customer Influencing Factors

Flavor is the primary driver for customers choosing Company x, with more than half citing it as their reason for purchase. Other factors include the variety of flavors, satisfaction with sweetness levels, quantity, packaging attractiveness, service quality, and price affordability. A vast majority of customers are willing to recommend Company x, suggesting high satisfaction and potential for strong word-of-mouth marketing.

Product Popularity and Customer Favorites

The analysis of frequently purchased products and customer favorites shows that Esteh Susu Nusantara is both a top-seller and a customer favorite. Esteh Original is a staple choice, embodying Company x's commitment to exceptional tea-based beverages. Flavored teas like Melati, Thai, and Lemon have varying degrees of purchase frequency and favoritism. Niche products like Red Velvet and Chizu Avocado have dedicated fan bases, despite lower purchase frequencies. The discrepancy between frequently purchased and favorite products highlights opportunities for targeted marketing to boost sales of beloved variants.

Customer Perception and Preferences

The Likert scale analysis reveals strong positive perceptions among consumers regarding product accessibility, price-quality ratio, and packaging comfort. Most customers express a keen interest in trying new flavors and innovations, with a significant focus on nutritional value. This indicates an increasingly health-conscious customer base open to new experiences.

Influencing Purchase Decisions

Key factors influencing purchase decisions include brand popularity, affordable pricing, delicious taste, drink volume, convenience, and promotional programs. The aesthetic appeal of glass design and the variety of options also play significant roles. Customers value the ability to purchase online and the quality of service at outlets, emphasizing the importance of both intrinsic product qualities and extrinsic factors in shaping purchase decisions.

Customer Satisfaction

High satisfaction levels are reported across various aspects of the customer experience, including brand popularity, product taste, pricing, glass design, drink volume, and outlet availability. Consumers also express strong satisfaction with the brand's ability to quench thirst and provide happiness. However, there is a significant concern about packaging integrity, with a considerable percentage of customers experiencing issues like leakage or damage. Addressing this concern is crucial for enhancing customer experience.

Recommendations and Feedback

Respondents recommend expanding the product line with more flavor variants and improving packaging integrity. Focusing on nutritional value and maintaining high standards in taste and customer service are essential for sustaining customer satisfaction and loyalty. By addressing these areas, Company x can enhance its market position and continue to resonate well with its target audience.

7P Marketing Mix

The 7P Marketing Mix Strategy for Company x integrates precise solutions derived from comprehensive qualitative and quantitative data analysis. To address consumer preferences for healthier options, Company x will introduce "Esteh Zero," a zero-sugar variant, and offer customizable sweetness levels. The popular Esteh Susu Nusantara, featuring Indonesian tea with milk and palm sugar, will be complemented by new flavors and organic teas to cater to evolving consumer demands. Maintaining consistent pricing while enhancing product quality aims to bolster customer loyalty and differentiate the brand without engaging in price wars. Strategic promotional activities, including discounts and bundled offers, will introduce new products and encourage trials. Improvements in outlet locations and online presence will enhance accessibility, supported by a comprehensive loyalty program and standardized promotional campaigns to ensure consistent customer engagement. Strengthening employee training and operational processes aims to deliver uniform service quality across franchises, complemented by enhanced franchisee selection criteria and technological support for operational efficiency. Regular maintenance and redesigned outlets will enhance the brand's physical evidence, aligning with customer expectations for quality and aesthetic appeal. These strategies collectively position Company x for sustained market growth and enhanced customer satisfaction.

SWOT Analysis and TOWS Matrix

SWOT analysis provides a comprehensive view of Company x's internal strengths and weaknesses, alongside external opportunities and threats in the competitive beverage industry. The company's strengths include a strong national presence with over 1000 outlets and effective digital marketing strategies that foster customer engagement. However, weaknesses such as inadequate technology infrastructure and competitive parity in core areas pose challenges. Opportunities like the rising demand for healthier beverages and expanding delivery services through platforms like GoFood present avenues for growth. Yet, threats such as intense market competition and economic instability require strategic responses.

The TOWS Matrix guides Company x in developing actionable strategies based on its SWOT analysis. Leveraging its strong national presence and digital engagement (SO strategies), the company plans to promote healthier beverage options. Addressing technology deficiencies (WO strategies) through digital transformation initiatives will enhance operational efficiency. Strategic leadership and broad product offerings (ST strategies) will mitigate competition and economic risks. Meanwhile, upgrading technology infrastructure (WT strategies) and diversifying market presence will help manage technological disruptions and reduce dependence on the Indonesian market amidst economic and regulatory challenges. These strategies aim to optimize resource allocation, enhance strategic agility, and sustain Company x's competitive edge in the dynamic beverage market landscape.

Business Solution

The business solution for the sustainable growth of Company x is formulated through strategic analysis. This involves utilizing three key frameworks: Porter's Generic Strategy, the Ansoff Matrix, and the BCG Growth-Share Matrix. These frameworks present an extensive strategy to managing various aspects of the business, such as market positioning, diversification strategies, and portfolio management. By integrating these frameworks into the strategy formulation process, Company x's objective is to create a robust and flexible plan that aligns with its long-term growth goals while effectively navigating the changing business environment.

Generic Business Strategy

To ensure Company x maintains and enhances its competitive edge in the highly saturated beverage market, a comprehensive set of strategic solutions based on Porter's Generic Strategies can be formulated. These strategies will leverage Company x’s existing strengths and address its market dynamics as detailed in the provided analysis.

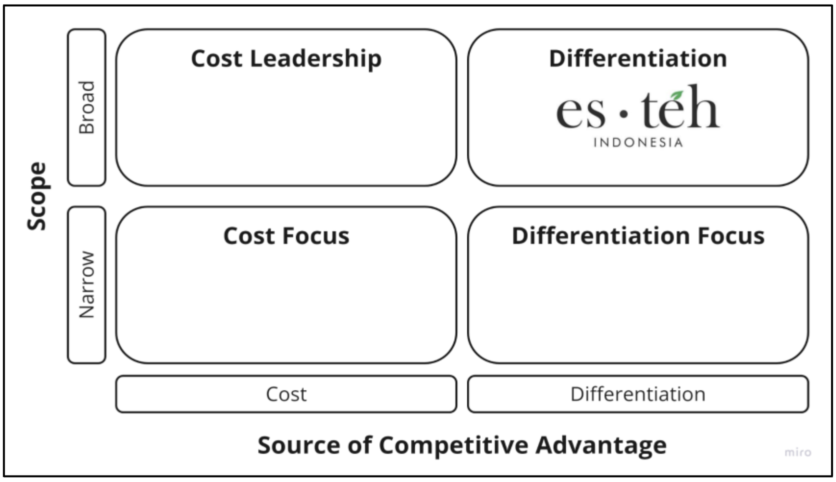

Figure IV.10 Company x Generic Strategy

1. Cost Leadership Strategy

Company x can capitalize on its scale and reach by optimizing its supply chain. Enhancing logistics and supply chain efficiency helps reduce costs, streamline operations, minimize waste, and enable more competitive pricing. The company can use its extensive network of over 1000 outlets to negotiate bulk purchasing discounts and favorable payment terms with suppliers, thereby reducing the cost of goods sold.

2. Differentiation Strategy

To bolster its position in the competitive market, Company x will continually introduce innovative tea-based beverages that cater to local preferences and health trends, such as sugar-free variants and specialty local flavors. By offering customizable sugar levels and promoting educational campaigns on sugar intake, Company x ensures customer empowerment and satisfaction. Additionally, Company x will enhance in-store experiences by creating compelling brand atmospheres, exceptional customer service, training, and community events. These will deepen customer relationships and further differentiate Company x from competitors, driving long-term growth and success.

3. Focus Strategy

Company x can effectively target niche markets through geographic specialization and demographic targeting. Concentrating efforts on high-growth potential regions or underserved markets and opening outlets in strategic locations where market research shows untapped customer segments can broaden its market base.

Based on the analysis, Company x should adopt a Differentiation Strategy to leverage its strengths and capitalize on market opportunities, aligning with the growing consumer demand for healthier beverage options. This strategy supports continuous innovation, quality enhancement, and market distinction, crucial for maintaining competitiveness in Indonesia's dynamic beverage industry. Lowering prices might yield short-term gains but risks damaging the brand's reputation for quality. Instead, Company x can reduce production costs by negotiating with suppliers and improving operational efficiencies while maintaining quality. Emphasizing product development and innovation, such as Esteh Zero and Esteh Susu Nusantara, helps meet evolving consumer preferences. Seamless access and distribution through integrated channels, advanced location intelligence, and operational excellence ensure consistent quality and service, reinforcing Company x's market leadership.

Product-Market Expansion Strategy

Building on the comprehensive analysis to the Ansoff Matrix, we can devise a tailored strategy for Company x that addresses the specific challenges and leverages the unique opportunities identified:

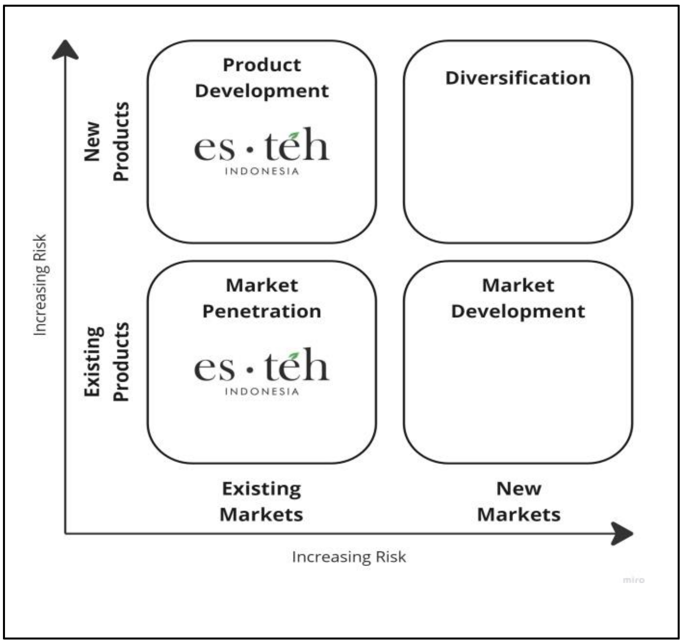

Figure IV.11 Company x Ansoff Matrix

Given the current decline in new outlets and revenue, Company x's growth strategy should focus on Market Penetration and Product Development, as outlined by the Ansoff Matrix. The decrease in new outlets and revenue highlights the need to optimize existing operations rather than expanding into new markets. Market Penetration involves enhancing franchise performance and marketing strategies to increase brand presence and sales in existing markets, with an emphasis on customer retention through loyalty programs and targeted marketing. Strategic location placement in high-traffic malls and premium store designs will improve visibility and customer experience. Product Development entails expanding Company x's offerings to include healthier and innovative products, such as sugar-free and organic tea options, responding to the growing demand for health-focused beverages. Highlighting the authenticity of Esteh Susu Nusantara and introducing seasonal products will attract and retain customers. By focusing on these strategies, Company x can strengthen its market position, differentiate itself, and drive sustained growth.

Growth Strategy

Based on the analysis regarding Company x, we can develop a BCG growth-Share Matrix. This matrix helps companies analyze their various business units or product lines to make decisions about resource allocation. Here, we can classify Company x's offerings into four categories: Stars, Cash Cows, Question Marks, and Dogs.

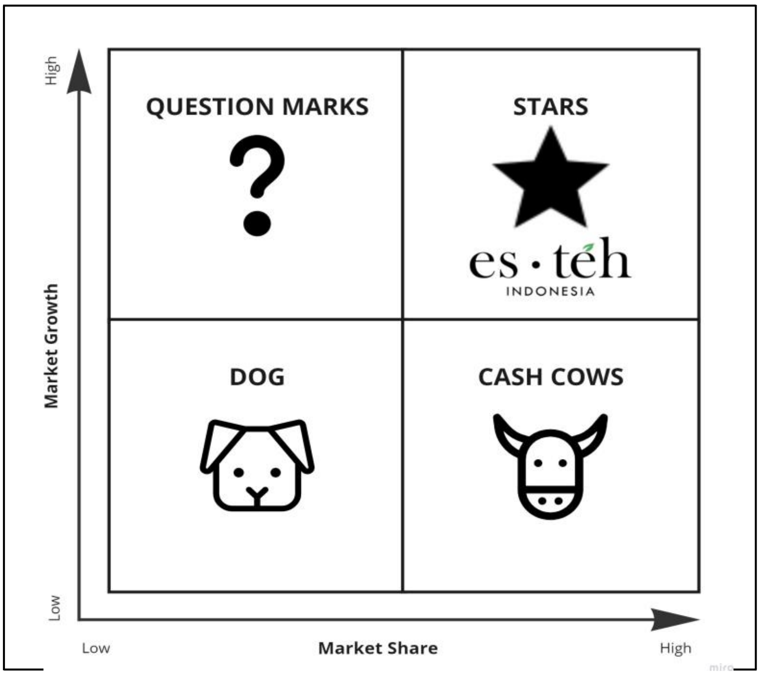

Figure IV.12 Company x BCG Growth-Share Matrix

Company x initially pursued an ambitious blitzscaling strategy to establish 1000 outlets in five years. However, due to declining new outlet openings and revenue, the company has shifted its strategy based on the BCG Growth-Share Matrix. Company x now focuses on nurturing its 'Stars'—high-performing outlets—by analyzing their success factors, such as location advantages and customer demographics. This allows the company to replicate this success across other outlets, ensuring sustained growth and profitability. The new strategy includes optimizing the franchise model, providing comprehensive support in training, marketing, and operations, and using advanced location intelligence tools to select prime locations for new outlets. Innovative franchise strategies, such as establishing Master Franchises and investing in the 'Esteh 2.0' model, enhance customer experience and drive sales. Additionally, underperforming outlets should be evaluated for potential relocation, and high-performing franchisees should receive special incentives. This strategic focus ensures sustained growth, profitability, and market leadership in the competitive beverage industry.

Implementation Plan

Company x's implementation plan from Q4 2024 to Q4 2025 is strategically designed to enhance operational efficiency, meet current market demands, and foster sustainable growth in the Indonesian beverage market. The plan focuses on optimizing existing operations, introducing innovative products, and improving customer experience to strengthen the brand's competitive position.

The market penetration strategy begins with optimizing existing outlets by enhancing franchisee support and training to improve operational efficiency. This initiative aims to stabilize current business operations and address operational inefficiencies by Q4 2024 and continues through Q2 2025. Simultaneously, personalized loyalty programs will be implemented to boost customer retention, aligning with consumer behavior insights and preferences starting from Q4 2024 into Q1 2025.

In terms of product development, Company x will focus on health-conscious offerings such as Esteh Zero (sugar-free, low-calorie, organic) and educate customers on adjusting sugar levels, catering to the rising demand for healthier options. Seasonal and limited-edition products aligned with cultural periods will be introduced between Q4 2024 and Q4 2025, informed by continuous consumer feedback gathered through digital platforms and in-store surveys.

The growth strategy involves identifying and analyzing high-performing outlets ('Stars') to replicate their success across other locations or consider takeover opportunities. This strategic analysis will be conducted from Q4 2024 to Q1 2025. To optimize the franchise model, enhanced support in training, marketing, and operations will be provided starting from Q1 2025, alongside utilizing advanced location intelligence to assess potential new locations with high sales potential.

Upgrading outlets to the 'Esteh 2.0' model featuring premium store designs and quick-serving models is planned from Q1 2025 to Q4 2025. Innovative franchise strategies, including establishing master franchises, implementing stringent criteria for franchisee selection, and prioritizing high-performing partners, will be executed by Q3 2025 into Q4 2025.

In terms of marketing and promotion, localized campaigns customized to local demographics and preferences in mall locations will run from Q4 2024 to Q4 2025. Enhancing customer experiences in malls with premium store designs and quicker service models tailored for mall shoppers will also be implemented during this period, aiming to improve customer retention and attract new customers.

In conclusion, Company x’s comprehensive implementation plan from Q4 2024 to Q4 2025 integrates market penetration, product development, growth strategies, and focused marketing efforts to drive operational efficiency, meet consumer demands, and achieve sustainable growth in the competitive Indonesian beverage market.

CONCLUSION

The research findings thoroughly address Company x's franchise model, identifying factors influencing its sustainability and providing strategic recommendations for sustainable growth. The current business situation is shaped by various external and internal factors. Politically, the company faces tax increases and regulatory requirements, while economically, rising inflation and economic instability are challenges. Social trends and technological advancements drive product innovation and digital marketing. Ecologically, eco-friendly practices are essential, and legally, food safety and intellectual property protection are crucial. Porter's Five Forces analysis highlights a highly competitive landscape, and the VRIO framework shows temporary competitive advantages in areas like intellectual property and digital engagement.

The sustainability of Company x is influenced by factors such as effective human resource management, financial stability, customer-centric approaches, and continuous innovation. Franchisee support, operational efficiency, and comprehensive after-sales support are vital for maintaining business stability. Quantitative data reveals strong customer satisfaction and brand recognition, emphasizing the importance of product quality and customer service.

To achieve sustainable growth, Company x should adopt a differentiation strategy, focusing on unique, health-conscious beverages and enhancing in-store experiences. Optimizing the supply chain, targeting niche markets, and improving technology infrastructure are also essential. Strategic alliances, digital marketing, flexible pricing models, and product innovation will help Company x maintain its competitive edge. Identifying high-performing outlets using the BCG Growth-Share Matrix and prioritizing strategic expansion will further support sustainable growth. These strategies aim to enhance operational efficiency, product innovation, franchisee support, digital transformation, market expansion, sustainability, cost management, and customer loyalty.

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